

## REPORT OF THE JOINT ASSESSMENT MISSION TO EAST TIMOR

### Introduction and purpose

1. East Timor is likely to be the first new state of the 21<sup>st</sup> century. On August 30<sup>th</sup> 1999, with a turnout of 98%, 78.5% of the registered electorate voted for a transition to independence. Implementation of the results of the ballot should have been an occasion for celebration. Instead, the people of East Timor were forced to watch the birth of their new country through a haze of smoke and tears, as orchestrated violence after announcement of the ballot results wreaked physical destruction and human terror from Tutuala to Oecussi. It is estimated that over 75% of the population was displaced in the weeks following the ballot results, and almost 70% of physical infrastructure destroyed or rendered inoperable.
2. The response of the international community has been swift and comprehensive. On September 15<sup>th</sup>, the Security Council authorised deployment of a multinational force (MNF), which entered East Timor on September 20<sup>th</sup>. A humanitarian operation, which was mobilised exceptionally quickly, accompanied the deployment of the MNF. On October 25<sup>th</sup>, the Security Council authorised the formation of the United Nations Transitional Administration in East Timor (UNTAET).
3. East Timorese organisations and communities have also mobilised quickly to reconstruct their territory. The Conselho Nacional da Resistencia Timorese (CNRT), the Catholic Church and local NGOs have been active in the distribution of humanitarian aid, and have organised or supported local reconstruction committees to clean up public buildings and residential neighbourhoods.
4. As the emphasis moves over the coming months from relief to reconstruction and development, it will be critical to build on domestic and international enthusiasm to contribute to reconstruction in a coordinated manner. The challenge is to ensure that the financial and human resources available for reconstruction are used efficiently, and that short-term initiatives are compatible with sustainable development in the longer term. Security is a critical pre-requisite for reconstruction. However, East Timor is fortunate in having avoided a situation of full-blown internal conflict, and security operations should be kept to a level appropriate to maintaining law and order, whilst minimising the economic and social distortions consequent on a large scale military presence.
5. The Joint Assessment Mission to East Timor, coordinated by the World Bank, was endorsed at a meeting of donors, UN agencies and East Timorese representatives on September 29<sup>th</sup>. Early deployment of the mission was driven by lessons of other post-conflict countries, where lack of coordination between relief and development planning has delayed the transition from emergency relief to more sustainable development support, and has caused inefficiencies and duplication in the use of external resources. Good communication between the Department of Peace-Keeping Operations, UNTAET, the financial and development institutions, the humanitarian agencies and East Timorese leadership will offer an opportunity to get it right for the people of East Timor.

6. The Mission aimed to identify priority short-term reconstruction initiatives and provide estimates of external financing needs. To foster compatibility with longer term development objectives, the Mission used a comprehensive development framework approach, covering eight sectors and incorporating international technical expertise from five donor countries, four UN agencies, the European Commission, the Asian Development Bank and the World Bank. A concurrent mission of the IMF accompanied the Joint Assessment Mission. Timorese technical specialists were paired with international experts in each sector, to ensure input of local knowledge and capacity-building for local professionals.

7. **Relief to reconstruction linkages.** A representative of UNHCR joined the mission to facilitate linkage between relief and reconstruction planning, and the mission was assisted by experts from WFP on food security issues. The humanitarian intervention in East Timor has already provided: (i) general distribution of rice and non-food assistance to returning refugees, and targeted distribution to at-risk populations; (ii) re-opening of all hospitals in East Timor and operation of mobile health clinics; (iii) repairs to the piped and well-water system. The mission held detailed discussions with OCHA on the linkages between the humanitarian and development programs. These resulted in an initiative to classify programs in the OCHA appeal according to developmental versus humanitarian objectives, with a view to avoiding double-counting and ensuring full coordination of development programs within the development budget (see annex 1). In addition, the mission recommends that an assessment of transition relief to development needs be conducted in April-May, as the humanitarian program winds down.

8. This report outlines the principal findings and recommendations of the mission. It is organised by sector, and annexes a preliminary listing of programs, with partial costings. A full consolidated budget – for both recurrent and development expenditures – for year one of the transitional administration in East Timor, together with an indicative budget for the first three years, will be included in the final report.

## **Economic Management**

9. Prior to the conflict, East Timor was primarily an agricultural economy, with a single significant export (coffee) and approximately 90% of the population living in rural areas. The territory was one of the poorest areas in South-East Asia, with an estimated GDP per capita of \$431 in 1996, and 30% of households – or double the average for Indonesia – living below the poverty line. Although official recorded investment per capita ran at approximately double the Indonesian average, access to economic infrastructure and basic social services was lower than any Indonesian province. East Timor was heavily dependent on external transfers, with approximately 85% of recurrent and capital expenditure coming from Indonesia.<sup>1</sup>

10. **Assessment of the current situation.** Both the public and private sectors have suffered almost total collapse in the aftermath of the violence in East Timor. The

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<sup>1</sup> Due to leakage from the government budget, the percentage of realised expenditure covered by transfers is probably substantially lower.

economy has been hit by a dramatic supply shock, due to disruption of the agricultural cycle, the destruction of local inventories of basic manufactured goods, the closure of the border with West Timor, and lack of civilian access to port facilities to permit commercial imports from abroad. As the December planting season approaches in agriculture, many regions are experiencing labour shortages due to population displacement, together with lack of access to seeds and tools. Acute shortages are leading to spiralling prices, with an ad-hoc price survey in Dili market indicating an increase in the consumer price index for poor households in Dili of some 200% between August and October.<sup>2</sup> Lack of transportation services and fuel have led to rising price differentials between Dili and the rural hinterland.

11. Buildings and equipment in the small modern sector have been decimated. The physical infrastructure and equipment in every bank has been destroyed or looted, and there is currently no payments system in operation enabling public or private entities to pay salaries or goods and services. Depositors have lost access to savings held in the Indonesian banking system.<sup>3</sup> Even more importantly, there is a drastic shortage of skilled personnel for the secondary and tertiary sectors: most technical positions were occupied by Indonesians who have left the country.

12. It is estimated that this destruction will result in a drop of GDP for the year 1999 in the range of 40-45%. However, there are reasons to limit the overall pessimism. Agriculture, which constitutes the base of the Timorese economy, will revive substantially over the coming year. The coffee crop, a critical export earner, is estimated to come in during 2000 at levels consistent with the East Timor average. The presence of United Nations and other international agencies will produce a massive positive demand shock in urban services and real estate: care will need to be taken to manage subsequent distortions in the allocation of capital and labour, and adverse social impacts.

13. **Urgent priorities to kickstart the economy.** Over the next quarter, the following initiatives are essential: (i) *restarting the flow of goods and services*, including an agreement on border trade with West Timor, freeing up port facilities in Dili for commercial imports, re-instituting commercial air links and relieving military barriers to internal population mobility; (ii) *establishing a payments system*. Initially this may be done through extension of UNTAET's current banking services to private transactions: it is essential, however, that conditions be established to permit the rapid entry of reputable foreign banks to provide banking services, including commercial lending. This would include the provision of banking services in rural areas, possibly through the use of mobile payments units; (iii) *currency arrangements and exchange houses*. The flow of several different convertible currencies into East Timor via personnel of the international agencies requires easy access to currency conversion facilities, through the licensing of exchange houses, and a public information service on exchange rates; (iv) *assets and liabilities*. It is essential that negotiations be started with Indonesia as soon as possible on the re-establishment of branch units of Indonesian banks in East Timor, in order to permit the settlement of credits and depositor claims, and the settlement of civil servant pension

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<sup>2</sup> This has, however, been cushioned to some extent by distribution of food aid, which has resulted in a drop in the price of rice from a peak in September.

<sup>3</sup> Unless they are able to travel to Indonesia to withdraw funds, an option which is not open to most families.

and social security claims; (v) *sustainable government finances*. Although East Timor is likely to have a budget deficit for some time to come, it will be important to reach agreement on a recurrent budget for the year 2000 which minimises dependence on external financing in order to lay the basis for sustainable public expenditure in the years following the transition to independence. Fiscal measures must also include initiatives to tax urban services and redistribute revenue to rural areas, as an instrument to minimise persistent economic distortions caused by the presence of the United Nations and other international development agencies.

14. **Short-term priorities for economic recovery.** Over the transitional period, it is critical that initiatives be taken to lay the basis for sustainable economic recovery and sound economic management. Needs include: (i) *establishing and reinforcing key economic institutions*. Constitutive decrees and training/capacity-building programs will be necessary to establish the functions of the department of finance and planning, procurement and audit agencies, revenue agency, statistical agency and customs offices; (ii) *economic policy-making*. Technical assistance will be required to develop currency and exchange regimes, financial supervisory services, tax policy and collection systems, budgeting, procurement and accounting systems and techniques; (iii) *completion of international agreements* on the exploitation of oil, gas, fisheries and other natural resources; (iv) *legal and regulatory framework*. Technical assistance will be required to develop transparent ground rules for the functioning of the private sector in East Timor, including an investment code, property<sup>4</sup> and commercial law, and procedures for the leasing of vacant state land and facilities; (v) *gathering baseline economic and social data*. To support effective policy-making, accurate data is essential. Initiatives here should include conduct of a population census, price surveys and a household income and expenditure survey; (vi) *credit for small and medium enterprises*. Lines of credit for small enterprises should be made available to facilitate the resumption of productive and trading enterprises, together with passenger and commercial transport and distribution services.

### Civil service

15. **Assessment of the current situation.** The civil service is not currently functioning at any level in East Timor. Over 70% of administrative buildings have been partially or completely destroyed, and almost all office equipment and consumable materials have been destroyed. Government archives have been destroyed or removed. Accurate figures are not available on the number of civil servants remaining in the territory, but at least 20-25% - those estimated to be of Indonesian origin – are likely to have left. Indonesian civil servants were concentrated in the higher grades and skilled technical positions, so this creates a serious skill deficit for the civil service.

16. However, the decimation of the civil service also presents an opportunity for reform. Under Indonesian occupation, the civil service was characterised by: (i) overstaffing, with over 28,000 civil servants: 3.4% of the population compared to an Asian average of 2.6%; (ii) too many layers of bureaucracy for a small country, fostering inefficient decision making and opportunities for graft; (iii) duplication of functions

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<sup>4</sup> It is essential that reform of the laws on property, in particular, is developed through a consultative process with local stakeholders.

between line ministries and decentralised departments; (iv) a top-down organisational culture, with little community participation and marginalisation of traditional local decision-making structures; (v) exceptionally low pay levels, encouraging the establishment of legal and illegal fringe benefits. The window of opportunity for reform must be balanced against the need for speedy action to restore services, which does not allow for a lengthy analysis, consultation and planning exercise.

**17. Transitional governance and policy recommendations.** It is recommended that reforms during the transitional period focus on civil service numbers and pay rather than on structures, roles and functions of the state, since the latter demands a lengthier societal debate. The Mission recommends that aggregate numbers in the civil service not exceed 12,200 in the first three years, with just under 90% of these constituting teachers and health workers. This number pre-supposes no rehiring of paid civil servants at the village level, and substantial cuts in management and administrative staff. Recruitment would be paced, reaching approximately 60-65% of complement in the first year, 80-85% in the second and 100% in the third. Within the aggregate cap, options for limited structural reform exist: (i) replacing full-time paid civil servants at the sub-district level with a community-elected sub-district council, served by part-time secretariat, accounting and cashier functions; (ii) concentrating sectoral technical staff in a smaller number of locations for cost-efficiencies; (iii) due to paced recruitment, flexibility to reallocate funded positions between sectors in response to evolving needs. The assessment mission has considered the need for special financial support for ex-civil servants who are not hired into the new administration, but recommends that this support be provided through the community empowerment program, and regular initiatives for vocational training and credit to small and medium enterprises, rather than a special initiative.

18. It is recommended that pay, recruitment and personnel policy, and oversight of the recruitment process, be managed by a Independent Civil Service Commission, composed of Timorese representatives and international experts (the latter only during the transitional period). This commission would be responsible for developing personnel policies, setting recruitment criteria and approving recruitment of staff.<sup>5</sup> Specialised commissions would be established for the recruitment of teachers and health workers. Regarding pay policy, and based on the freeing up of financial resources caused by the cut to aggregate numbers, it is recommended that: (i) a blanket increase of 50% be given to all civil servants; (ii) wage differentials be increased, with senior civil servants receiving a higher increase. It is also recommended that a voluntary code on pay for local staff be agreed by all international agencies and NGOs present in East Timor, to avoid the drain of skilled local resources from the public sector.

**19. Short-term reconstruction priorities.** In order to implement this strategy, the following programs of support would be required: (i) agreement on *recruitment policy and processing of civil service recruitment* up to the first year cap on personnel complement. It is recommended that recruitment processing be sub-contracted to a partner institution; (ii) *rehabilitation and re-equipment of public buildings* (iii) *technical assistance for the development of personnel policies* and interim functions and job

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<sup>5</sup> Discussions between UNTAET and East Timorese representatives would be necessary on the categories of staff to which this would apply.

descriptions; (iv) *technical assistance for the development of administrative legislation and regulations*, including controls on corruption; (v) *inventory of East Timorese human resources* inside the territory and in the diaspora; (vi) *design and delivery of management and financial training*; (vii) *design and development of a simple automated administrative records system*.

20. **Medium-term options.** In the build up to the handover to independence, and dependent on the wishes of East Timorese representatives, options to increase the effectiveness of the civil service include: (i) *analysis and public debate on the role and functions of the state*, including public-private partnerships and mechanisms to further enhance participation and accountability; (ii) *analysis and public debate on the geographical and hierarchical divisions of the public service*, with a view to increasing public accessibility and achieving further cost efficiencies.

### **Community empowerment**

21. **Assessment of the current situation.** Civil society under Indonesian rule was severely constrained, and the small number of NGOs that emerged over the last two years have yet to expand their capacity. Besides the recent catastrophic human and physical damage, the longer term struggle has left many serious social legacies, including a large number of widows and problems of post-violence trauma. Female headed households are estimated at around 9% and many women suffered rape and other sexual abuse. Reconciliation between pro- and anti-independence forces will be a long-term social issue, particularly in the Western border region where pro-autonomy presence was stronger. Supported by the conciliatory approach adopted by both the Church and CNRT, however, there appears to be a general consensus that only those most actively associated with militia crimes need fear punishment. The greatest contribution to reconciliation is likely to be the rapid involvement of the population in positive activities to reconstruct their communities.

22. **Short-term reconstruction priorities.** The immediate priority for community welfare is the meeting of basic needs. Emergency needs are now largely being met by UN agencies and NGOs, and it is assumed that this support will continue until all families are resettled and food and shelter needs secured. Because of the current administrative vacuum at and below district level, it is desirable that steps be taken as soon as possible to establish representative, community based institutions, in order that the emergency phase may proceed with greater efficiency and community participation. Immediately beyond the emergency phase, it will be essential to consolidate these institutions into a system of local governance which can both represent community priorities, resolve local conflicts and deliver small community development programs.

23. Through the transitional period, a *Community Empowerment and Governance Program* is proposed, with three main components: (i) *establishing and building capacity in interim village, sub-district and district councils*, including physical resources, training and facilitation for formation and planning; (ii) *provision of grants and micro-credits for the rehabilitation of infrastructure and recovery of economic activities*, through the councils; (iii) *support to vulnerable groups, including victims of violence, poor female-headed households, and ex-combatants seeking voluntary demobilisation*. As the end of

the transition approaches, further participatory analysis could be conducted on the continued functioning of the councils, their composition and role. This should include consideration of the financing of local government.

## **Justice system**

24. **Assessment of the current situation.** Social harmony and sustainable economic development in East Timor depend on the establishment of accessible, fair and effective judicial institutions and processes for the resolution of disputes. Security Council resolution 1272 to establish UNTAET provides for the continuation of existing law that is not in violation of internationally accepted standards, in particular human rights standards. A functioning judicial system does not currently exist. Steps to establish the rule of law must address the following specific challenges: (i) an extremely limited number of legally trained persons able to carry out functions within the judicial system; (ii) destruction of court documentation, with the exception of records on civil status kept by the church; (iii) extensive damage to infrastructure related to the justice system, including courthouses, police stations, prosecutors' offices, and detention facilities; (iv) lack of capacity to develop new legislation.

25. **Short term reconstruction priorities.** The approach recommended for the establishment of judicial institutions is to create a justice system, at first with fewer than 170 personnel, which can be gradually expanded according to the demonstrated demand for justice services. Urgent interventions in order to re-establish a functioning judicial system include: (i) *rehabilitation and re-equipping of judicial infrastructure*; (ii) *rehabilitation and re-equipping of penitentiary and police facilities*; (iii) selection and appointment of magistrates and judicial agents, through a *judicial service commission* of East Timorese and foreign experts; (iv) establishment of a *legal training centre*; (v) establishment of a *law commission* to identify legislation which needs to be amended and propose new laws; (vi) establishment of a *land and property commission*, for provisional arbitration of property disputes and interim property registration services; (vii) support to *local community conflict resolution mechanisms*; (viii) *training* for the police force; (ix) *strengthening NGOs* providing human rights education and legal advice.

26. **Medium term strategic options.** Legal development in the medium term should foster a new understanding of the relationship between individuals and the state, based on the recognition of rights and accountabilities. Recognition of human rights should be the cornerstone for legal reforms. In the longer term, options to be considered to strengthen the judicial system include: (i) establishment of a *Bar Association*; (ii) implementing a consistent system of *land registration*; (iii) strengthening the independence of the judiciary through the establishment of a *judicial council* to address complaints on the professional conduct of judges; (iv) establishing a sustainable *legal aid system*.

## **Agriculture**

27. **Assessment of the current situation.** Timor's erosion-prone terrain, poor soils and unpredictable rainfall have always presented a challenge to the agriculture sector. The distinct traditions of East Timorese agriculture, adapted to local conditions, have invariably aimed at minimising risk rather than maximising production. An abiding

resilience in the face of repeated hardships has helped the present generation of Timorese farmers to survive the difficulties of the past several months.

28. Disruption to agricultural capacities caused by the violence after the ballot has varied from district to district. Displacement has severely depleted the population in some areas (Oecussi, Kovalima, Bobonaro, Los Palos), and will constrict labour supply in the upcoming planting season. These areas have also suffered destruction of agricultural implements and equipment. The least disrupted areas are Baucau and Viqueque, and other higher altitudes where some corn and vegetable planting has occurred. The major impediment to rice cultivation is the lack of traction, due to the killing of cattle and water buffalo and destruction of tractors. It is estimated that production of rice will reach 58-70% of 1999 levels in the year 2000, with other staple food crops ranging from 60-75% of 1999 levels. This all-important revival of the agricultural sector could, however, be undermined by indiscriminate provision of food assistance. As planned by WFP, it is critical that surveys be conducted to monitor planted area and revise estimates of food import needs. It is recommended that these be done at two-monthly intervals in the first two quarters of 2000.

29. From the smallholder producer sector through the intermediary and final crop processing and storage levels, the coffee sector has survived nearly intact. Due to the timing of the violence – immediately after harvest – population displacement has had little impact upon next season's yields or crop-related farmers' incomes. It is estimated that the coffee crop will come in at above average levels in nearly all coffee-producing districts, although at slightly lower levels than the 1999 bumper harvest. It is estimated that up to 30-40% of the 1999 coffee crop was not able to be exported, but remains secured by farmers. Constraints to the procurement of the 1999 crop and the 2000 harvest include: (i) the lack of financial institutions to make payments to farmers; (ii) lack of trucking capacity; (iii) the occupation of all Dili-based dry processing facilities by either international armed forces or relief agencies.

30. Spot surveys in rural areas indicate that large livestock have been more seriously affected than smallstock, although the population of free-range chickens has been severely reduced and commercial chicken farming stock completely destroyed. No irrigation systems appear to have been damaged as a result of the recent violence. However, repairs to irrigation channels have not been carried out this year, and 13 out of 39 existing irrigation systems require considerable rehabilitation. Limited activity has restarted in fisheries, although part of the fishing fleet was damaged during the violence. Most of the 72 farmer cooperatives have experienced destruction of physical facilities, administrative records and working capital.

31. **Short-term reconstruction priorities.** Identified reconstruction priorities assume the successful provision of adequate seeds and tools under the consolidated humanitarian appeal. Following the emergency phase, reconstruction interventions include: (i) *restoration of local seed* and development of seed stations; (ii) *livestock restoration* program, including poultry restoration and smallholder cattle credit scheme; (iii) provision of *revolving lease capital for trucks* needed to transport coffee to point of export; (iv) land capacity and agricultural systems *mapping, to provide baseline information for medium-term initiatives*. The success of agricultural recovery will also



be critically dependent on minimising the migration of scarce labour and capital to urban areas: fiscal policy to redistribute revenues to rural areas during the period of the UN transitional administration will therefore be key.

32. **Medium-term options.** In the medium-term, initiatives should focus on raising productivity, and may include: (i) *smallholder coffee development initiative*, including coffee farmer extension service, equipment and shade tree nursery; (ii) *livestock management program*, including weed eradication and pasture improvement, (iii) *rehabilitation of targeted irrigation systems*; (iv) *small scale fisheries development*; (v) *agro-forestry and tree crops initiative*; (vi) restoration of *meteorological stations*; (vii) *agricultural survey and database development*; (viii) *small-holder mechanisation program*.

## Infrastructure

33. **Assessment of the current situation.** In the infrastructure sector, public buildings and residential housing have borne the brunt of the violence. The majority of damage to public buildings has been to roofs, walls being largely intact (buildings in this condition represent 75% of total reconstruction costs, excluding equipment). The only exception to the general destruction has been church buildings. There has been somewhat less destruction in the east than the west, but buildings in the east have received lower levels of maintenance, and therefore require substantial rehabilitation. The construction industry has been decimated. 94% of contractors operating in East Timor before the ballot were class C1 and C2 (qualified only to perform small community works), and none of the 36 larger contractors were owned by Timorese. None of the smaller Timorese contractors have yet restarted operations.

34. Road conditions in East Timor are affected by long-term neglect of maintenance and lack of compliance with design standards. Roads have narrow carriage ways of approximately 3 metres, steep banks with poor stability, and deteriorated pavement surfaces and drainage. 57% of the 1,414 km of paved roads surveyed are in poor or damaged condition. Only 47%<sup>6</sup> of villages had access by paved road, even before the crisis. Gravel roads are rough and potholed, and most can only be accessed by four wheel vehicles. Road conditions are expected to substantially deteriorate over the next six months due to the rainy season and the heavy loads imposed on the road system by the military and food aid operations. There are no signs of specific damage to bridge structures caused by the post-ballot violence, although causeways are frequently non-existent or damaged. Fuel supply, previously provided at highly subsidised rates through the state-owned fuel company (Pertamina) has become highly unstable.

35. East Timor has two international airports and eight grass runways. Although the civil infrastructure and buildings are in good condition, the post-ballot destruction resulted in removal of all navigation equipment and communications. Maritime infrastructure includes three ports (Dili, Carabela and Com), smaller wharves in Oecussi and Liquica, and slip landing structures in Oekussi, Batugade and Suai. The port facilities have not incurred structural damage, but all equipment has been destroyed or is

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<sup>6</sup> PODES 1996

inoperable. Dili port is currently severely congested, with military and aid cargo crowding out commercial operations.

36. Telecommunications services covered only 12,000 lines before the ballot, and have been severely disrupted by the ensuing violence. Most of the transmission towers have suffered significant damage, as have many switchboards and cables. 4,000 lines have been restored in Dili, with intermittent service. In the power sector, the total generating capacity of the country was around 40 megawatts before the crisis, with approximately 20 megawatts centred in the two Dili power stations. Low voltage systems suffered particularly extensive damage during the post-ballot violence, largely due to the burning of buildings. 13/23 power stations and networks require repairs, ranging from moderate maintenance to almost complete rehabilitation.<sup>7</sup> There has also been a significant loss of skills in the electricity sector: of 240 staff prior to the ballot, none of the core technical staff were Timorese, although there was some Timorese representation in middle management.

37. The public water network has escaped serious damage, although destruction of buildings has resulted in extensive damage to service connections. However, coverage levels were extremely low before the crisis – 24% of households had piped or pumped water<sup>8</sup> - and lack of maintenance has caused extensive deterioration. Almost all office records, plans, reports, vehicles and tools belonging to the water utility have been destroyed or are missing. No towns in Dili are sewered: liquid wastes are disposed of via septic tanks or direct to the drainage system. Lack of maintenance of drainage systems has caused serious problems of flooding, particularly in Dili. A solid waste collection system was previously in operation in most town, but has completely broken down due to the removal of waste collection trucks.

38. **Urgent initiatives.** Initiatives which require urgent attention in the next 1-6 months include:<sup>9</sup> (i) *emergency road maintenance and rehabilitation*, in particular to keep key arteries open during the rainy season;<sup>10</sup> (ii) *emergency rehabilitation of urban water systems*;<sup>11</sup> (iii) implementation of a *solid waste disposal system* in major urban centres; (iv) *rehabilitation of electricity distribution systems*, together with provision of interim managerial and technical staffing in the electricity utility;<sup>12</sup> (v) immediate maintenance for the *Dili drainage system*; (vi) *design of a program of support to private housing rehabilitation*. This must link closely to the UNHCR emergency shelter program, through supporting families in the rehabilitation of permanent dwellings; (vii) *technical assistance to develop an interim urban and rural planning framework*, to take advantage of the opportunity provided by massive rehabilitation activity, and to accommodate projections on internal population migration;

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<sup>7</sup> Electricidade de Portugal, East Timor Electricity Utility Assessment, November 1999

<sup>8</sup> SUSENAS 1996

<sup>9</sup> It is likely that the majority of these, aside from technical assistance for program design and urban/rural planning, will be funded through the humanitarian program.

<sup>10</sup> Currently being coordinated by UNDP. In addition, The MNF and the PKO both have engineering capacity for road rehabilitation. Over the longer term, care will need to be taken to seek the most cost-effective solution for civil works and maintenance, and to build capacity in the East Timorese administration.

<sup>11</sup> Currently being undertaken by Oxfam, in conjunction with UNDP

<sup>12</sup> This is currently being undertaken by DFID, in conjunction with UNDP

39. **Regulatory framework.** To ensure effective services and cost-savings, the program of reconstruction in the infrastructure sector will have to consider the outsourcing of management of certain key facilities, even during the transitional period. The mission recommends that an early policy decision be taken on this, in close consultation with the East Timorese Advisory Council, and with immediate attention to civilian management of port and aviation facilities. A quick decision is also required on the contracting of telecommunications services and restoration of the telecommunications system. In the short-term, the management of other infrastructure is likely to remain in public hands: appropriate conditions for privatisation do not currently exist, and the sale of state assets would presumably require the explicit endorsement of an East Timorese legislative body. During the transitional period, technical assistance will be required to review and revise road, transport and maritime acts and regulations, promulgate new constitutive decrees and regulatory frameworks for public utilities, and to develop construction, safety and quality standards. The development of new legislation on public procurement to replace the Indonesian Kepres 16 is a priority.

40. **Priority reconstruction interventions** within this framework during the transitional period would include: (i) *conduct of an international competitive tender for facilities and services on which outsourcing has been agreed*; (ii) *rehabilitation and provision of equipment for public buildings* in order to permit the re-establishment of an East Timorese administration;<sup>13</sup> (iii) *establishing and building capacity in the central department of transport and works and five regional depots*. This would cover technical assistance for procedures for international competitive bidding,<sup>14</sup> training and capacity-building to the public works department for tendering and contract management, transport management (including technical assistance to review and revise road, transport and maritime acts and regulations and to develop cost recovery strategies), establishment of maintenance services, and building inspection; (iv) *establishing and building capacity in the public water utility*, including building rehabilitation, equipment, training and technical assistance on cost-recovery; (v) *establishing and building capacity in the power utility*, including building rehabilitation, equipment, training and technical assistance on tariff-setting; (vi) *rehabilitation and upgrading of rural and urban water supply programs*; (vii) *revising the Dili master drainage plan and contracting the removal of liquid (septic tank) wastes*.

## Health

41. **Assessment of the current situation.** Prior to the post-ballot violence, the health situation in East Timor was already precarious, with key health indicators lagging substantially behind the Indonesian average. Infant mortality was at a high 124/1000, with life expectancy at only 55 years. This precarious health situation has been further threatened by population displacement, psycho-social stress, food insecurity, breakdown of water and sanitation and the collapse of almost all health services. The health system has lost all fixed equipment and consumables, and 130 out of 160 physicians. Most of the remaining 3540 health staff employed before the crisis are expected to remain in East

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<sup>13</sup> This is a priority across sectors, but will have to be phased to match limited absorptive capacity. Costs for public administrative buildings have been kept down due to the sharp recommended drop in the number of public administrative staff, which will require considerably less office space than the Indonesian administration;

<sup>14</sup> Including provisions for training of local staff to promote the development of a local contracting industry

Timor. Humanitarian assistance for health is currently being provided by ICRC and various international NGOs (MSF, MDM and AMI), supported by UNICEF, WHO and UNFPA.

42. **Short-term reconstruction priorities.** Priority interventions in the health sector to restore basic services include: (i) *restoration of primary health care services at sub-district levels*, including physical rehabilitation, restocking of drugs, equipment, furniture and non-medical material, and provision of transport for outreach, referral and mobile medical services; (ii) *re-establishment of in-patient care*, including the rehabilitation of 8 district hospitals and the Dili hospital, provision for referral abroad and referral options for Oecussi; (iii) *re-establishment of public health management capacity*, including technical assistance for drug policy and ensuing legislation, systems of procurement and storage, referral laboratory, communicable disease program, central equipment maintenance service, and social services for the physically and mentally handicapped; (iv) *establishment of a central supply system for essential drugs*; (v) *laying the basis for the development of a new health system*, including a health facility survey and staff database, conduct of a health system review focusing on financing options, conduct of a consultative health policy formulation process and a health manpower development plan; (vi) *training and capacity-building program for health workers*, including upgrading of existing staff and bursaries to study abroad for higher cadres.

43. **Policy recommendations.** Due to the post-conflict situation, which both exacerbates health problems and decreases the ability of households to privately finance healthcare, it is recommended that all public healthcare be free and publicly-financed during the transitional period. Options for sustainable financing of health services should be analysed during the transition. Managerial and technical capacity will have to be provided from external sources during much of this period. Where international NGOs provide this capacity, their work should take place within a national, coordinated framework.

## Education

44. **Assessment of the current situation.** Both education infrastructure and personnel have been hard hit by the post-ballot violence. It is estimated that 75-80% of primary and secondary schools have been partially or completely destroyed, and virtually all textbooks and school materials in the public school system have been removed or spoiled. For personnel, the situation varies greatly between the primary and secondary sectors: it is estimated that at least 75% of primary school teachers remain in the country, whilst less than 20% of secondary and vocational teachers are available.<sup>15</sup> Approximately 4,000 students were studying at the university and polytechnic in Dili, with several thousands in Indonesian universities. Pre-ballot, there were 167,000 primary students, 32,000 junior secondary students, and 19,000 senior secondary students. The Catholic Church was the main non-government education supplier, with 185 schools, 12,700

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<sup>15</sup> Reliable figures on location of teachers are not available. However, a survey performed by the Government of Indonesia in April 1999 indicated that between 73 and 86% of secondary school teachers and administrative staff at that time stated they wished to be redeployed to Indonesia, whilst only 25% of the primary school teachers requested redeployment. This gels with information on the origin of teachers – one source has estimated that 22.5% of primary and 90% of secondary and vocational teachers were non-Timorese (Pedersen, Arneberg et al, Social and Economic Conditions in East Timor, 1999)

students and 1,100 teachers. The destruction experienced in the education sector will exacerbate low educational outcomes existing before the ballot. Literacy rates had reached only 41% by 1998, with lower rates for women than for men. Net primary school enrolment was 70%, with net secondary school enrolment 38.7%.<sup>16</sup>

**45. Short-term reconstruction priorities.** The first priority is to get children back into school. Short-term interventions needed include: (i) *re-recruitment of primary school teachers, and the supply of basic teaching and learning resources* for primary schools; (ii) *rehabilitation of primary schools*. This should be accompanied by a *school mapping exercise*, to ensure that geographical location of schools responds to user needs and maximises cost-efficiency<sup>17</sup>; (iii) *mobilisation of secondary school teachers and accelerated teacher training*. In the short-term, it is suggested that secondary school teachers be mobilised primarily from two main sources – graduate students, and teachers from other countries in the region speaking Bahasa Indonesia; (iv) *rehabilitation and re-equipment of secondary schools*; (v) *vocational training for unemployed youth in urban areas*; (vi) *provision of bursaries for tertiary students to complete their studies in Indonesian universities, or to study abroad*. These should be accompanied by *language courses and booster subject matter courses* at the university of East Timor in the run-up to the 00/01 academic year; (vii) *training for educational administrators and managers*.

**46. Language.** The question of medium of instruction in the education system is key to a variety of decisions on textbook sourcing and teacher training in the short-term. The mission notes the policy position of CNRT to adopt Portuguese as an official language, with Tetum as a national language. Language policy is a sensitive issue: not only the choice of language(s) but the *speed and method of introduction* of a new policy can cause fears of exclusion if not carefully managed. The mission therefore recommends that a process of consultation with key stakeholders be held over the coming months, the discuss transitional language policy and migration path.<sup>18</sup> In the interim, it is recommended that: (i) an assessment of teacher language skills be conducted, linked to an assessment of general teacher training needs; (ii) Bahasa Indonesia continue as the medium of instruction in the public school system during the current school year; (iii) a demand-driven strategy be taken to provide supplementary language classes for teachers and pupils, in Portuguese and other languages; (iv) a curriculum development program to introduce Tetum as the medium of instruction for the youngest enrolment groups, with a view to moving to the official language in the later years of primary school.

**47. Medium-term strategic options.** Once the basic levels of educational services are restituted, attention must turn to the quality of educational outcomes and the sustainability of public education services. Initiatives in the medium-term (2-3 years) may include: (i) *curriculum development*, including policy on medium of instruction after independence, and revision of the core curriculum in primary and secondary schools to maximise civic and economic externalities, including gender and human rights. This

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<sup>16</sup> All statistics SUSENAS 1998. There was little difference by the late 90s between girls' and boys' primary or secondary enrolment.

<sup>17</sup> Primary education infrastructure was previously characterised by a large number of dispersed small units.

<sup>18</sup> This could culminate in a recommendation on interim policy by the East Timorese National Consultative Council. Criteria for discussing language policy may include: (i) respect for East Timorese identity, history and culture; (ii) economic benefits, with attention given to the principal trading languages of the region; (iii) the principle of non-exclusion of any citizen from accessing educational or other state services on the basis of language.

should include *distance learning* initiatives; (ii) strengthening of the *teacher training* institute; (iii) *assessment of education financing options*. This may include bursaries and loans for higher education abroad,<sup>19</sup> limited cost recovery for secondary schools and design of a scholarship system for poor families to cover primary school-related expenses; (iv) *early childhood care services*, aimed at decreasing economic and social barriers to enrolment; (v) conduct of a *education survey* to provide indicators and information on barriers to enrolment; (vi) in the area of *culture*, initiatives to collect and protect knowledge and artifacts relating to East Timor's cultures, languages and history.

### External financing requirements

48. Table 1 below describes the financial support necessary to implement this program, by sector, for the period 2000-2002. Annex 2 provides more detailed costings for the principal program components in each sector. The social sectors take the lion's share of investment, at 56%,<sup>20</sup> with productive sectors (including economic infrastructure) at 28% and administration and judiciary at 16%. The evolution of development spending over three years has been carefully judged to match an attainable level of absorptive capacity in East Timorese institutions, which were almost completely destroyed during the violence after the ballot. Should exceptionally strong progress be made in institution-building, this would allow faster implementation of the reconstruction and development budget to address urgent needs.

**Table 1: Summary of external financing requirements 2000-2002 (\$ US ' 000)**

Sector	2000	2001	2002	TOTAL
Community Empowerment	9,195	10,940	9,840	29,975
Education	14,821	25,598	17,363	57,782
Health	7,541	16,983	15,679	40,204
Agriculture	7,108	14,336	2,990	24,434
Infrastructure <sup>21</sup>	21,090	49,306	22,717	93,111
Economic management	4,300	6,500	5,400	16,200
Civil service	16,580	16,622	9,319	42,521
Judiciary	1,145	1,614	176	2,935
<b>TOTAL</b>	<b>81,781</b>	<b>141,898</b>	<b>83,483</b>	<b>307,160</b>

### Coordination of external assistance

49. In addition to humanitarian activities coordinated through OCHA, two trust funds are proposed for East Timor: a United Nations Trust Fund and a World Bank-administered Trust Fund. The UN Trust Fund will administer the recurrent budget of the East Timorese civil service, together with selected project-based capacity-building initiatives.<sup>22</sup> The

<sup>19</sup> In the tertiary sector, the mission recommends that the long-term strategy be to send students abroad for study. This avoids costly state investment in tertiary educational facilities, which generally have low poverty incidence due to lack of access by poorer families. Limited tertiary capacity – for example, conversion courses in Timorese law – will need to be maintained in-country.

<sup>20</sup> Includes social infrastructure: health, education, water, sanitation, housing for the poor.

<sup>21</sup> Does not include health, education, public administration and judiciary infrastructure, which are covered in their individual sectors. See annex 2 for breakdown.

<sup>22</sup> Division of responsibilities in the traditional “development budget” categories has been clearly defined between trust funds. The UN trust fund may cover training, technical assistance, equipment and building

World Bank-administered trust fund will cover project-based reconstruction activities in economic management, health, education, community empowerment, agriculture and infrastructure. It is envisaged that a committee composed of UNTAET and East Timorese representatives will be formed to prioritise projects, to ensure continued East Timorese participation and ownership of the reconstruction planning process. It is also recommended that the Tokyo meeting agree on bi-annual meetings to review policy issues and implementation progress in the reconstruction program, and establishing a donor field liaison committee. The first of these meetings should also review any revisions to budget and external financing needs, following a mid-year review by the Bretton Woods institutions. A paper on governance mechanisms and procedures for trust fund administration will be circulated in Tokyo for discussion with donors.

## Conclusion

50. East Timor faces a very serious challenge. At issue is not only the massive physical destruction and social trauma wreaked after the ballot. Even without the violence, years of non-participatory governance and under-investment in human capital would have argued for urgent attention to poverty reduction and social development initiatives. Further, the fact that East Timor has been treated as a provincial outpost for most of its history, and therefore lacks the institutional capital necessary for a nation state, creates a need for a major investment and reform program. This has been exacerbated by the total collapse of the state in the post-ballot period. Defining priorities amongst so much destruction is a difficult task. Yet two areas stand out as requiring urgent attention if East Timor's economy and society are not to flounder.

51. The first is agriculture. Without agricultural recovery, East Timor's population will remain dependent on food aid for some time to come. Aside from causing immediate suffering, this may also produce long-term economic distortions in the shape of irreversible rural:urban migration, and a culture of dependency amongst rural households. Rapid restoration of seeds, farm implements and livestock thus have benefits far beyond their immediate economic impact.

52. The second urgent priority is to reconstitute capacity in the state. This is critical to prevent a situation of complete *laissez-faire* caused by the absence of civil regulation, taxation, dispute-resolution mechanisms and non-military law and order functions. It is also a key pre-requisite to the sustainability of developmental initiatives in the longer-term. Short-term programs have longer-term impacts: national ownership is therefore necessary to ensure the durability of transitional policy, and national capacity-building critical to the sustainability of short-term reconstruction programs. Rapid progress in constituting the East Timorese side of public administration is therefore urgent, to concentrate the management of reconstruction activities within the permanent public service, and to build capacity in East Timorese counterparts for the longer term.

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rehabilitation for public administration and management, judiciary, and law and order functions. The World Bank-administered Trust Fund may cover all remaining reconstruction and development sectors: health and education (including rehabilitation of schools and clinics), agriculture, community empowerment, economic management, water, sanitation, roads and transport, and power.

**CLASSIFICATION OF CONSOLIDATED APPEAL PROGRAMS:  
HUMANITARIAN, RECURRENT AND DEVELOPMENT BUDGETS**

Annex 1

<b>Project</b>	<b>Agency</b>	<b>Emergency Phase (Humanitarian)</b>	<b>Extending into medium term (Rec/Devt)</b>
<b>Return and Migration (including shelter)</b>			
E/N01	Protection, Multi-sector relief, Care and Maintenance, Repatriation and Reintegration Assistance and other durable Solutions for Refugees and Displaced Persons	ANCHOR	45,350,000
E/N02	Return of Displaced People	IOM	23,250,000
E/N03	Emergency Shelter Reconstruction	World Vision	2,131,000
E/N04	Return of Qualified Nationals	IOM	600,000
E/N05	Reintegration of Demobilised Combatants	IOM	126,321
E/N06	Mobile Information and Referral Service	IOM	1,192,535
	Subtotal		72,649,856
<b>Food Aid and Food Security</b>			
E/N07	Emergency Food Assistance to Victims of Civil Strife in East Timor	WFP	21,600,000
E/N08	Vegetable Seed Distribution	FAO	310,000
E/N09	Support the Return and Resettlement of Displaced Farm Families currently in West Timor	FAO	600,000
E/N10	Emergency Support to Maize and Rice Production	FAO	860,000
E/N11	Rice Seed Multiplication	FAO	128,000
E/N12	Emergency Assistance to the Artisanal Fisheries Sector	FAO	317,000
E/N13	Food Security Monitoring and Coordination in East Timor	FAO	635,000
E/N14	Support of Rice Production	German Agro Action	667,600
E/N15	Resumption of Agriculture	OIKOS	72,300
	Subtotal		24,109,900
			1,080,000
<b>Health</b>			
E/N16	Roll Back Malaria	WHO	1,450,000
E/N17	Tuberculosis Control	WHO	600,000
E/N18	Integrated Management of Childhood Illness (IMCI)	WHO	140,000
E/N19	Prevention of STDs and HIV/AIDS	WHO	200,000
E/N20	Human Resource Development in the Health Sector	WHO	2,010,000
E/N21	Health Surveillance System and Epidemic Preparedness and Response	WHO	900,000
E/N22	Drug Storage and Distribution System	WHO	1,022,500
E/N23	Public Health Laboratories	WHO	600,000
E/N24	Health Sector Coordination	WHO	640,000
E/N25	Basic Health Care	UNICEF	2,500,000
E/N26	Technical and Material Assistance for Reproductive Health and Sexual Violence	IRC	460,000
E/N27	Reproductive Health Programme for East Timor	UNFPA	1,283,000
	Subtotal		3,950,000
			18,405,425
<b>Water and Sanitation</b>			
E/N28	Water and Sanitation	UNICEF	3,760,000
E/N29	Emergency Environmental Health Programme	OXFAM	4,107,000
	Subtotal		3,760,000
			4,107,000



<b>Infrastructure and Economic Recovery</b>			
E/N30	Rehabilitation of Public Utilities and Physical Infrastructure	UNDP	6,440,000
E/N31	Joint Programme for Community Rehabilitation, Reintegration and Development	UNDP/ IOM/ UNHCR	6,190,000
E/N32	Employment Registration and Services Centres	UNDP/ ILO	1,700,000
E/N33	Local Economic Development Agencies (LEDA) for Micro-enterprises and Micro-credit	UNDP/ ILO	2,100,000
E/N34	Comprehensive Vocational Education and Training (VET) for East Timorese	UNDP/ ILO	3,890,000
	<b>Subtotal</b>		<b>20,320,000</b>
<b>Education and Community Action</b>			
E/N35	Education and Community Action Project	UNICEF	7,000,400
E/N36	Psychosocial Support and Empowerment for Vulnerable and Traumatized Women and for Adolescents	UNFPA	470,000
E/N37	Mental Health and Trauma Service	UNDP/ WHO	300,000
E/N38	East Timor Emergency Care, Protection, and Tracing for Unaccompanied Children	IRC	150,000
E/N39	Child Protection through Child and Family Centres	CCF	900,000
	<b>Subtotal</b>		<b>8,670,400</b>
<b>Humanitarian Principles</b>			
E/N40	Humanitarian Principles Project	UNICEF	483,000
E/N41	Institutional Capacity Building	UNICEF	777,000
E/N42	Support to Governance and Sectoral Capacity Building	UNDP	3,200,000
E/N43	Strengthening the Peace Building Capacity of Local NGOs	CRS	200,000
	<b>Subtotal</b>		<b>4,177,000</b>
<b>Coordination and Logistics</b>			
E/N44	OCHA Coordination	OCHA	3,300,000
E/N45	East Timor Information and Mapping Unit (ETIMU)	OCHA	412,700
E/N46	NGO Resource Center	OCHA	335,000
E/N47	WFP Special Operations for the East Timor Crisis	WFP	16,655,018
E/N48	Radio Kmanek	CARITAS	500,000
	<b>Subtotal</b>		<b>20,867,718</b>
	<b>Total</b>		<b>57,094,825</b>

**Reconstruction and Development Budget 2000-2002**
**Annex 2**

SECTOR	PROJECT	2000	2001	2002	2000-2002
COMMUNITY EMPOWERMENT	Grant for community recovery	4,950	4,520	4,020	13,490
	Community capacity development	3,495	4,520	4,420	12,435
	Micro-enterprise credit startup funds	0	500	500	1,000
	Community centers for subdistricts/villages	500	1,250	750	2,500
	Local government capacity development	250	150	150	550
	SECTOR SUB-TOTAL	9,195	10,940	9,840	29,975
EDUCATION	Textbooks	1,608	3,212	824	5,644
	TA/monitoring system	80	95	95	270
	Early childhood education	50	150	150	350
	Teacher training	704	364	356	1,424
	Youth and adult education	130	290	290	710
	Distance learning: tertiary/technical education	0	355	145	500
	Substitution of secondary school teachers	5,720	0	0	5,720
	Rehabilitation of infrastructure	6,529	21,132	15,503	43,164
	SECTOR SUB-TOTAL	14,821	25,598	17,363	57,782
HEALTH	Training of physicians/health personnel abroad	500	3,500	3,000	7,000
	Public health management capacity	300	150	150	600
	Health system review, including financing	300	150	0	450
	Rehabilitation/re-equipment of infrastructure	6,441	13,183	12,529	32,154
	SECTOR SUB-TOTAL	7,541	16,983	15,679	40,204
AGRICULTURE	Land capacity/agricultural systems mapping	75	152	78	305
	Reestablishment of rural livelihood data base	0	72	62	134
	Restoration of meteorological stations	0	38	259	297
	Local seed resources/production stations	228	299	164	691
	Small-holder farm mechanization program	0	1,525	1,075	2,600
	Pasture improvement and weed eradication	0	160	92	252
	Poultry restoration program	215	200	0	415
	Small holder cattle/buffalo restoration program	2,600	2,600	0	5,200
	Small-holder coffee development initiatives	3,990	8,750	750	13,490
	Agro-forestry/land management development	0	540	260	800
	Agricultural innovation schemes	0	0	250	250
	SECTOR SUB-TOTAL	7,108	14,336	2,990	24,434

INFRASTRUCTURE	Road network repair	4,386	13,683	13,464	31,532
	Port and maritime recovery	315	1,000	0	1,315
	Airport and air traffic recovery	1,756	3,900	500	6,155
	Housing rehabilitation for the poor	8,306	16,306	0	24,610
	Water systems and utilities	3,510	8,180	6,180	17,870
	Power systems and utilities	1,921	4,287	1,073	7,281
	Drainage and sanitation system	898	1,950	1,500	4,348
	<b>SECTOR SUB-TOTAL</b>	<b>21,090</b>	<b>49,306</b>	<b>22,717</b>	<b>93,111</b>
ECONOMIC MANAGEMENT	Setting up key economic institutions	460	460	0	920
	Economic policy making capacity	440	440	0	880
	International agreements	500	0	500	1,000
	Economic framework for investors	200	200	0	400
	Revolving credit for SMEs	2,000	4,000	4,000	10,000
	Statistical office - census and surveys	700	1,400	900	3,000
	<b>SECTOR SUB-TOTAL</b>	<b>4,300</b>	<b>6,500</b>	<b>5,400</b>	<b>16,200</b>
CIVIL SERVICE	Capacity building/training of the civil service	1,426	1,579	1,437	4,442
	Sub-contracting of recruitment	400			400
	Training	365	356	287	1,009
	Technical assistance	1,061	1,264	1,150	3,474
	Administrative records systems	0	50		50
	Rehabilitation of infrastructure/re-equipment	8,928	13,373	6,445	28,746
	Reserve	4,400	0	0	0
<b>SECTOR SUB-TOTAL</b>	<b>16,580</b>	<b>16,622</b>	<b>9,319</b>	<b>42,521</b>	
JUDICIARY AND LAW ENFORCEMENT	Technical assistance to the judiciary	225	75	0	300
	Technical assistance to the land commission	90	30	0	120
	Recovery of courts and judiciary buildings	830	1,509	176	2,515
	<b>SECTOR SUB-TOTAL</b>	<b>1,145</b>	<b>1,614</b>	<b>176</b>	<b>2,935</b>
<b>TOTAL</b>		<b>81,781</b>	<b>141,898</b>	<b>83,483</b>	<b>307,160</b>