Working within Institutions in Fragile Settings

Strengthening National Leadership
through the Embedded Approach
in Timor-Leste

DWCP 2008-13 for Timor-Leste

"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".

Foreword

This paper provides an overview of selected lessons learnt 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 to build 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 blue print for generic replication in other fragile situations. Nor does the paper monitor or evaluate the outcomes and achievements of present or past projects of the ILO in Timor-Leste; instead it aims to take stock of the variety of the technical approaches, that the ILO's 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 -over-the-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 experience in Timor-Leste may be of interest to colleagues within the ILO and other international organisations that work in fragile environments where institution building and long-term engagement are a crucial component of broader peacebuilding and statebuilding 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 to 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 is therefore particularly pertaining to fragile and transitional environments where a core issue is not only that 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 it 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.

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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 for the last 10 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's project documents, evaluations, publications, etc. About 20 semi-structured interviews were conducted with the ILO's staff in Timor-Leste, government counterparts and one social partner representative in the period of October to December 2013. Given the constraints of time and scope, this paper is a mere stock tacking exercise and reflects primarily the impressions and perceptions of those interviewed. This paper does not aspire to present a comprehensive institutional perspective of the ILO.

Acknowledgements

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
CTA	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 Statebuilding 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
USD	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 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 set indeed "the stage" for over a decade of ILO program growth.

Key to the ILO's sustained engagement in Timor-Leste is the "embedded approach." The embedded approach 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 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 decided 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 felt 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 doing so, 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 USD 20,178,000, and increased by 77per cent compared to the previous year (USD 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 the 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 recommendable to develop appropriate guidance for field operations. This could for instance include (1) a *Capacity Diagnostics Tool* to conduct an initial assessment of the institutional environment in fragile settings to evaluate the feasibility of working embedded, 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 upon its experience in Timor-Leste, the ILO could expand and refine the application of the embedded approach in fragile countries as a means to deliver the Decent Work mandate and to effectively support national counterparts in achieving PSG 4 – 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 with 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-lead a working group in order 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 globally applied.

This nexus between employment and peace was echoed again in 2010, when a group of self-declared 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 to enable progress towards achieving the MDGs in fragile and conflict-affected states. PSG[4] explicitly acknowledges the importance of "generating employment and supporting livelihoods" to establish the "Economic Foundations" for inclusive peace and statebuilding processes.

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1   ILO (2010).Constitution of the International LabourOrganisation 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

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

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 to 30 years - to fully transit from fragility to resilience, Timor-Leste is ambitiously trying to beat the curve, 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 spearheads through the g7+, reforms to the way 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 first UN agency, a Memorandum of Understanding with the g7+.[5]

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5 The ILO-g7+ MoUforesees joint efforts to adapt the ILO's involvement in g7+ Member States to specific contexts, in close cooperation with governments, in particular through joint programs 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 before 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 2001.[6]

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 program growth and ever-deepening engagement.

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%, projecting 60,000 young people to enter the labour market in the following years.

Unemployment and poverty: The official unemployment rate in 2003 was 20% while under-employment 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, ninety percent 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.

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 and so did STAGE. The project began with an innovative premise: **the ends of institutional capacity building come first**: ILO staff would work side-by-side with its counterparts embedded into national institutions and thereby STAGE would not be delivered *with* or *for* the new government, but *by* the new government.

STAGE's embedded approach proved to be 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 needs of Timorese people to generate income.

At the community level, STAGE established service providers, i.e. 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.

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

At the national level, technical assistance was provided to enable the Ministry of Labour and Solidarity (herein 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, ratify protocols and draft legislation.

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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 build trust among 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 program development and have far-reaching implications for the ILO and its counterparts.

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 to 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 Nation" was a quick-impact project that engaged community members in the relief effort through providing jobs in rice distribution rice and debris clearance. In addition to providing income, working in the relief effort contributed to stimulating a sense of normalcy 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 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 income-generation project supported female micro-entrepreneurs 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.

Box 4: Changing mentalities in a post-conflict 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 of interview with Father Transfiguracao Dom Don Bosco Vocational Training Centre Dili, Timor-Leste, December 2013

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 1.5 million USD 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 established within the Ministry and links forged with the Ministry for Public Works. This resulted in the development of two additional programming channels: private sector development and labour-based appropriate technologies for infrastructure as strategies to address unemployment and expand income-generation opportunities.

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 reclaiming 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.

In this period, ILO's key institutional counterpart under STAGE - the Ministry of Labour and Solidarity - underwent a sweeping reorganization and was now the Secretariat of State for Vocational Training and Employment (SEFOPE). While the impact of reorganization was not insignificant, the new Secretariat and the ILO developed two projects together 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 competency-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 build and maintain 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 provide 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 labour based 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 precisely responded to national priorities. It also proactively developed delivery channels and supported the Department of Short-Term Employment to rationally program an increasing government budget. At the end of TIM-Works, the Department of Short-Term Employment was highly capacitated.

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 2.5 million USD to 20 million USD.

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 in order 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 competency-based training opportunities.

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.

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 of "Timor-Leste Ten Years After: What Have We Learned?" by H.E. Emilia Pires, Minister of Finance, Timor-Leste and Chair of g7+

Upon 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 was repositioned 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, client-centred 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 un- and underemployment. Based upon the successful joint-implementation of STAGE the 'embedded approach' was replicated at the request of SEAPRI.

In light of the gains of 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 and joined by the Institute for Business Support (IADE). The design of R4D was prompted by a 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 respond to government priorities to establish 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 responding to the request of the Ministry of Public Works for assistance

in building its capacity to plan, budget and manage rural roads using appropriate labour-based technologies, as well to program 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 a 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+.

3. An Embedded Approach for Timor-Leste

3.1 What is an 'embedded approach'?

In Timor-Leste the terms `embedded approach is used to describe how the ILO operates working within national institutions.

An embedded approach:

a) refers to a project that is 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 for sustained development. Such was the situation when the ILO started operating in 2004 in post-independence Timor-Leste. This notwithstanding, the ILO project team decided to pilot the embedded approach as a means to deliver 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 a fundamental component of the ILO's standard TC strategy, it is especially pertaining to fragile contexts. Weak institutions and skills shortages are a common characteristic of fragile environments and oftentimes impede effective labour governance and thereby undermine the formation of resilient livelihoods.

> **Box 7: The importance of learning through direct experience**
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> *"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.E. 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 e.g. 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 per the civil service pay scale, rather than the customary ILO contract process. ILO disburses funds for agreed positions to the national institution and these personnel are immediately integrated into the organizational structure of the national partner.

Rationale: By 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 trainings.

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'[7] 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 early-stage transition to development programming. Project evaluations cite the embedded approach as core strength in measures of efficiency, effectiveness and sustainability multiple donors such as AusAID, EC, Irish Aid, NZAID and Norad have generously supported the ILO and its government partners with funding of over 79 million USD.

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7   ILO (2013) South-South Cooperation and Decent Work: Good Practices.

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 staff members of ILO. The interviewees stated consistently that the 'embedded approach' confers a spectrum of advantages at the 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 capacity building process, as well as 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)*

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." *(ILO staff)*

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." *(National authorities)*

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." *(ILO staff)*

3.4 Working embedded: Challenges and Opportunities.

The favourable outcomes of the ILO's embedded approach not only reflect a well-attuned, customer-centric orientation and a record of solid project execution, but a confluence of factors and events that presented a range of new opportunities the ILO was able to identify, capture, leverage and cultivate. The interviews also shed further light onto the specific conditions that have enabled the implementation of the embedded approach in Timor-Leste as well as 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 program. Leadership-by-example is evident and felt at all levels of 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 programs by the majority of UN agencies - allowed the ILO and its counterparts to introduce new program modalities that provided a springboard for program development and expansion of government services.

Socio-economic progress of the country: The post-2006 transition facilitated by substantial growth in state revenue, budget and public expenditure, has created optimal conditions for program development, institutional development and sustainability of initiatives. Thanks to its endowment of natural resources, Timor-Leste has continued to maintain forward momentum: Over the past nine years, the state budget grew from under 40 million USD to 1.5 billion USD. The boom in petroleum revenue, expanded fiscal policies, improved budget execution and increased spending on infrastructure and public transfers have enabled the Government to spur on economic growth and deliver 'peace dividends' to support 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 opportunity 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, as it often is in post-conflict contexts. Multi-lingual capacities that enable 'all staff to benefit from capacity building' suggest language skills are not merely an instrumental factor in skills transfer, but are valued in supporting group communication, team cohesion, reducing jealously/competition and facilitating positive intra-group relationships. This input of Timorese stakeholders provides an important lessons learnt and is may be relevant to prospective ILO engagement in other post-conflict contexts in which language, identity, in-group/out-group dynamics, participation and equity 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 technical experts possess the capabilities to work productively within the institutional setting of the counterpart.

Core competencies should include:

1) Technical expertise;

2) Understanding of adult learning/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 to 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 '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 "embedded." Even within a single government 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/ programme. 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 learnt from working within institutions in Timor-Leste

ILO's experience in Timor-Leste offers at least three concrete lessons of working integrated in national institutions in fragile settings. These also explain how the ILO in Timor-Leste established a broad base of support and consolidated its position as 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/ unit;

   (3) supports these new organizational staff units to build out 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/sections are fully staffed with personnel who were trained inside the institution and '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 in place and provides not only a sustainable bespoke solution to service delivery constraints, but is also appreciated by donors that seek 'value for money' and look favourably upon a more rational use of project resources.

3) *Stakeholders Benefit from National Leadership*. In fragile settings, the key to a more lineal progression from emergency to transition-to-development is not only service delivery, but to provide an inspiration for peoples' hope and belief in their leaders and their own government. Service delivery by third-party actors can get services 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: This government has the will and capacity to lead. It is present and it is responding to the needs to 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 larger aims of peace, stability and consolidation of a new nation's identity as a sovereign state.

Ultimately the embedded approach is coherent method to offer assistance in a way that is sensitive, appropriate to local contexts and truly appreciated by those who carry the responsibility of 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 to build capacities and develop institutions. On the basis of the interviews conducted, Timorese and ILO staffs 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 where good governance, sustainable development and statebuilding are paramount.

Statebuilding. In fragile settings the embedded approach can be a powerful tool to address the larger aims of peace consolidation and state building, namely the establishment of credible and effective national leadership: the aim is *not* just service delivery, 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 above, the embedded approach has a larger 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 context 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 delivering on the mandate is the absence of adequate managerial and technical expertise, as well as financial constraints;

◆ Their stakeholders and the institutions themselves are new or completely 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 and/or update its current service/product mix.

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

Sustainable development. The embedded approach is likely to create the greatest value for counterparts who face an 'urgently felt' demand to deliver services and to establish the corresponding policies that may substantially exceeds 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 where 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 in not only 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."

Major Achievements of ILO Projects in Timor-Leste
(as at December 2014)

Skills Training for Gainful Employment (STAGE, 2004-2009)

- More than 100 staffs of SEFOPE received training on 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) established across the districts of Dili, Baucau, Bobonaro, and Oecusse.

- A computerized Labour Market Information (SIMU) set up in SEFOPE to support collection and dissemination of labour market information.

- Establishment of an Employment and Vocational Training Fund (FEFOP) to provide financial support to training provides, micro-finance institutions, etc.

- Establishment of a National Labour Force Development Institute (INDMO), the institution responsible to move vocational training providers towards a competency-based training system, established and made operational.

- 27,017 beneficiaries registered unemployed received employment counselling. 1,923 received skills training courses (46% women), 4,643 received enterprise development training (81.5% women), and 2,880 received micro credits (99.5% women).

- 11,262 jobs created: 961 (46% women) from vocational training, and 9,704 (90% women) start self-employment, 596 (30.5% women) direct job placements.

Investment Budget Execution Support for Rural Infrastructure Development and Employment Generation Project' (TIM-Works, 2008-2012)

- 304 km of roads rehabilitation/construction completed.

- 2,150 km of road maintenance completed (175 community contracts issued and contractors received training on LB approaches).

- 1,370,000 workdays generated, providing short-term employment to 32,500 beneficiaries (27% women, 44% youth)

- 50 staff engaged at the Central and District technical team received formal training on Labour-Based (LB) technology, gender and socialisation aspects.

- Technical manual and training materials for road rehabilitation and maintenance guideline developed

- 1,398 people (4,150 training-days), including communities, private contractors and SEFOPE staff received formal training on LB approaches.

- Department of Short Term Employment institutionalised and functional with operations fully funded by the Government.

Business Opportunities and Support Services Project (BOSS, 2011-2016)

- Supported the process of restructuring IADE from a business training provider to private sector development agency. IADE is now at the forefront in the implementation of national programmes supporting enterprise development in key economic sectors in Timor-Leste rural areas.

- IADE accredited by the Timor-Leste Institute for workforce development (INDMO) to deliver business management training for micro and small enterprises.

- Business Plan Competition organized annually with financial support from the private sector and government.

- 4,251 (50% women) received training on business management, 392 (46% women) counselled, 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, 20 businesses received business incubation facility.

- Value chain in selected sector upgraded. Sustainable jobs created as a result of the value chains interventions: 411 jobs in cattle sector, and 168 (23% women) jobs in horticulture sector.

- The government of Timor-Leste adopted the Strategy and Action Plan for Gender and the Private Sector, which recognises that promoting gender equality in private sector, and in particular, economically empowering women, is one of the most powerful drivers of poverty reduction.

Enhancing Rural Access (ERA 2011-2016)

- The training section for labour-based works established at Don Bosco. Curricula developed and course materials for technical and contracts management training finalised, and National Trainers certified.

- The National Certificates, "Labour-based Technology for Road Works" and "Managing Small Construction Bids" approved by INDMO (the National Labour Force Development Institute)

- Don Bosco accredited by INDMO to deliver National Certificate in Labour-Based Technology (LBT) for Rural Road.

- IADE accredited to deliver Construction and National Certificate in Management of Small Construction Bids and Contracts

- 148 companies with total of 476 people (145 engineers, 287 supervisors, 22 Public Works Supervisors) completed accredited technical training for rural road rehabilitation and maintenance.

- 330 contractors completed accredited training on contracts and business management (25% female).35 road rehabilitation contracts, issued as part of the training, (77 km) completed, and 27 road rehabilitation contracts (63 km) at various stages of completion.

- 487,000 workdays generated, providing short-term employment for 7,800 beneficiaries (123,200 workers days for 1,970 registered women) since the start of works.

- Roads rehabilitated by the Project handed over to the Ministry pf Public Works for maintenance.

Youth Employment Promotion Program (YEP, 2008-2012)

- Supported the Government in conducted the first Labour Force Survey (LFS) in the country LFS 2010.

- New networks of CEOPs established across the districts of Ermera and Manufahi. Total network of 6 CEOPs has been established.

- A total of 31,740 (43% women) young (15-29 years) jobs and training seekers registered through the six CEOP. 10,122 (40% women) counselled and 1,285 (17% women) directly linked to paid employment (National and International).

- Continue promote and support competency based TVET system in Timor-Leste through INDMO: Six Industry Sub Commissions established and certifying qualifications in the areas of Automotive, Construction, Tourism and Hospitality, Education and Training, Agriculture and Administration and Finance; 28 National Qualifications and 8 National Certificates comprising over 250 units of competency across nine industry areas developed and certified; 17 registered training providers accredited by INDMO to deliver national competency based qualifications and certificates.

- Know About Your Business (KAB) programme officially integrated in the national curriculum for secondary technical education.

- Establishment of Department of Short Term Employment Creation (STEC) within the structure of SEFOPE.

- 2,887 km of road maintenance completed.

- 2,252,362 workdays generated, providing short-term employment to 78,422 beneficiaries (27% women and 43% youth) living in the rural areas of all the 13 districts of Timor Leste.

Training and Employment Support Program (TESP, 2013-2014)

- The technical guidelines and templates FEFOP were fully developed, and integrated in web-based system to improve funding mechanism for training providers, self-employment, and vocational training.

- The capacity of the Labour Market Information Department was built 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.

- Supported the Government in conducted Labour Force Survey (LFS) 2013.

- Supported the Government in carried 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.

- 3,686 students completed (Level 1,2,3) competency based qualifications. 50% found employment after completing a training course.

- Continue promote and support competency 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, government, and training providers in the country.

Roads for Development (R4D 2012-2016)

- Strengthened the capacity of the Ministry of Public Works, (MPW) in planning and delivering investments in rural roads. This included the establishment of functionalities and capacities for GIS/mapping, the development of a contract management systems for the Ministry and the development of tendering procedures and contract templates for rural road works implemented through MPW.

- 281 MPW staff (3,831 training-days) received training on surveying, designing & cost-estimation, tendering & procurement, GIS/GPS and works supervision.

- Finalization of the Rural Road Master Plan and Investment Strategy (RRMPIS) to guide the country's investments in the rural roads sector.

- Inclusion of Social and Environmental Safeguards in R4D' design and implementation. This includes an Agreement between MPW & SEPFOPE on minimum wages for casual workers, the 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, compliance to environmental licencing requirements for rural road works.

- 357 staff (1,662 training-days) of local civil construction works companies received Pre-bid training.

- 282 staff (4,601 training-days) of local civil construction works received contractor technical training.

- 103.42 km roads rehabilitated and 374.60 km road maintenance is at 85% completion as of December 2014.

- Generated more than 300,000 workdays of direct short-term jobs.

Recommendations: a possible way forward for the ILO

Building upon the ILO's experience in Timor-Leste, a 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 is lacking comprehensive step-by-step technical guidance and a corresponding organisational strategy that could inform the replication of the embedded approach in another fragile setting.

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 working embedded,

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

Two years after the 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 sustainable capacity of its young and fragile constituents and – at the same time – to achieve the agreed project's pro-poor 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 at 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 within the national counterpart.

The approach consisted of placing experts directly into the constituents' organizational structures and in using service contracts to channel project's resources through their systems, with the objective of assisting them in developing their own staff, strengthening their internal procedures and designing their strategies and plans. Working side-by-side with ILO experts, counterparts' staff had the opportunity to learn by doing and to 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.

In this framework, the project's interventions were delivered *by* the partner institutions and *through* their systems. The project's counterparts stood at the forefront of the interface with all other stakeholders and they were seen as the main actors in delivering services to the people.

In the case of Timor-Leste, technical cooperation projects also contributed to address 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's 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 for new permanent positions, promoting and enhancing the sustainability of the investment initiated by the project. This constituted another element of the paradigm shift from the way development projects were typically conceived, designed and implemented and allowed the project's 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 address the challenges that the counterparts face and to eventually to support them in delivering services to the people.

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

Project evaluations, carried out during the past ten years, has cited the ILO Timor-Leste's 'embedded approach' as a core strength in ensuring efficiency, effectiveness and sustainability of the interventions and an excellent modality to engage with national institutions in Fragile States' settings. In this regard, by acknowledging that state building is primarily an endogenous process and by putting recipient institutions on the driver 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.