

International Labour Organization

Strengthening national leadership through the Embedded Approach in **Timor-Leste**

SERIES

EMPLOYMENT AND DECENT WORK IN FRAGILE SITUATIONS: PATHWAYS FOR PEACE AND RESILIENCE



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SERIES Employment and Decent Work in fragile situations: Pathways for peace and resilience

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"The implementation strategy prescribed by this DWCP is that of embedded technical assistance within the national labour administration and budget coordination between State and non-State budgets. Such an approach seeks to increase the existing capacity of the Government of Timor-Leste in administration and management of employment policy and programmes. ILO's experiences in Timor-Leste chiefly from the European Commission financed UNDP/ILO Skills Training for Gainful Employment Programme have demonstrated the effectiveness and efficiency of the approach and sustainability of the results as STAGE Programme initiatives have been up scaled and absorbed into national programmes".

DWCP 2008-13 for Timor-Leste

Foreword

This paper provides an overview of selected lessons learned from the ILO's involvement in fragile Timor-Leste. In particular it focuses on the embedded approach, also referred to as the *working within* approach, and its significance for the sustained engagement of the ILO in Timor-Leste. This people-centred approach has the merit of promoting true leadership and ownership within national institutions. It also facilitates conflict resolution and provides a common ground for building sustainable interventions.

The research that was conducted for this paper is based upon two sources of information. One is a rapid desk review of existing material (e.g. project documents, evaluations, toolkits, etc.) and a series of interviews with project staff members of the ILO in Timor-Leste and with government counterparts who have been working with the ILO since 2003.

It should be noted that this paper does not aim to identify a universally applicable approach or a blueprint for generic replication in other fragile situations. Nor does the paper monitor or evaluate the outcomes and achievements of present or past ILO projects in Timor-Leste; instead it aims to take stock of the variety of technical approaches that the ILO has been able to utilise under the common denominator of the embedded approach.

Both the diversity of programming activities that have been implemented in Timor-Leste and the - above-average – mobilisation of TC resources by the ILO seem to suggest that it is worth having a closer look at the embedded approach and the lessons that can be drawn from its application. It is hoped that the ILO's

Michiko Miyamoto

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experience in Timor-Leste may be of interest to colleagues within the ILO and other international organisations that work in fragile environments in which institution-building and long-term engagement are a crucial component of broader peacebuilding and state-building efforts.

In fragile settings the establishment of credible and effective national leadership is imperative for peace consolidation and state-building. The embedded approach that was used by the ILO in Timor- Leste is a promising experience that may help address and contribute to these overall goals. The aim of the embedded approach is not just service delivery, but service delivery by the government and therefore particularly pertains to fragile and transitional environments in which a core issue is not only whether needs are addressed, but also by whom and how they are addressed for building local capacity. Opportunities for adaptation and replication may be explored also through the MoU between the ILO and the g7+ signed in March 2014 as well as the ILO's Fragile-to-Fragile (F2F) cooperation initiative.

The Fragile States and Disaster Response Group (FSDR), situated in the DEVINVEST branch of the Employment Policy Department, which aims to ensure Office-wide coordination of the ILO's engagement in fragile and disaster settings, reviewed and systematised lessons gathered from the embedded approach in Timor and is now sharing them with other country offices, DWTs and HQ for their consideration and possible replication.

We are thankful to all those who took part in this worthwhile exercise.

Terje Tessem

Chief Development and Investment Branch (DEVINVEST) Employment Policy Department

Style and methodology

This paper provides readers direct access to the voice of those who have been directly involved in the reconstruction and recovery of Timor-Leste over the last ten years. Interviews were conducted in English, Tetum and Bahasa Indonesia. The responses have been edited for concision and clarity and do not represent a verbatim transcription. All efforts have been made to capture and maintain the 'voice' of the speakers using a journalistic style.

The research was conducted in Timor-Leste between 30 October to 11 December 2013,

commencing with a desk review of ILO project documents, evaluations, publications, and other material. About 20 semi-structured interviews were conducted with the ILO's staff in Timor-Leste, government counterparts and one social partner representative during the period October-December 2013. Given the constraints of time and scope, this paper is a mere stocktaking exercise and reflects primarily the impressions and perceptions of those interviewed. It does not aspire to present a comprehensive institutional perspective of the ILO.

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Federico Negro, Julian Schweitzer and Elisa Selva of the Fragile States and Disaster Response Group (FSDR/DEVINVEST) with Roberto Pes of the Dili programme office and Peter Van Rooij, Michiko Miyamoto and Lita Octavia of the Jakarta Country Office have reedited and finalized this paper in 2016. This paper has greatly benefited from comments and inputs from former and current ILO staff who have been involved in the ILO's operations in Timor-Leste: they include Alfredo Lazarte, Chris Donnges, Donato Kiniger-Passigli, Jean François Klein, José Assalino, Jürgen Schwettmann, Owais Parray, Peter Rademaker, Terje Tessem, and Tomas Stenström.

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conflict and fragile situations

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Acronyms and Abbreviations

ADB	Asian Development Bank
AusAID	Australian Agency for International Development
BOSS	Business Opportunities and Support Services Project
CDE	Centro de Desenvolvimento Empresarial
СТА	Chief Technical Advisor
DEC	District Employment Centre
DESD	Division of Employment and Skills Development
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
EC	European Commission
ERA	Enhancing Rural Access' Programme
EVTF	Employment and Vocational Training Fund
IADE	Instituto de Apoio ao Desenvolvimento Empresarial
IRAP	Integrated Rural Accessibility Planning
IDP	Internally Displaced Person
ILO	International Labour Organization
INDMO	National Labour Force Development Institute
INGO	International Non-Governmental Organization
ISF	International Stabilisation Force
JICA	Japan International Cooperation Agency
G2G	Government-to-government
LBT/LBAT	Labour Based Technologies/Labour Based Appropriate Technologies
LMI	Labour Market Information
MFI	Micro-Finance Institution
MLCR	Ministry of Labour and Community Reinsertion

MoU	Memorandum of Understanding
Norad	Norwegian Agency for Development Cooperation
NPO	National Programme Officer
NZAID	New Zealand, International Development Agency
PSG	Peacebuilding and State-building Goals
R4D	Roads for Development Programme
SSLS	Secretariat of State for Labour and Solidarity
SEFOPE	Secretariat of State for Vocational Training and Employment
STAGE	Skills Training for Gainful Employment Programme
TESP	Training and Employment Support Programme
TIM-Works	Investment Budget Execution Support for Rural Infrastructure Development and Employment Generation Project
TVET	Technical Vocational Education and Training
SEAPRI	Secretariat of State for Support and Promotion of Private Sector
UN	United Nations
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNMIT	United Nations Mission in Timor-Leste
UNSG	United Nations Secretary General
UNTAET	United Nations Transitional Administration
US\$	United States Dollar
WISE	Women in Self-Employment Project
YEP	Youth Employment Programme
XBTC	Extra Budgetary Technical Cooperation

Executive Summary

The ILO started its engagement in Timor-Leste at the end of 2001 through a series of assessment missions undertaken during the period of the UN transitional administration. Following the country's independence in 2002, the ILO expanded its engagement. In 2004 the STAGE project (Skills Training for Gainful Employment, 2004-2009) was launched and it indeed set the stage for over a decade of ILO programme growth.

Key to the ILO's sustained engagement in Timor-Leste is the "embedded approach." This term refers to a project that embeds international staff directly within national institutions; it entails working through national institutional systems; and it signifies that project outputs are delivered by and through national institutions, possibly from Day One of the project.

Since 2004 the ILO has implemented more than 20 projects with Timorese government institutions, including the Secretariat for Vocational Training and Employment, the Secretariat of State for Support and Promotion of Private Sector, the Secretariat for Private Sector Development and the Ministry of Public Works.

In the wake of the 2006 crisis, the ILO resolved to remain embedded and operational. This decision had a profound impact: To this day the ties forged between the ILO and national counterparts are vividly remembered and sincerely appreciated by Timorese and internationals alike. At a strategic level the ILO found that it was uniquely positioned to help the government respond to unaddressed emergency needs. In so doing the emergency response strategies and implementation served as springboards for future programme development.

Today the ILO in Timor-Leste continues to deliver Decent Work objectives through programmes and work in three priority areas: youth employment promotion, rural economic development, and labour market governance. In 2013 the ILO's allocated extra-budgetary technical cooperation (XBTC) portfolio for Timor-Leste amounted to US\$ 20,178,000, and increased by 77per cent compared to the previous year (US\$ 11,393,000 in 2012). The stock taking exercise undertaken in this paper suggests that the embedded approach is central to the successful resource mobilisation and impact of the ILO project in Timor-Leste.

This paper suggests that a replication of the embedded approach in other fragile settings is worth consideration. In order to up scale the implementation of ILO embedded projects, it is however recommended that appropriate guidance for field operations is developed. This could for instance include (1) a *Capacity Diagnostics Tool* to conduct an initial assessment of the institutional environment in fragile settings so as to evaluate the feasibility of embedded working, and (2) a *Step-by-Step Guide* that would provide practical guidance to support ILO staff in designing and implementing embedded projects.

Additionally, knowledge-sharing activities to disseminate Timor-Leste's experience with the embedded approach could be supported under the Fragile-2-Fragile Cooperation modality, developed by the g7+ with the ILO.

Building on its experience in Timor-Leste the ILO could expand and refine the application of the embedded approach in fragile countries as a means of delivering the Decent Work mandate and of effectively supporting national counterparts in achieving PSG4, namely generating employment and supporting livelihoods to create the economic foundations for peace and resilience.

1. The ILO's and the international community's involvement in post conflict and fragile situations

Founded on the conviction that "universal and lasting peace can be established only if it is based upon social justice"¹, the International Labour Organisation (ILO) emerged in 1919 under the Treaty of Versailles as part of the League of Nations. Since its very origin the ILO has highlighted the importance of socio-economic development for post-war recovery through the creation of employment opportunities, social dialogue and fundamental rights contributing to peace consolidation in countries emerging from conflict.

In 1944 the ILO Recommendation No. 71 (Transition from War to Peace)² proposed the promotion of peace and social justice in the aftermath of World War II through employment-based recovery and reconstruction. In recognition of its continuous engagement in promoting social justice, the ILO was awarded the Nobel Peace Prize in 1969.

From 2007 to 2009 the ILO and UNDP co-led a working group to develop a United Nations (UN) Policy for Post Conflict Employment Creation, Income Generation and Reintegration (UN Employment Policy)³ for the UN System, International Financial Institutions (IFIs) and national partners, endorsed by the United Nations Secretary General Policy Committee and implemented through the United Nations Development Group (UNDG) Transition Group. The importance of employment and Decent Work for political stability is nowadays widely acknowledged and the UN Employment Policy is applied globally. This nexus between employment and peace was again echoed in 2010 when a group of selfdeclared fragile and conflict-affected countries met in Dili, Timor-Leste, to establish the "g7+". The g7+'s objective is to share experiences and to call for a "New Deal for engagement in Fragile States" (the "New Deal") to advocate for reforms in which the international community is currently engaging in fragile states. To this end, the g7+ have established four Peacebuilding and Statebuilding Goals (PSGs) as a foundation for progress towards achieving the MDGs in fragile and conflict-affected states. PSG4 explicitly acknowledges the importance of "generating employment and supporting livelihoods" to



¹ **ILO (2010).** Constitution of the International Labour Organisation and selected texts, **p. 5.**

² ILO (1944). Employment (Transition from War to Peace) Recommendation No. 71. Note that in June 2016 the ILC will revise Recommendation No 71, see: ILO (2015). Employment and Decent Work for Peace and Resilience.

³ **UN (2009).** United Nations Policy for Post-Conflict Employment Creation, Income Generation and Reintegration

BOX 1: Concise historical background of Timor-Leste

Decolonisation and Occupation: From the 1600s Timor-Leste was a Portuguese colony until revolution in Portugal prompted precipitous de-colonization in 1974-75 and sparked internal conflict between Timorese rival political factions. A pro-independence party prevailed, yet freedom was short-lived. Nine days after Timor-Leste declared its independence in 1975 neighbouring Indonesia annexed the country as its 27th province.

1999 Crisis: Following the downfall of Indonesian president Suharto, the question of autonomy or independence was put to a popular vote through an UN-administered referendum in 1999. On the announcement that 78.5% of Timorese voters rejected Indonesia's autonomy deal in favour of independence, Indonesia withdrew its troops, leaving 70% of all homes, schools and buildings destroyed and 75% of the population displaced.

Recovery from 1999 and Independence in 2002. In response to the crisis a United Nations transitional administration was established to immediately stabilize and temporarily administer the nascent country as State institutions and governance capacities were formed (UNTAET). Following two years of UN transitional administration, the country finally achieved its independence and on 20 May 2002 the independent Democratic Republic of Timor-Leste was born.

2006 Emergency Over the next four years Timor-Leste slowly made progress, yet unresolved divisions within the national political leadership, discord within and between the armed forces and the national police, shrinking GDP, growing poverty and unemployment, brittle social relations and proliferation of youth gangs combined to undermine stability. In early 2006 State security abruptly collapsed and the nation was again rocked by violent conflict that left over 100,000 displaced in Dili and the surrounding areas. At the request of the Government of Timor-Leste, an international stabilization force (ISF) was deployed and the United Nations Mission in Timor-Leste (UNMIT) was established to restore security over time.

Recovery from 2006. Despite periodic security setbacks associated with the May 2007 elections and the declaration of a State of Emergency in 2008 that followed the shooting of the President and a simultaneous attack on the Prime Minister, stability and security have overall been maintained. Redoubled efforts on the part of government to address stability factors have supported a tenuous but tangible progression from emergency (2006-2007), through recovery (2007-2009), to reconstruction and early-phase transition to development (2010 to present).

In May of 2012, Presidential and Parliamentary elections were conducted freely, fairly and peacefully and the Fifth Constitutional Government of Timor-Leste took office. Peace and stability have continued and at the end of 2012 the UNMIT mission withdrew and Timor-Leste was finally removed from the UN Security Council agenda.

establish the "Economic Foundations"⁴ for inclusive peace and state-building processes.

Timor-Leste is a founding member of the g7+ and its government representatives have been successfully mainstreaming the Decent Work agenda into the national recovery and reconstruction process. Although the 2011 World Development Report found that, on average, post-conflict countries take a full generation some 15-30 years - to fully transit from fragility to resilience, Timor-Leste is ambitiously trying to achieve the goal more rapidly, utilising the full spectrum of employment and Decent Work tools.

At the same time Timor-Leste is expanding its presence on the international stage, and through the g7+ it spearheads reforms of the way in which the international community provides development aid. The ILO has been supporting Timor-Leste and the g7+ throughout this endeavour which was highlighted on 20 March 2014 during a "High-level Panel on Decent Work in Fragile States." On this day the ILO signed, as the foremost UN agency, a Memorandum of Understanding with the g7+.⁵

⁴ International Dialogue for Peacebuilding and Statebuilding (2011). A New Deal for Engagement in Fragile States.

⁵ The ILO-g7+ MoU foresees joint efforts to adapt the ILO's involvement in g7+ Member States to specific contexts, in close cooperation with governments, in particular through joint programmes and projects, with focus on (i) research (case studies) on the following issues: job creation, skills development and industry development; (ii) facilitation of peer learning among the g7+ and other developing and less-developed countries with a focus on Fragile-to-Fragile Cooperation; (iii) coordination between development partners and g7+ Member States on matters of international labour migration policy, as well as the socio-economic reintegration of refugees and other citizens of Fragile states, particularly within the same region and in neighbouring states; and (iv) technical assistance.



2. The ILO in Timor-Leste: From project design to long-term programming

2001 - 2006: Setting the Stage

The ILO launched is preparatory work in Timor-Leste prior to independence through a series of assessment missions undertaken at the time of the UN transitional administration. A first small project "Promotion of East Timorese Employability through the development of a Vocational Training and employability system" was launched at the end of 2001⁶.

More systematic involvement started in 2003, a year after the country gained independence. The project was fittingly called 'STAGE' (Skills Training for Gainful Employment, 2004-2009) and indeed it set the stage for over a decade of ILO programme growth and ever-deepening engagement.

Given the weak institutional environment in the newly founded republic, most projects designed in Timor-Leste in this period included an institutional capacity-building component, as also did STAGE. The project began with an innovative premise: **the end of institutional capacity-building comes first:** ILO staff would work side-by-side with its counterparts embedded in national institutions and therefore STAGE would not be delivered *with* or *for* the new government, but *by* the new government.

STAGE's embedded approach proved successful and paved the way for ILO's sustained engagement in Timor-Leste.

Recognizing that full-time formal employment was untenable as an immediate strategy, STAGE pragmatically focused on the need for Timorese people to generate income.

At community level STAGE established service providers, that is a nationwide network of skills training providers, micro-finance institutions and business services and support organizations to provide a range of opportunities including formal and non-formal training, enterprise skills, micro-finance services, employment information and career guidance services.

BOX 2: Challenges to employment and income generation in post-independence Timor-Leste

Population growth: Three years after independence (2002) the Timorese population had increased by 17.4%, indicating that 60,000 young people will enter the labour market in subsequent years.

Unemployment and poverty: The official unemployment rate in 2003 was 20% while underemployment and poverty were growing.

Urban migration and rural isolation: For urban youth, unemployment was over 40% and rising as people arrived in Dili in search of work. Despite a growing trend of urban migration, 90 per cent of the poor lived in rural, hard-to-reach areas where subsistence-level farming was the primary form of employment.

Education and qualifications: With a national literacy rate of 50%, a large share of the Timorese population faced major barriers to empowerment and employment.

At district level, STAGE established District Employment Centres offering employment information, referral and career counselling.

At national level technical assistance was provided to enable the Ministry of Labour and Solidarity (hereafter the Ministry) to develop, manage, finance and sustain a system of training and employment services.

Simultaneously at the policy level, the Ministry was also supported in establishing a framework for employment, ratification of protocols and draft legislation.

⁶ Implemented through IFP/CRISIS with funding from the Government of Portugal, see: ILO unveils assistance plan for East Timor

2006: Continued Engagement throughout the Emergency

In January 2006 unresolved differences at the top levels of political leadership and simmering factional tensions erupted in large-scale violence. As public security rapidly deteriorated UN agencies and international organizations evacuated their personnel. Help from international peacekeepers would not arrive until April. These events had a profound impact: in the minds of many Timorese the 2006 crisis represented not only a humanitarian emergency but a deeper crisis as fear and disillusionment with the peace process prevailed over hope and optimism.

If the first watershed decision was to directly integrate ILO staff in national institutions, the second was to sustain this engagement throughout the 2006 crisis. With the support of the ILO's Jakarta, regional and HQ offices, a core team remained in place and operational. This decision would influence outcomes for the ILO and its counterparts in two critical dimensions: relationships and strategy. Establishing solid working relations and common objectives dramatically contributed to building trust between government and the ILO from the very beginning of the cooperation.

For Timorese counterparts the actions of the international ILO staff signalled that:

- 1. the situation was manageable;
- 2. with the support of ILO, government staff could choose to respond and address urgent needs; and
- 3. ILO was not 'abandoning ship' during the emergency.

To this day the ties forged and lessons learned in 2006 are vividly remembered and sincerely felt by Timorese and international staff alike. At a strategic level the ILO found that it was uniquely positioned to help the government respond to unaddressed emergency needs. In so doing the emergency response strategies and implementation would serve as springboards for future programme development and have far-reaching implications for the ILO and its counterparts.

BOX 3: Spreading quick peace dividends

"Many people do not realize how quickly the most vulnerable in society can lose hope, and how potentially destabilizing this is. Public expectations in the immediate post-conflict period are high and often unrealistic. If in the post-conflict period those expectations are not managed, people become disillusioned and disruptive. It is this critical importance of a quick peace dividend that renders some of the long-term solutions offered by donors, no matter how sound, impractical to a government."

> H.E. Emilia Pires, Minister of Finance, Timor-Leste and Chair of the g7+

A series of Conflict Vulnerability Analyses identified poverty, youth unemployment, youth gangs and unmet youth expectations as contributing factors to instability. Through STAGE the Timor-Leste government provided immediate employment opportunities to support stability and facilitate a transition from emergency relief to recovery. Two short-term emergency response cash-for-work projects: 'Work for the Nation' and 'Work for Peace' were implemented and a third initiative, the 'Women in Self-Employment' project was developed.

'Work for the Natison' was a quick-impact project that engaged community members in the relief effort through providing jobs in rice distribution and debris clearance. In addition to providing income, working in the relief effort contributed to stimulating a sense of normality and civic pride.

'Work for Peace' entailed a special focus on youth. Implemented in every district of Timor-Leste, the project provided short-term jobs to rehabilitate rural roads through labour-based approaches to ensure that most of the funds went directly into wages and the local economy instead of into capital-intensive machinery.

'Women in Self-Employment' (WISE) supported host communities affected by displacement and

reached out to vulnerable women displaced from Dili to rural districts. This incomegeneration project supported female microentrepreneurs with skills training and business development support to produce and market locally banana chips, coconut oil, soap, pottery and marmalade. The WISE project provided tangible services and much-needed income for the most vulnerable, and at the same time promoted female empowerment.

While cash-for-work, labour based approaches and rural infrastructure all represented new modalities for the Ministry of Labour and Community Reinsertion, the scale, immediacy and impact of the project prompted the government to invest US\$1.5 million of its own budget in the project in 2007. At the institutional level, with the support of the ILO, the Short-Term Employment Department was

BOX 4: Changing mentalities in a postconflict environment

"During the Portuguese times, I was still young. It was very strict. You have to respect the Liu Rai as the traditional leaders. Then came the Indonesian times and they say, "Forget the Liu Rai - they are rubbish". The Portuguese were here for four centuries. Indonesian times came and traditions were erased. Then came the war with Indonesia. It was a mess. Violence and chaos. Then came the UN transition. Now they are talking about democracy. But what is democracy? If there is too much discipline in work or training, they say, 'Is this another dictatorship?' After so much tension, people just want to relax. No one wants stress. So we need to find the balance. We need time. The most difficult thing to change is mentality, and for this, we will need time."

> Excerpt from interview with Father Transfiguracao Dom Don Bosco Vocational Training Centre Dili, Timor-Leste, December 2013



2008 – 2012: From Recovery to Reconstruction - Creating Jobs, Engaging Youth and Consolidating Peace

In May 2008, six years after independence, Timor-Leste had gained a toehold on reclamation of peace despite continued challenges that threatened the on-going recovery. Focusing on the distribution of peace dividends, the government redoubled its efforts to address employment and income generation needs and emphasized youth training and employment, short-term employment, and infrastructure.

During this period ILO's key institutional counterpart under STAGE - the Ministry of Labour and Solidarity - underwent a sweeping reorganization and became the Secretariat of State for Vocational Training and Employment (SEFOPE). While the impact of reorganization was not insignificant, the new Secretariat and the ILO together developed two projects that would run concurrently: The 'Youth Employment Promotion Program' (YEP, 2008-2012) and the 'Investment Budget Execution Support for Rural Infrastructure Development and Employment Generation Project' (TIM-Works, 2008-2012).

YEP was designed as a follow-up to STAGE, with two additional components: youth employment policies, and a safety net for the most vulnerable rural poor through labour-intensive public works. Building on the gains of STAGE, YEP enabled SEFOPE to consolidate gains and expand opportunities for all Timorese to participate in competence-based training and employment opportunities.

TIM-Works responded to national priorities with a strong focus on generating employment opportunities. The project employed labour-based approaches to building and maintaining roads and provided short-term employment to communities in every district of the country. TIM-Works represents the evolution of the 2006 emergency cash-for-work projects and forged a path to providing more sustainable employment and infrastructure development in anticipation of further government investment. A key strategy of TIM-Works was to promote labour-based approaches so that future



public spending on infrastructure would not only optimize employment opportunities and generate a greater of number of jobs than capital-based infrastructure approaches, but also improve cost-effectiveness and quality in building and maintaining infrastructure. TIM-Works also introduced a mechanism for training local contractors to carry out road works. Strategic linkages to the Ministry of Public Works paved the way to institutionalise labourbased methods.

BOX 5: Employment creation and its significance for Peace and Stability

"...how peace and stability could be maintained without employment creation, given the disruption of civil administration, destruction of property, the unprecedented level of unemployment and a virtually non-existent economy...."

> Jose Ramos Horta, addressing the ILO Governing Body March 2000

TIM-Works provided SEFOPE and the Ministry of Public Works with a scalable model that responded precisely to national priorities. It also proactively developed delivery channels and supported the Department of Short-Term Employment in the rational programming of an increasing government budget. At the end of TIM-Works, the Department of Short-Term Employment had greatly enhanced its capacities.

With funding by government and the very solid technical capabilities of Department engineers trained under TIM-Works, the Department of

Short-Term Employment is now entirely run by the government with a budget that has grown from US\$2.5 million to US\$20 million.

2011-2014: Early-Phase Transition to Development

In 2012 10 years after independence, the peaceful election of the Fifth Constitutional Government and the departure of international peacekeepers and UNMIT signalled that the transition to development had begun in Timor-Leste. Despite the government's exponentially increased investment in infrastructure and public transfers, unemployment continues to grow, fuelled by upward demographic pressure. The government has prioritized the accelerated development of a national road network to create employment opportunities for its rapidly expanding workforce and to address constraints to economic growth and private sector development. The YEP successor, the 'Training and Employment Support Program' (TESP, 2013-2014) continues to enhance government capacity in creating employment and competence-based training opportunities.

BOX 6: Reuniting a nation after conflict

"A critical dimension of the development challenge in post-conflict East Timor was making the transition from a military environment focused on conflict with a common enemy to a civilian administration facing complexity and uncertainty. People who spent a long time in a resistance movement develop finely honed skills based on solidarity and the survival instinct of their leaders. Disparate groups can be united by a common enemy. In peacetime, areas of shared interest must be found to prevent a splintered, fractious, and potentially confrontational political environment. Although the former vertical political power structures are no longer viable, transition to new systems take time. Conversion must be gradual. The old structures cannot be ignored while the new ones are being built."

Excerpt from *Timor-Leste Ten Years After: What Have We Learned?* by H.E. Emilia Pires, Minister of Finance, Timor-Leste and Chair of g7+ Although increased public spending in infrastructure and public transfers has begun to stir a long-dormant economy, the emergence of the private sector remains impeded by several constraints.

At the request of the Secretariat of State for Private Sector Support and Promotion (SEAPRI), the ILO and SEFOPE designed jointly the "Business Opportunities and Support Services" Project, (BOSS, 2010-2015) to support the growth of micro- and small enterprises. With the support of ILO, SEFOPE evolved from a training provider to a business development service. This also includes the establishment of regulatory frameworks to support private sector growth, develop key value chains, and provide a platform for the delivery of accessible, clientcentred business support services. SEFOPE was thus poised to play a leading role in promoting pro-poor economic development and expanding the opportunities for quality employment in the private sector. Linkages with other ILO institutional counterparts would enable the government to coherently address the challenge of increasing unemployment and underemployment. Based upon the successful joint-implementation of STAGE the 'embedded approach' was replicated at the request of SEAPRI.

In the light of the gains from the TIM-Works project, the ILO and its institutional counterparts developed two complementary projects implemented in tandem: "Enhancing Rural Access", (ERA 2011-2015) and "Roads for Development", (R4D 2012-2016).

In the implementation of ERA ILO's key government counterpart was again SEAPRI, joined by the Institute for Business Support (IADE). The design of R4D was prompted by the request of the Ministry of Public Works/Ministry of Infrastructure for ILO's technical assistance.

Following the principle of the embedded approach or "working within", R4D was implemented by and through the counterpart institution. While both projects reflect government priorities for establishing a coherent road network to address constraints to development and provide employment, ERA focuses on the rehabilitation and maintenance of rural roads by training contractors and communities. R4D is primarily a response to the request of the Ministry of Public Works for assistance in building its capacity to plan, budget and manage rural roads using appropriate labourbased technologies, as well to programme its capital investment budget.

Together ERA and R4D represent the further integration and consolidation of key strategies. With ILO support counterparts will work together to establish service delivery channels that leverage and support private sector development, provide training in labour-based technologies and procurement processes, and support policy development that optimizes the potential for job creation and employment opportunities.

2014 onwards: Forging Partnerships for the Future

ILO's decade-long involvement in Timor-Leste has also paved the way for close cooperation between the organisation and the Timorese Government and social partners on the international stage. In March 2014 Timor-Leste's Permanent Representative to the UN co-organised with the ILO and the Permanent Representative of New Zealand a high level panel on Decent Work in fragile states at the ILO's headquarters in Geneva that featured amongst others the Finance Minister of Timor-Leste, Emilia Pires. As the host of the g7+ Secretariat, Timor-Leste played a key role in preparing the landmark signing of a Memorandum of Understanding (MoU) between the ILO - as the first UN agency to do so - and the g7+.

Achievements of ILO projects in Timor-Leste (as of December 2014)

The main achievements of the projects implemented by the ILO over the decade 2004-2014 are presented below.

The project **Skills Training for Gainful Employment (STAGE, 2004-2009)** was the first initiative delivered through the embedded approach. By its conclusion more than 100 staffs of SEFOPE had been trained in skills and enterprise development coordination, design and monitoring, administration, career guidance, leadership and customer services, and gender awareness. A network of four Employment and Career Guidance Centres (CEOPs) was established across the districts of Dili, Baucau, Bobonaro, and Oecusse, and a computerized Labour Market Information database (SIMU) was set up in SEFOPE to support collection and dissemination of labour market information. The projects also facilitated the establishment of an Employment and Vocational Training Fund (FEFOP) to provide financial support to training providers, micro-finance institutions, and other bodies, and supported the creation of a National Labour Force Development Institute (INDMO) to move vocational training providers towards a competence-based training system, which was also made operational. As a result of these measures:

- 27,017 beneficiaries registered as "unemployed" received employment counselling; of this total, 1,923 (46% women) received skills training courses, 4,643 (81.5% women) received enterprise development training, and 2,880 (99.5% women) received micro-credits;
- 11,261 jobs were created: 961 (46% women) from vocational training, 596 (30.5% women) through direct job placements, while 9,704 (90% women) started self-employment.

The Investment Budget Execution Support for Rural Infrastructure Development and **Employment Generation Project (TIM-Works,** 2008-2012) addressed the twin challenges of job creation and the need for infrastructure improvement by contributing to employment generation, poverty reduction, economic growth and peace-building through the rehabilitation, and maintenance construction of rural infrastructure using labour-based (equipmentsupported) work methods. In this context, a Department of Short Term Employment was institutionalised and became functional with operations fully funded by the Government. The project's implementation ultimately resulted in:

 completion of 304 km of roads rehabilitation/ construction;



- completion of 2,150 km of road maintenance (175 community contracts were issued and contractors received training on labourbased (LB) approaches);
- generation of 1,370,000 workdays, providing short-term employment to 32,500 beneficiaries (27% women, 44% youth);
- engagement of 50 staff at the Central and District technical team and provision of formal training on LB technology, gender and socialisation aspects;
- development of technical manual and training materials for road rehabilitation and maintenance guidelines;
- formal training of 1,398 people (4,150 trainingdays), including communities, private contractors and SEFOPE staff, on LB approaches.

The Youth Employment Promotion (YEP, 2008-2012) programme drew on ILO's and the World Bank's expertise and tools in the areas of youth employment, training, entrepreneurship development and labour-intensive works and built on the Government of Timor-Leste's various initiatives to enhance education and skills training for young people and to expand their employment opportunities. The programme

supported the Government in conducting the first Labour Force Survey (LFS) in the country (LFS 2010). It also facilitated the establishment of new networks of CEOPs across the districts of Ermera and Manufahi, bringing the total network of CEOPs to six.

The programme continued to promote and support the competence-based TVET system in Timor-Leste through INDMO: six Industry Sub-Commissions and certifying gualifications were established in the Automotive, Construction, Tourism and Hospitality, Education and Training, Agriculture and Administration and Finance areas; 28 National Qualifications and 8 National Certificates comprising over 250 units of competence across nine industry areas were developed and certified; and 17 registered training providers were accredited by INDMO to deliver national competencebased gualifications and certificates. The Know About Your Business (KAB) programme was officially integrated in the national curriculum for secondary technical education. A Department of Short Term Employment Creation (STEC) was established within the structure of SEFOPE.

As a result of these actions:

- a total of 31,740 (43% women) young (15-29 years) jobs and training seekers registered through the six CEOP. 10,122 (40% women) received counselling and 1,285 (17% women) were directly linked to paid employment (National and International);
- 2,887 km of road maintenance were completed;
- 2,252,362 workdays were generated, providing short-term employment to 78,422 beneficiaries (27% women and 43% youth) living in the rural areas of all 13 districts of Timor-Leste.

The Training and Employment Support Programme (TESP, 2013-2014) was the successor to the Youth Employment Promotion (YEP) programme and supported the Government of Timor-Leste in increasing the number of people with improved skills and competences, enabling them to have better access to employment and contribute to the growth and diversification of the economy. This capacity-building and policy programme allowed women and men in Timor-Leste to have better access to good-quality skills training and employment services, linking them to better work outcomes. In this context, the FEFOP technical guidelines and templates were fully developed and integrated in a web-based system to improve the funding mechanism for training providers, self-employment, and vocational training. The capacity of the Labour Market Information Department was built up to generate and use labour market information in the development of workforce training plans. An online labour market database (SIMU-Web) was upgraded to improve monitoring and evaluation of training and employment services. Support was provided to the Government in conducting the Labour Force Survey (LFS) 2013 and in carrying out three Enterprise and Skills Surveys to assess demand for skills and employment trends. Three Labour Market Outlook (LMO) briefs were also produced to disseminate information on the labour market situation in the country. The programme also continued to promote and support competence-based TVET system in Timor-Leste through INDMO: three new Industry Sub-Commissions on Oil and Gas, Maritime and Community Services were

established to create an interface between the industry, the government, and training providers in the country.

Thanks to this programme, 3,686 students completed (Level 1,2,3) competence-based qualifications. 50% found employment after completing a training course.

The project Business Opportunities and Support Services (BOSS, 2011-2016) aimed to contribute to employment creation and income generation through a systemic approach to enterprise development, in particular by supporting relevant public and private institutions in delivering need-oriented or market-oriented services to entrepreneurs, promoting better coordination and alignment of private sector initiatives and contributing to 'private-sector sound' rural development strategy. The projects supported the process of restructuring the Institute for Business Support (IADE) of the Secretary of State for the Promotion and Support of the Private Sector (SEAPRI), facilitating its transformation from a business training provider to a private sector development agency. IADE was accredited by the Timor-Leste Institute for workforce development (INDMO) to deliver business management training for micro- and small enterprises, and is now at the forefront of implementation of national programmes supporting enterprise development in key economic sectors in Timor-Leste's rural areas. The project also supported the launch of a Business Plan Competition which is now organized annually with financial support from the private sector and the government. The government adopted the Strategy and Action Plan for Gender and the Private Sector, which recognises that promoting gender equality in the private sector, and in particular the economic empowerment of women, is one of the most powerful drivers of poverty reduction. Among the main project results:

 4,251 (50% women) received training in business management, 392 (46% women) received counselling, 96 MSEs participated in a trade fair, 603 MSEs (51% female) participated in business matchmaking events, 5,286 MSEs (35% women-owned) received business information, and 20 businesses received a business incubation facility; sustainable jobs were created following value chain upgrading interventions in selected sectors: 411 jobs in the cattle sector, and 168 (23% women) jobs in the horticulture sector.

The aim of the Enhancing Rural Access (ERA 2011-2016) project, implemented in the Western part of the country including the districts of Aileu, Ainaro, Bobonaro, Covalima, Ermera and Liquica, is to create incomegenerating opportunities and provide access to public infrastructure and services so as to allow rural communities a basic quality of life and prospects for further improving their livelihoods. In this context the project established a training section for labour-based work at Don Bosco. The curricula and course materials for technical and contract management training were developed and delivered, and a group of National Trainers received certification. The National Certificates "Labour-Based Technology for Road Works" and "Management of Small Construction Bids and Contracts" were approved by the National Labour Force Development Institute (INDMO). INDMO accredited Don Bosco to deliver the National Certificate in Labour-Based Technology (LBT) for Rural Road Works, and accredited IADE to deliver the National Certificate in Management of Small Construction Bids and Contracts. So far:

- 148 companies with a total of 476 people (145 engineers, 287 supervisors, 22 Public Works Supervisors) have completed the technical training for rural road rehabilitation and maintenance and have been accredited;
- 330 contractors (25% female) have completed the training on contracts and business management and have been accredited; 35 road rehabilitation contracts (77 km), issued as part of the training, have been completed, and 27 road rehabilitation contracts (63 km) are at various stages of completion;
- 487,000 workdays have been generated, providing short-term employment for 7,800 beneficiaries (123,200 workdays for 1,970 registered women) since the start of the works.

The roads rehabilitated by the project were handed over to the Ministry of Public Works for maintenance.

The Roads for Development (R4D 2012-2016) project has contributed to strengthening the capacity of the Ministry of Public Works (MPW) to lead all rural road rehabilitation and maintenance activities in Timor-Leste in terms of planning, implementation, coordination and establishment of various standards, procedures and strategies. This includes establishment of functionalities and capacities for GIS and mapping, the development of a contract management system for the Ministry and the development of tendering procedures, and contract templates for rural road works implemented through the MPW. 281 MPW staff received training (3,831 training-days) on surveying, designing and cost-estimation. tendering and procurement, GIS and GPS, and works supervision. The project has also supported the finalization of the Rural Road Master Plan and Investment Strategy (RRMPIS) for guiding the country's investments in the rural roads sector. Social and Environmental Safeguards have been included in R4D's design and implementation, including an Agreement between MPW and SEPFOPE on minimum wages for casual workers; provision of accident insurance for casual workers in contracts for works; contractual conditions in work contracts that require contractors to recruit a minimum of 30% of female workers; and compliance with environmental licensing requirements for rural road works. So far:

- 357 staff (1,662 training-days) of local civil construction works companies have received pre-bid training;
- 282 staff (4,601 training-days) of local civil construction works have received contractors' technical training;
- 103.42 km of roads have been rehabilitated and 374.60 km of road maintenance is 85% complete;
- more than 300,000 workdays of direct shortterm jobs have been generated.

3. An embedded approach for Timor-Leste

3.1 What is an 'embedded approach'?

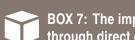
In Timor-Leste the term 'embedded approach' is used to describe how the ILO operates within national institutions.

An embedded approach:

- a. is a project directly embedded in the structure of national institutions;
- b. entails working through national institutional systems;
- c. signifies that project outputs are delivered by and through national institutions - from Day One of the project

In fragile and especially new state settings such as Timor-Leste, weak institutions with very low capacity and a lack of facilities, staff and resources are major obstacles to sustained development. Such was the situation when the ILO started operating in 2004 in postindependence Timor-Leste. These problems notwithstanding, the ILO project team decided to pilot the embedded approach as a means to delivering the project and, most importantly, as an end in itself to help build sustainable capacities, institutions and systems through direct experience.

Capacity development and capacity-building was thus not only conceived as an outcome of the project but as part and parcel of the project strategy, approach and daily implementation. Although capacity development constitutes fundamental component of the ILO's а standard TC strategy, it especially pertains to fragile contexts. Weak institutions and skills shortages are a common characteristic of fragile environments and often impede effective labour governance and thereby undermine the formation of resilient livelihoods.



BOX 7: The importance of learning through direct experience

"Indeed, why should we not learn from the mistakes of others? However, in most countries these practices were adopted by iterations and trials in a communal learning process, and each time the people learned directly what did or did not work. This kind of direct experience is often denied to post-conflict societies like East Timor and, as a result, most people simply do not understand why the solutions they are offered are any better than the alternatives."

> H.F. Emilia Pires. Minister of Finance, Timor-Leste and Chair of the g7+

3.2 Aiming for sustainability from the Start

With an emphasis on sustainability, the ILO has a clearly defined project exit strategy at the beginning of a project. It did so by creating a context in which project outputs are designed and delivered by national institutions and through national systems. As a standardized project management method for all ILO projects in Timor-Leste, sustainability and the embedded approach are operationalized as follows:

Method: the embedded approach establishes a single project team and thereby avoids separate structures, activities or outputs; all value created by the project is sustainably generated and preserved within the partner institution. This is an attempt to minimise the creation of parallel structures, for example project offices and project staff that need additional allocation of extra TC resources.

Specifically, this means that at the start of the project implementation, the ILO and the counterpart jointly recruit project team personnel through government systems under service contracts through the civil service pay scale, rather than the customary ILO contract process. ILO disburses funds for agreed positions to the national institution and the personnel are immediately integrated into the organizational structure of the national partner.

Rationale: Through this method:

- 1. All project resources and activities are aligned with and support the delivery of outputs by the national institution and through its systems;
- 2. The national institution is well-positioned and equipped to play the leading role in service and project delivery at the outset of the project and in all phases of the project cycle;
- 3. Institutional development and capacity building needs are coherently addressed within the framework and throughout the implementation of the project, with ILO providing consistently 'in-house' managerial, administrative and technical training events.

The embedded approach not only promotes effectiveness and efficiency but also sustainability, at the condition of setting up a shared and time bound phasing out strategy to counter the risk of depending on n inputs from the ILO. This approach is also consistent with better practice as outlined by *ILO's 'South-South Cooperation and Decent Work'* and The New Deal itself.

Impact: Since 2004 the ILO has continued to pioneer the embedded approach in Timor-Leste and implemented 11 projects with Timorese government institutions including the Secretariat for Vocational Training and Employment, the



Secretariat of State for Support and Promotion of Private Sector, the Secretariat for Private Sector Development, and the Ministry of Public Works.

The feasibility of implementation through government institutions has been tested during emergency, recovery, reconstruction, and earlystage transition to development programming. Project evaluations cite the embedded approach as a core strength in terms of efficiency, effectiveness and sustainability. Many donors such as AusAID, EC, Irish Aid, NZAID and Norad have generously supported the ILO and its government partners with funding of over US\$79 million.

3.3 Why the embedded approach?

Although ILO's experience in Timor-Leste shows that implementing projects through new government institutions is far from being a shortcut to success, ILO staff and their Timorese partners insist that every extra effort is worth it. Which raises the question, why?

From 30 October to 11 December 2013 a series of interviews was conducted with 20 participants drawn from Timorese government officials and from ILO staff members. The interviewees stated consistently that the 'embedded approach' confers a spectrum of advantages at project level that are directly 'felt' and valued by stakeholders. In their accounts of institutional development and professional growth, staff cited the 'one project, one team' configuration as both the causal starting point in the capacitybuilding process, and a key 'enabling factor' in the realization of sustainable gains (see Box 7). BOX 8: Voices from Timor-Leste - Ten Tangible Advantages of an embedded approach

1. Results and Relationships: "It's a long story. With the YEP project, ILO helped us start the National Institute for Labour Force Development in 2008 - everything, from scratch! At the beginning, we were only three people - one finance, one technical staff and myself. Amazing! So where we are today, even I can't believe...but, in the beginning, the Technical Vocational Education and Training (TVET) system was a completely new idea for us! We had to spend a lot time to understand, interpret and analyse. Communication between ILO and government was critical. Without the intensive communication, the result would not be the same. Communication is a continuous dialogue. It's good to align with government because it knows the situation and conditions. We cannot do such things separately. The advantage is that we all share a commitment to build the relationship and this institution."

(National authorities)

(ILO staff)

2. Trust and Influence: "ILO helped recruit many of the staff in the Secretariat. Under the YEP project, the National Institute for Labour Force Development was established in 2008. We supported the Director and her team to build the Institute from the ground up. I think the Institute is one of ILO's best outcomes, largely because its Director used ILO's expertise in the best way. She got the most out of us. She's strong though - if she needed us to advice, she asked. Same with the Secretary of State, when he wanted advice, he asked for it. It really comes back to trust. Being integrated wins trust and when people trust you and you are working closely with them, and then you can open up options, change the discourse."

3. Empowerment and Skills Transfer: "In February 2006 there was a job announcement for the Ministry of Labour and Solidarity and I applied. At the time we were implementing the "Work for Peace" project - this was during the 2006 crisis. Many agencies just stopped their projects and left, but ILO did not. They stayed and we started Cash-for-Work. From this project I learned, but ILO also supported us with capacity building and external trainings. This is something I very much appreciate because I began as a Technical Assistant, but then I kept learning. In my own professional development, a big step for me came at a stakeholder meeting. Everyone was going to be there. The ILO worked closely with me, helped me prepare and present the project. The presentation made an impression - the stakeholders believed in me, that I could be the Chief of Department. So in my own experience, formal trainings are good, but not enough. The most I've learned is through conversations with ILO staff. One roof, one house. With them, I can always ask. They give advice, but they never insist. They don't force staff on decisions. The ILO advisors really support us."

(National authorities)

4. Support a New Government to Lead: "We had to be clear that our 'embedded approach' was not to take over the Ministry. Technical assistance should not go beyond what it is. We may know things they don't yet know, but the fact we bring a bit of money, we should not think we can take the power or think we can command. In the end we leave the ship in their hands. We are there to facilitate the process. This was the best for the Timorese people. What they needed were strong national institutions. We went to the districts, but always giving government the credit and the visibility. It was always thinking of supporting their leadership because that was the best for the people."

(ILO staff)

5. Practical and Effective: "Embedded- it's elbow-to-elbow. Get in early, get in close. Do everything together, throughout the project cycle. But also, one must remain grounded in the reality that exists and take a phased approach. To me, embedded is a must, not an option - if you don't work like that, then you limit your own opportunities. You are less effective if you don't integrate. Yes, it's more challenging, you have to push things, but at the end of the day, we achieve more. It goes beyond co-location. It's working through government systems. Yes, there are challenges there, but knowing how our counterpart works is a very useful advantage."

(ILO staff)

6. Communication and Coordination: "In the implementation of the project, there has been very good communication and coordination between us at IADE and ILO because we are all under one roof. We have a design based on our institution's mandate and strategy - this provides the framework for the project. We prepare the implementation plan together. The activities and outputs are all in one unified plan. Then we resource - this part will be funded by the project; this part will be funded by government. We go line-by-line, and then our budget is combined. I think this joint approach to design, outputs, resourcing and implementation of activities is why we're getting good results. Not only at the management level, but also our staff can understand and this supports teamwork. They understand what is to be done, why it's to be done and when we need to do it. ILO provides us technical support along the way."

7. Well-Targeted Technical Assistance: "When I started working for the UN, I heard comments like, 'UN agencies are detached from reality and community'. And often that's true because normally projects are done by a team in the UN compound, so their projects and people are detached. In 2006, few advisors worked at their counterpart's office - but even that's not an 'embedded approach'. The embedded approach isn't a seating arrangement. The difference between our approach and those that just place advisors is we're working within the framework of a project with objectives, outputs and activities. And we have a budget to achieve the objectives. The approach used in post-conflict Timor went beyond advising and providing technical assistance towards enabling counterparts with low capacity to deliver. We give them direct experience of implementing our shared project so it's not only 'learning by listening to an advisor', but it's 'learning by doing'. Our job is facilitating service delivery by and through the counterpart, we work in same office. You're focused on technical content, and at the same time, you're also focused on skills transfer, training and building capacity of staff. And then you have the actual working conditions. These are not so nice. The roof leaks, there's no electricity. The generator is out of fuel. There are two bathrooms for fifty people. It's hot and we're all wedged in like sardines and so on. So this part isn't easy. But because you're always there with them, you are also suffering the same problems and seeing the same things. You see the services, lives, processes, logistics, transportation, access to Districts. In an 'embedded approach', you have a better idea of the constraints, so you design better. This helped me develop systems in a different way - very grounded in reality. For example, most counterpart staff has completed secondary school, few hold a university degree. If you're not there every day, you will never imagine what is happening there. So the approach lets you really assess government skills, needs, strengths, bureaucracy. Deep assessment - cultural aspects, insight into working relations... You can see the political dynamics. You can observe. Observation of how all of it impacts the problem. You have to be aware of all this and work through. It's challenging, but in the end, your assistance is tailored to your counterparts' day-to-day realities, needs and priorities."

(ILO staff)

8. Transparency: "We are not just here just until the project finishes. We're here year after year; it's a long period of engagement. We have multi-donor support - Australia, New Zealand, Norway, Ireland, and EU. Our approach is more appealing to donors because they know there's continuity. And now, most donors can feel comfortable working directly with the Secretariat of State for Vocational Training and Employment. For example, ILO helped the Secretariat develop the National Employment and Training Fund over the past years. In developing the Fund, we worked with the institution to establish procedures to ensure transparency and a fair approach. Our advice now is that donors can channel money directly to the National Employment and Training Fund. The 'embedded approach' works well for building systems and controls based on international best practices, especially for new institutions. We transfer our procedures. We transfer accountability and compliance. When we integrate, they learn how to do a tender process, how to recruit through a competitive process. The 'embedded approach' is really the best way to help new institutions avoid corruption. It immediately gives them systems and provides a better alternative before bad habits become entrenched. If you don't immediately build strong mechanisms to support institutionalization of transparency, then corruption is a risk factor that will be harder to address as time goes on."

(ILO staff)

9. Expanding Partnerships and Services: "ILO understands the challenges we face. Agencies should not implement if they don't understand Timor-Leste and the real situation of their counterpart. The TVET system is a big solution from ILO and we've submitted it to the Council of Ministers for funding. Also, the TVET system is a solution that can link us with donors. Now we have an agreement with South Korea for two training centres, one in the east and one in the west. JICA is supporting a training centre on the south coast for the petroleum industry. For the new port on the north coast and the maritime sector, there's GIZ. Now we have ADB for training centres in Dili. Then, for more training centres, we have private sector investors coming and so ILO is helping us link to private sector. With our experience of TVET and with ILO support, we're now able to expand our partnerships and our services."

(National authorities)

10. Development Partners: "We are not there to deliver -. The main idea of the 'embedded approach' is to create a context in which all the outputs promised in our project documents are delivered by the institution, not by ILO. What you can't do is replace. Also, you need to learn to doubt yourself, because a lot of things we think are true are not necessarily true in this context. The institution should be entitled to make mistakes. You can't expect a new government, a new director, to not make mistakes - the best way to learn is to make mistakes. In our internal meetings, we can offer our point of view. We try to explain as best we can, but if they push to go in another direction, at the end of the day, we always support them. If we fight, it stays inside. It allows the institutions to learn from their mistakes. Even when it was obvious, we were never afraid to protect our counterpart. We are a buffer. We give the space that allows the institution to grow and develop in a friendlier context for everybody."



3.4 Working embedded: Challenges and Opportunities

The favourable outcomes of the ILO's embedded approach not only reflect a wellattuned, customer-centric orientation and a record of solid project execution, but also a confluence of factors and events that presented a range of new opportunities which the ILO was able to identify, capture, leverage and cultivate. The interviews also shed further light on the specific conditions that have made possible the implementation of the embedded approach in Timor-Leste as well other areas of improvement.

Leadership and commitment of key decision makers: The exercise of leadership of the ILO Chief Technical Advisors has been instrumental to the success of the programme. Leadershipby-example is evident and felt at all levels by both the ILO staff and their institutional counterparts.

The 1999 transition followed by the 2006 emergency - in which the ILO decided to remain integrated and operational despite the drawdown and suspension of programmes

by the majority of UN agencies - allowed the ILO and its counterparts to introduce new programme modalities that provided a springboard for programme development and expansion of government services.

Socio-economic progress of the country: post-2006 transition, facilitated The bv substantial growth in State revenue, budget public expenditure, created optimal and conditions programme development, for institutional development and sustainability of initiatives. Thanks to its endowment with natural resources, Timor-Leste has continued to maintain forward momentum. Over the past nine years the State budget grew from under US\$40 million to US\$1.5 billion. The boom in petroleum revenue, expanded fiscal policies, improved budget execution and increased spending on infrastructure and public transfers enabled the Government to spur on economic growth and deliver 'peace dividends' in support of stability and the transition to development.

Knowledge transfer between nationals and internationals: Overall, the ILO in Timor-Leste enjoys broad support and genuine

appreciation of its approach, technical services and, very notably, the collegiality, expertise and competence of its technical advisors. At the same time interviews with Timorese stakeholders consistently identified language skills as the chief need for improvement. Those interviewed said that technical advisors should be multi-lingual in Tetum, Bahasa Indonesia, English and, to a lesser extent, Portuguese. It should be noted that while language skills are a sensitive issue in Timor-Leste, they often are in post-conflict contexts. Multi-lingual capacities that enable 'all staff to benefit from capacitybuilding' necessitate language skills not merely being an instrumental factor in skills transfer, but also being valued in supporting group communication, team cohesion, reducing jealously or competition and facilitating positive intra-group relationships. This input from Timorese stakeholders provides an important lesson learned and may be relevant to prospective ILO engagement in other postconflict contexts in which language, identity, ingroup versus out-group dynamics, equity and participation are also factors.

Integration and adaptation to local contexts:

While interviews with ILO staff covered a number of points and range of perspectives, all ILO staff emphasized the centrality of ensuring that technical experts possess the capabilities to enable them to work productively within the institutional setting of the counterpart.

Core competences should include: 1) technical expertise; 2) understanding of adult learning and teaching methods and ability to effectively transfer skills in low-capacity environments; 3) ability to function in poorly-resourced workplace environments that lack comfort; 4) focus and stamina for sustain extended, intensive engagement with counterparts; 5) 'soft skills' and language skills necessary to navigate the social context of the institution, cultivate relationships, build trust and enable counterparts to learn, act and achieve. Overall, ILO advisors emphasize the 'role fit' of technical experts as a prerequisite.

Flexible project strategy: Different ministries have different financial and human resources which in turn determine the extent to which international staff can work in an "embedded"

manner. Even within a single government structure these differences can vary starkly depending on the ministerial counterparts – in some cases "delivering by and through national institutions" is not feasible during the initial stages of a project or programme. The ILO adviser therefore highlighted the importance of a realistic project strategy that provides sufficient flexibility and financial resources to accompany institutional learning processes over a prolonged period of time.

3.5 Comparative Advantage: Lessons Learned from working within institutions in Timor-Leste

ILO's experience in Timor-Leste offers at least three concrete lessons regarding integrated working in national institutions in fragile settings. These lessons also explain how the ILO in Timor-Leste established a broad base of support and consolidated its position as the provider of the leading technical assistance programme in employment and workforce development.

1. Decision-Makers Benefit from Direct Experience

The 'embedded approach' addresses the shortcomings of current development practice: By enabling key decision-makers to benefit from direct experience and supporting fully informed investment decisions, an 'embedded approach' provides partners with known products, tested systems and a reduced risk of white elephants. It is a 'test-drive' that allows for mistakes to be made and provides sustained capacity development.

2. New Institutions Benefit from Sustainable Tailor-made Solutions

Through working embedded the ILO

(1) assists counterparts in designing the necessary organizational structure(s) to improve project delivery;

(2) provides funds and technical assistance to the counterpart to recruit and train new staff for positions within the new department, section or unit;

(3) supports these new organizational staff units in building up the necessary systems to support the delivery of the project outputs.

This coherent process provides institutional partners with three tangible benefits: 1) The new structure is a fully operational; 2) these departments, units or sections are fully staffed with personnel trained in the institution and who therefore 'own' the systems that they themselves developed; 3) these key assets - an operational structure with capable personnel - are also affordable for government because salaries and expectations have not been artificially inflated by international agency salary scales.

The 'embedded approach' develops resources on the spot and not only provides a sustainable bespoke solution to service delivery constraints, but is also appreciated by donors that seek 'value for money' and look favourably on a more rational use of project resources.

3. Stakeholders Benefit from National Leadership

In fragile settings the key to a more linear progression from emergency to transition-todevelopment is not only service delivery, but provision of inspiration for peoples' hope and belief in their leaders and their own government. Service delivery by third-party actors can ensure that services are delivered and favourably influence the 'push-pull' equation, but it cannot inspire a nation or a fragile part of it to move forward together.

When, with the best of intentions, third-party actors step in to replace the government and claim service delivery as their own, the regrettable effect is that the government's ability to establish credible leadership among its citizens is undermined. For a newly independent nation, a strategic communications strategy is thus crucial. It must be consistent in its message, namely that the government has the will and capacity to lead: it is present and is responding to the needs of its citizens.

An 'embedded approach' is, first and foremost, grounded in an unambiguous understanding that a new government must be consistently supported and positioned to lead - from Day One. To unwittingly undermine this message alters internal dynamics in ways that are not only unhelpful to government, but are harmful to the wider aims of peace, stability and consolidation of a new nation's identity as a sovereign state.

Ultimately the embedded approach is a coherent method of offering assistance in a way that is sensitive, appropriate to local contexts and truly appreciated by those who carry the responsibility for uniting a new nation.



4. The possible impact of the embedded approach on State-building, Governance and Sustainable Development

This paper provides a general overview of the practical applications of the embedded approach from a project-level perspective.

At the implementation level of analysis, ILO's experience in Timor-Leste illustrates that the embedded approach can be an effective, efficient and sustainable method of building capacities and developing institutions. On the basis of the interviews conducted, Timorese and ILO staff consistently highlight the embedded approach as key to ILO's successful engagement in Timor-Leste.

At the strategic level of analysis, the embedded approach offers opportunities for replication in fragile settings in which good governance, sustainable development and state-building are paramount.

State-building. In fragile settings the embedded approach can be a powerful tool for addressing the wider aims of peace consolidation and state-building, namely the establishment of credible and effective national leadership: the aim is *not* just service delivery *per se*, but service delivery *by* government. It is this singular, critical focus on empowering leadership that can make the embedded approach keenly relevant in fragile and transitional environments in which a core issue is not only that needs are addressed, but also *by whom and how* they are addressed.

Considering the foregoing, the embedded approach has a wider significance and presents a 21st century paradigm of development partnership and project implementation in fragile settings. Opportunities for replication may be explored through the recently signed MoU between the ILO and the g7+ as well as the ILO's Fragile-to-Fragile (F2F) cooperation.

Good governance. The embedded approach seems to have worked well in institutional contexts such as Timor in which change is

endogenous and driven by internal, rather than external, factors. At the risk of generalisation, the institutional environment in which an 'embedded approach' is most likely to flourish can be characterized as follows:

- the main concern of key internal stakeholders is delivering on the mandate of the institution;
- the key barrier to delivery on the mandate is the absence of adequate managerial and technical expertise, as well as financial constraints;
- the stakeholders and the institutions themselves are new or totally reshuffled but dynamic and rapidly evolving;
- there is openness to 'change positively' and assistance is welcomed for repositioning the entity, to enhance upstream and downstream delivery channels or to update its current service or product mix.

Institutional environments that may provide less fertile ground for adoption and uptake of capacity-building or institutional development inputs are those in which genuine change is perceived as a threat to existing power structures or vested interests (i.e. limited space for change).

Sustainable development. The embedded approach is likely to create the greatest value for counterparts who face an 'urgently felt' demand to deliver services and establish the corresponding policies that may substantially exceed existing human, institutional, financial and technical resources.

A key feature of the embedded approach is a complete package – including budgets, technical expertise and resources - that enables government to deliver project outputs through its institutions and systems. This is especially relevant in fragile settings in which low capacity contexts prevail and coherent institutional development and capacity-building require sustainable and long-term commitment of funding, time and interest. The embedded approach circumvents this difficulty as it is built on mutual trust and *a long-term investment* by all parties not only in a project, but in the partnership itself.

BOX 9: Good practices from Timor-Leste

Begin With Context: "The model in Timor-Leste is good for Timor-Leste, but each country needs its own model. It is always about the context. One adjusts the program to the views of the government, to donor country strategies and reconciles that with the Ministry. It's also a matter of resources because you have to have the capacity to create the conditions. Work with government, together see where capacity is needed."

Build Trust: "One word: Trust. An 'embedded approach' depends on trust. If relationships are not based on mutual trust, then you may as well forget it. We always try to promote the institution we work with. This is very important. They know this - they know we're there to support them. You don't control the ship, so how do you deal with that? You push, but not too hard. It's about enabling. It's about building trust. When you have trust, then an 'embedded approach' is possible."

Design For Sustainability: "When it comes to sustainability, the central risk is that design and implementation do not address the institution's needs and priorities. Therefore, we must be clear that 'consultation' is not the same thing as working in true partnership. It's not good enough if we talk together or merely 'consult'. The project must be designed together – full partners from Day One of the project cycle. The way projects are normally designed and delivered, may be cheaper and faster, but they are never sustainable. Sustainability has a price. It requires a deep investment by all partners in building relationships, mutual understanding and committing to the extra time and effort to design together."

Avoid Capacity Replacement: "Often there is talk of capacity building, but what do you see? We see capacity replacement, so be very careful. An 'embedded approach' takes longer, at least at the start. First you have to build the institutional structure and the team, deliver through the ministry, ensure ILO is always in the back seat and the government is in the driver's seat."

Anticipate Change: "It's fair to say that if you are working in fragile countries with new institutions, there will be changes. First we were with the Ministry of Labour and Solidarity, then it changed to the Secretariat of Labour and Employment, then to the Ministry of Labour and Community Reinsertion, then back to a Secretariat of Vocational Training and Employment. Again in 2012, a new government and a new Secretary of State. Whenever the government changes it creates a set of expected challenges. One department may be restructured into two or three and these changes can be hard for staff. They can be lost between new Directors and pushed in different directions. At times of change, our role is to support the transition. We provide stability and continuity. In terms of risk and project management, we've found that our role and relationships within the institution allow us to present alternatives, expand options and influence the dialogue. Since 2005 we've had four changes of government, but we've always managed to sustain the dialogue and never had to redesign. Change involves risk and this needs to be managed. What if the new government doesn't want the same outputs or wants major revisions? Then you may need to revise the project and this requires the support and flexibility of donor partners. On the other hand, changes in government are a risk all projects face, so overall, you're in a better position to build relationships, influence and support continuity when you are integrated than if you're an outsider."

Practice Patience: "This approach is not easy. Capacity building is hard work! There will be frustration and times you think to yourself, 'They can't do it'. But then you have to be persistent and eventually they do get there. Working closely with counterparts takes a resilient personality type. Personally, I've improved. Patience - now I have a lot of patience."

Manage Expectations: "Results [are needed] and so we must deliver - we all have to understand this. If the process takes time, then yes, it takes time – just be sure to build time into the design. We know that when an institution really believes in a project, they will invest. At the same time, we have to understand what a government can realistically do within a given timeframe. We can't expect a ministry to dramatically increase staffing or budget from one year to the next. The ministry budget is always increased by a percentage. So we need to be patient and donors need to know this from the beginning"

Be Invisible: "The challenge of our 'invisibility strategy' are donor expectations for branding and marking. Donors want visibility and that's understandable. At the same time, we need to consider the government's position. When you put your logo, it means you, not government. Eventually, most donors understand because before visibility, donors value government-to-government relationships. So you must communicate. The harm is not obvious unless you put yourself in the government's shoes. Donor education is important. And then, of course, there is delivering. We need to work hard so there are results and give this credit to our counterpart. And, it works. They feel ownership. They say, 'We did this. We can do it again'. That's the root of sustainability."

Build Governance Capacity: "Usually in these steering committees, it's an international advisor presenting the progress to the institution and the donor. We seek to support and give the Directors of the Ministry the opportunity to present. So this tells everyone who is in the leadership seat. Sometimes time consuming, but the Steering Committee Meetings always engaged government, donors and social partners. Whole groups were involved in the initial project document - what would we do within the next six months? How we will do it? Creating a governance mechanism is better practice. If you want to deliver through an institution, then you must be coherent and create mechanisms for sustainable governance."

Address Corruption: "On the corruption factor, you have to be very strict. It has to be clear. You have to agree standards and expectations at the beginning. On this, your controls need to be tough. The 'embedded approach' works well for new institutions because we proactively create systems that prevent corruption and enable the counterpart to sustain service delivery over the long term. But if it's already too late and it's a hopelessly corrupt institution, then entering into a partnership is obviously something you shouldn't consider. The key to an 'embedded approach' is mutual trust - you must be able to build and sustain the relationship on a basic set of shared values and common objectives. A commitment to transparency is the first step toward building and institutionalizing mechanisms and internal control systems together with the counterpart."

Provide Transparent Mechanisms: "Long before we signed the first agreement with the service providers, we developed together with government all the rules, procurement processes to make the process transparent. In the beginning we created all the safeguards we could. You have to prove the system can work or everything will collapse from beginning. It was painstaking, step-by-step systems development. We want them to have a model and mechanism to maintain transparency and sustainability into the long future."

Let Go: "Suddenly it was taking off. They are just going with it. The Department of Short-Term Employment - today it is 100% government. Sometimes you think, 'is this capacity building ever going to end?' But you must work with your counterpart, 100% from planning throughout the whole project cycle. It is good that they are responsible for part of the budget so that they need to take decisions and manage. And then when you see they are capable of taking more, you need to let go."

Recommendations: a possible way forward for the ILO

Building upon the ILO's experience in Timor-Leste, replication of the embedded approach in other fragile settings is worth consideration. The present document is a mere stock-taking exercise that provides selected insights, but lacks comprehensive step-by-step technical guidance and a corresponding organisational strategy that could inform the replication of the embedded approach in other fragile settings.

To support the implementation of future embedded projects in fragile settings, the ILO could consider developing the following two complementary tools:

- a *Capacity Diagnostics Tool* to undertake an in-depth assessment of the institutional environment and national capacity to evaluate the feasibility of embedded working,
- a *Step-by-Step Guide* that would provide practical guidance to support ILO staff in

designing, implementing and monitoring embedded projects in fragile settings with specific focus on critical areas such as procurement, finance, M&E, etc.

Additionally, knowledge-sharing activities to disseminate Timor-Leste's experience with the embedded approach could be supported under the Fragile-2-Fragile Cooperation modality, developed by the g7+ with the ILO.

An expansion and refinement of the embedded approach would not only enable the ILO to better deliver the Decent Work mandate in country contexts which require long-term engagement and a great deal of flexibility, but would also be part of a greater strategy to effectively support national counterparts in achieving PSG 4 – generating employment and supporting livelihoods to create the economic foundations for peace and resilience.



Appendix 1: The Timor-Leste embedded approach for institutional development and state building - A note by José Assalino and Roberto Pes

Emerging in 2002 as the first new nation of the 21st century, Timor-Leste was quickly confronted with the twofold challenge of building its institutions from scratch and delivering services to its extremely poor population.

Two years after Timor-Leste's declaration of independence, the ILO launched its first sizable technical cooperation project and adopted an implementation modality which allowed the organization to build up the sustainable capacity of its young and fragile constituents and at the same time to achieve the agreed project's propoor outcomes. As such, state-building was no longer conceived as a mere project outcome, but became a part of the project's strategy and daily implementation.

Unlike the prevailing 'parallel approach' to project implementation, in which funds are allocated for separate project offices staffed by a team of National Project Officers remunerated on the UN salary scale, the 'embedded approach', piloted by the ILO in Timor-Leste, took a different track: 'one project, one team', with the ILO expertise fully blended into the national counterpart.

The approach consisted of placing experts directly within the constituents' organizational structures and in using service contracts to channel project resources through their systems, with the objective of helping them to develop their own staff, strengthen their internal procedures and design their strategies and plans. Working side-by-side with ILO experts, counterpart staff had the opportunity to learn by doing and ask for ad hoc advice and support. Reciprocally, by working day-to-day with their counterparts, ILO experts were able to develop a much more detailed understanding of the constraints they face and, therefore, were in a much better position to both gauge and target their technical assistance.

Within this framework the project's interventions were delivered *by* the partner institutions and

through their systems. The project counterparts stood at the forefront of the interface with all other stakeholders and were seen as the main actors delivering services to the people.

In the case of Timor-Leste, technical cooperation projects also contributed to addressing the lack of technical staff in a number of newly-established government institutions. With financial assistance provided through output-based service contracts, key national officials were recruited under Government conditions and against employment contracts issued by the project counterparts. During a predetermined period the project trained and coached the new officials and, at the end of the contract, the counterpart institution absorbed those staff with proven abilities and skills into new permanent positions, promoting and enhancing the sustainability of the investment initiated by the project. This constituted another element of the paradigm shift away from how development projects were typically conceived, designed and implemented and allowed the project partners to retain national professional expertise developed during the lifespan of the project.

As far as the delivery mechanisms are concerned, the embedded approach promotes a 'light approach', whereby the project acts as a facilitator and a coach, providing tailor-made technical assistance and using its resources to pilot innovative solutions to addressing the challenges that the counterparts face and eventually to help them deliver services to the people.

By so doing the project develops the partners' capacity to work for the poor, rather than through working for the poor directly, and thereby strengthens its counterparts' self-confidence, improves their visibility and enhances the local ownership of the initiative. It is therefore clear that the embedded approach strongly contrasts with other modalities in which 'advisors' are placed in government institutions as substitutes for the local officials.

Project evaluations carried out during the past ten years have cited the ILO Timor-Leste's 'embedded approach' as a core strength in ensuring efficiency, effectiveness and sustainability of interventions and an excellent modality for engaging with national institutions in Fragile State settings. In this way, by acknowledging that state-building is primarily an endogenous process involving the placing of recipient institutions in the driving seat, the embedded approach echoes the New Deal's principles and provides durable, sound and context-specific support to countries on their pathway out of fragility.

Appendix 2: Interview list

ALVES, PAOLO:	Director, Employment, Secretariat of State for Vocational Training and Employment, Government of Timor-Leste
ASSALINO, JOSE:	Country Director, ILO-Nepal AND former CTA STAGE and ILO-TL Head Of Mission from 2004-2012 (by SKYPE)
ATHMER, BAS – CTA:	'R4D' Project, ILO-TL (Ministry of Public Works counterpart)
BARROS, JACINTO:	Director General, Secretariat of State for Vocational Training and Employment, Government of Timor-Leste
BERE TACI, LUCIO:	Head of Department for Short-Term Employment, Secretariat of State for Vocational Training and Employment, Government of Timor-Leste
BUTLER, LYNNE:	CTA 'TESP' Project, ILO-TL (Secretariat of State for Vocational Training and Employment counterpart)
DA CONCEICAO, JOSE:	Secretary General of the Timorese Workers' Union (KSTL)
DA COSTA SOARES, HERNANI:	Executive Director, IADE, Secretariat of State for Promotion and Support of Private Sector - Business Enterprise Services, Government of Timor-Leste
DAMAYANTI, ROLLY:	Small Business Development Expert, BOSS, ILO-TL (IADE counterpart)
DOS SANTOS, BEATRIX:	Director, BDS Department, IADE, Secretariat of State for Promotion and Support of Private Sector - Business Enterprise Services, Government of Timor-Leste
DUARTE, TONY:	Chief of Staff and Senior Cabinet Advisor, Secretariat of State for Promotion and Support of Private Sector, Focal Point of Macau and ASEAN Forum, Government of Timor-Leste
ENCARNACAO, FERNANDO:	Youth Employment/Community Empowerment Expert, TESP, ILO-TL
GONCALVES, KATHLEEN:	Vice President, Chamber of Commerce and Industry of Timor-Leste
INDART, ANTONIO JUNIOR:	Management Information Systems Expert, TESP, ILO-TL
LIMA, ISABEL:	Director of Vocational Training and Director of the National Institute for Labour Force Development Secretariat of State for Training and Employment, Government of Timor-Leste

PES, ROBERTO:	CTA 'BOSS' Project and ILO-TL Head of Mission from 2012-present (Secretariat of State for Promotion and Support of Private Sector counterpart)
STENSTROM, TOMAS:	CTA 'ERA' Project, ILO-TL (multiple counterpart institutions)
TRASFIGURACAO, F.:	Director, Dom Bosco Vocational Training Centre
VAN ROOIJ, PETER:	Director, ILO Country Office, Jakarta, Indonesia
VERDIAL, ALEXANDRINA:	Head of Self-Employment Department, Secretariat of State for Vocational Training and Employment, Government of Timor-Leste

Appendix 3: Resources for further research

Andrews, Matt, **"Do International Organizations Really Shape Government Solutions in Developing Countries?"**, CID Working Paper No. 264, August 2013, Harvard University, Centre for International Development

Andrews, Matt, **"Explaining Positive Deviance in Public Sector Reforms in Development?"**, CID Working Paper No. 267, October 2013, Harvard University, Centre for International Development

Andrews, Matt, **"Who Really Leads Development?"**, CID Working Paper No. 258, April 2013. Harvard University, Centre for International Development

Andrews et al., **"Development as Leadership-Led Change."** CID Working Paper No. 206, October 2010. Harvard University, Centre for International Development

De Wijer, Frauke. **"Rethinking Approaches to Managing Change in Fragile States"**, September 2012, Centre for International Development, Harvard Kennedy School

Larson et al., **"South Sudan's Capability Trap: Building a State with Disruptive Innovation."** CID Working Paper No. 268, October 2013. Harvard University, Centre for International Development

Pires, Emilia, "Timor-Leste Ten Years After: What Have We Learned?" Development Outreach, October 2009. World Bank Institute.

Pritchett et al., "Looking Like a State: Techniques of Persistent Failure in State Capability for Implementation." CID Working Paper No. 239, June 2012, Harvard University Centre for International Development

Walley, et al., **"How-To Guide on Research and Development: The Embedded Approach"**, COMIS-HSD, Health Care Systems, undated, DFID website

EMPLOYMENT AND DECENT WORK IN FRAGILE SITUATIONS: PATHWAYS FOR PEACE AND RESILIENCE

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