

**Democratic Republic of Timor-Leste:
Poverty Reduction Strategy Paper—National Development Plan, Road Map for
Implementation of National Development Plan, Overview of Sector Investment
Programs—Strategies and Priorities for the Medium Term**

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EAST TIMOR

NATIONAL DEVELOPMENT PLAN

After independence on 20 May 2002, the draft Plan will be presented to the Parliament for consideration and adoption.

Planning Commission
Dili
May 2002

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LIST OF ACRONYMS AND GLOSSARY

ABBREVIATION	WORD DEFINITION
ADB	Asian Development Bank
ARP	Agricultural Rehabilitation Project
ASCs	Agriculture Service Centres
ASEAN	Association of South-East Asian Nations
AusAID	Australian Agency for International Development
BDCs	Business Development Centres
BDP	Bilateral Development Projects
BOT	Build, Operate and Transfer
BPA	Banking and Payments Authority
BRN	Business Registration Unit
CCCS	Consultative Commission for Civil Society on Development
CFET	Consolidated Fund for East Timor
CGIAR	Consultative Group for International Agriculture Research
CHCs	Community Health Centres
CIDA	Canadian International Development Agency
Clandestinos	Members of Clandestine Resistance Network
CoC	Chambers of Commerce
COM	Council of Ministers
CPLP	Community of Portuguese Speaking Nations
DAL	Department of Agriculture and Livestock
DI	Division of Investment
DLP	Distance Learning Program
DNMR	Department of Natural and Mineral Resources
DoE	Division of Environment
DoF	Department of Forestry
DoI	Division of Industry
DoL	Division of Labour
DoT	Division of Trade
DRBFC	Division of Roads, Bridges and Flood Control
DT	Division of Tourism
EDTL	Electricity Authority of East Timor

EIA	Environmental Impact Assessment
ESCAP	Economic and Social Commission for Asia and the Pacific
ESD	Ecologically Sustainable Development
FALINTIL	Armed Forces for the National Liberation of East Timor
FDI	Foreign Direct Investment
FDTL	East Timor Defence Force
FIL	Foreign Investment Law
FME	Department of Fisheries and Marine Environment
FY	Financial Year
GDP	Gross Domestic Product
GIS	Geographic Information System
HIV/AIDS	Human Immune Deficiency Virus/Acquired Immune Disease Syndrome
HRD	Human Resources Development
ICAO	International Civil Aviation Organisation
IEC	Information, Education and Communication
IMCI	Integrated Management of Childhood Illness
IMF	International Monetary Fund
IT	Information Technology
JPDA	Joint Petroleum Development Area
LDCs	Least Developed Countries
LPG	Liquid Petroleum Gas
MAF	Ministry of Agriculture and Fisheries
MCT	Ministry of Communications and Transport
MDGs	Millennium Development Goals
MEAD	Ministry of Economic Affairs and Development
MFAC	Ministry of Foreign Affairs and Cooperation
MoE	Ministry of Education
MoF	Ministry of Finance
MoH	Ministry of Health
MoJ	Ministry of Justice
MPFS	Macroeconomics and Public Finance Sector
MTFF	Medium Term Fiscal Framework
MWPW	Ministry of Water and Public Works
NCBA	National Cooperative Business Association
NEMP	National Environmental Management Plan
NGO	Non-government Organisation

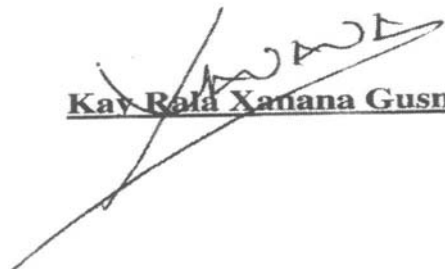
NICs	Newly Industrialised Countries
NRM	Natural Resources and Minerals
NTB	National Tourism Board
ODG	Office of Director-General
PA	Poverty Assessment
PNA	Protected Natural Area
PPA	Participatory Potential Assessment
SEP	Small Enterprise Project
SMEs	Small and Medium Enterprises
SSTL	Suco Survey of Timor Leste
STD	Sexually Transmitted Disease
STI	Sexually Transmitted Infections
TB	Tuberculosis
TBA	Traditional Birth Attendant
TEC	Trade Exposition Centre
TERADP	Timor Economic Rehabilitation and Development Project
TFET	Trust Fund for East Timor
TLSS	Timor Living Standard or Household Expenditure Survey
TSA	Timor Sea Arrangement
UNAMET	United Nations Mission to East Timor
UNTAET	United Nations Transitional Administration in East Timor
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNOPS	United Nations Office of Projects Services
USAID	United States Agency for International Development
VLW	Village Livestock Worker
WB	World Bank
WSS	Water Supply and Sanitation Division
WTO	World Trade Organisation

Foreword

Our National Development Plan charts an ambitious path to transform the lives of our people. The process of preparing the Plan gave thousands of East Timorese, from school children to elderly people, the opportunity to think about the kind of future they want for themselves and for future generations. For so many of them – in government, in civil society and in communities all over the country – it was the first chance they have had to share their aspirations with others and to think broadly about our nation's development.

The vision which sprang from people's participation in the planning process encapsulates all that is fundamental to development – peace, security, freedom, tolerance, equity, improved health, education, access to jobs and food security. Making the vision real is a bold and challenging task. It will require a sustained and combined effort from the public and private sectors and from civil society. It will also require the sustained help of our development partners – bilateral donor countries, the United Nations family, the International Financial Institutions and non-government organizations.

I am honoured to have led the consultation with our people which fed so directly into the Plan and now, as President-elect, I am committed to ensuring that this Plan and all that it represents be translated into actions that will transform people's lives. In the year 2020, I hope that we will look back with pride on the development path we followed from our Independence.



Kay Rala Xanana Gusmão

Foreword

As Chief Minister and Chair of the Planning Commission, I am privileged to have overseen the production of our country's first National Development Plan.

This Plan is another milestone in our long journey to build our new nation. In this journey we have faced many challenges, but none that we have failed to overcome. As full independence approaches we find our responsibilities increasing, and these bring with them a host of new difficulties and new challenges. But I am confident that as a Government and as a people, we will remain undaunted by the need to make hard choices. Our Plan reinforces this belief.

As our struggle for independence is transformed into our striving for development, we continue to honour all the sacrifices that have been made by our people to bring us to this moment in our history, as we finally fulfil our destiny as a free people. The National Development Plan demonstrates that we remain faithful and true to the ideals that have for so long guided us, showing us the path we may follow to achieve our vision for the future of our nation.

Our planning for the medium-term will also enable donor agencies to effectively plan their programs for East Timor over the medium-term. As a Government we uphold principles of accountability and transparency, and the open, participatory and inclusive nature of our planning process is clear evidence of this. Moreover, just as the Government is keen to satisfy external agency requirements for accountability, each of our departments is learning how better to satisfy, and be accountable to, its own clients – the people of East Timor – the public who ultimately own, use and benefit from services Government provides.

East Timor's first National Development Plan reflects my Government's absolute commitment to involving all East Timorese in a planning process that will benefit all East Timorese. Over 120 Government officials have worked tirelessly throughout the planning process, in what was to many a new experience of learning by doing. Led by my team of Ministers, they examined, they analysed, they discussed and they debated the issues and problems now confronting East Timor. In the process of searching for solutions, we moved beyond the notion of looking for ways of how to better serve the public, to involving the public in the design of the service itself; the shape of services that they will actually receive over the next five years. We invited representatives of the Church and members of Civil Society, national and international NGOs, the private sector and public interests groups to become involved in a suite of National Sector and Cross-Sector workshops led by Government to help debate and formulate policy options, program priorities and implementation strategies for the National Development Plan.

Given the time-frame, what they have collectively accomplished is truly impressive. I must commend all involved and especially the Secretariat and staff of the Planning Commission. In particular, I pay tribute to our colleagues in the international community for their assistance. They stood by us in the past, and they stand with us now. I know we can rely on their friendship and solidarity for many years to come as we all work together to develop our new nation.

Mari Alkatiri

1st May 2002

VISION

FOR THE NEXT GENERATION, IN THE YEAR 2020

- ◆ East Timor will be a democratic country with a vibrant traditional culture and a sustainable environment;
- ◆ It will be a prosperous society with adequate food, shelter and clothing for all people;
- ◆ Communities will live in safety, with no discrimination;
- ◆ People will be literate, knowledgeable and skilled. They will be healthy, and live a long, productive life. They will actively participate in economic, social and political development, promoting social equality and national unity;
- ◆ People will no longer be isolated, because there will be good roads, transport, electricity, and communications in the towns and villages, in all regions of the country;
- ◆ Production and employment will increase in all sectors – agriculture, fisheries and forestry;
- ◆ Living standards and services will improve for all East Timorese, and income will be fairly distributed;
- ◆ Prices will be stable, and food supplies secure, based on sound management and sustainable utilization of natural resources;
- ◆ The economy and finances of the state will be managed efficiently, transparently, and will be free from corruption; and
- ◆ The state will be based on the rule of law. Government, private sector, civil society and community leaders will be fully responsible to those by whom they were chosen or elected.

EXECUTIVE SUMMARY

INTRODUCTION

1 The first National Development Plan (the Plan) for East Timor is a watershed event in the history and development of the world's newest nation. It is the first time that the people of East Timor have voiced their views about the future of their nation, based on democratic ideals and self-determination. The Plan has been a participative process, involving constituents in every sector of the economy to identify the problems they face and to suggest solutions to those problems. A vast number of people across the country participated in surveys and meetings to help shape a "national vision" for the new country. A Countrywide Consultation was conducted to reach thousands of people in every district and walk of life, resulting in the vision presented at the outset of this document

2. This planning document represents the views and efforts of those individuals who came together as "working groups" assisted by teams of planning consultants under the Planning Commission. It is important to emphasize that the Plan is the work of East Timorese people. For many, it is their first experience of planning on such a scale. It represents, therefore, the first important step in a process through which the development plan grows, matures, and improves over time.

3. The people of East Timor have many expectations, but these focus strongly on two over-riding development goals:

- a) To reduce poverty in all sectors and regions of the nation, and
- b) To promote economic growth that is equitable and sustainable, improving the health, education, and well being of everyone in East Timor.

DEVELOPMENT STRATEGY

4. East Timor's Development Strategy as described in this plan is to design programs and pursue initiatives that systematically address its main development goals. The first set of tasks during this early transition stage is to establish government capabilities, enabling legislation, and the institutions required to pursue development priorities. These are significant challenges that become unmistakably visible in each of the Plan sector strategies where the ministries and their directorates emphasize these priorities.

5. A second set of priority tasks is for every sector of government to pursue development activities that help reduce poverty. These are very often interdependent with priorities of economic growth, through which the nation's productive capacity is strengthened to create new jobs and higher levels of earned income, and, in time, a vibrant middle class. As the Plan shows, many economic development plans cannot be implemented without legal foundations and



governance that ensures private sector opportunities with a national infrastructure to support growth. Each sector addressed in the Plan has identified programs or projects that can help alleviate poverty while also supporting economic development priorities.

6. A third set of priority tasks consists of an extensive list of barriers that face every sector and all government agencies. These barriers are monetary, social, cultural, and structural impediments to economic growth and to the nation's efforts to reduce poverty. Many sector-specific objectives are subsequently focused on reducing or eliminating these barriers, so that progressive development programs can be implemented.

7. The overall structure of the Development Strategy orchestrates these high-priority development tasks, recognizing that they must be pursued concurrently. The Plan represents two phases of development. In the short-term, legislation and institutional capabilities will be addressed, together with progress in infrastructure, education, and health. In the longer-term, development can accelerate on the basis of these foundations.

8. The short-term phase is also a time of fragile and uncertain development. It is a period when funds are scarce, there are few industrial opportunities for growth or employment, demand on all government resources far outweighs the ability to supply, and questions of trade, investment, and foreign relations are unresolved. The nation will face its most severe challenges during the early years after independence. The longer-term stage represents a time of promise, when oil and gas revenues may provide the monetary base required for sustained growth, and when the nation can emerge from its early adversities with a strong sense of hope.

9. As the Plan unfolds and the nation progresses, the plans, goals, and aspirations will change, mature, and improve. The Plan therefore represents a starting point, particularly as it begins to be implemented. This document emphasizes that the Plan itself is organic – alive and capable of growing – yet only if government nurtures it and empowers people to take ownership of their own development initiatives.

POVERTY REDUCTION STRATEGY

10. A Poverty Reduction Strategy is focused on improving the productivity of the poor by achieving strong economic growth within an enabling environment. This will catalyze and sustain contributions of the poor to national development. Government is faced with providing basic social and economic services to the poor, nurturing and promoting their entrepreneurial initiatives, and prohibiting discrimination based on gender, ethnic origin, language, or geographic location. These issues recur throughout the Plan.

11. Because poor people in East Timor are engaged primarily in agriculture (including fisheries and forestry), improving productivity in this sector is a high priority. Proposed initiatives include rehabilitation and construction of irrigation systems and their improved operation, introduction of water harvesting techniques, wider distribution of improved seeds of cereal crops, fruits and vegetables, improved livestock health, improved management of fishing, and sustainable management of forests and other natural resources. These initiatives will be undertaken with the participation of the communities that depend on them. Improvements in marketing and infrastructure are also planned.

12. The micro-enterprise segment of society (a substantial part of the informal economy) has been an important contributor to growth in developing nations. A large number of people work in micro-enterprises or pursue very small independent activities to subsist. Expansion of

opportunities and productivity improvements in this sector are crucial, not only for rural families but for those in urban slums. Both dimensions of poverty are addressed in this plan, including proposals for training, quality-improving technologies, support services, and micro-credit.

13. A critical requirement for poverty reduction is to strongly enhance opportunities in the formal private sector, where growth and employment can be achieved in manufacturing, construction, trade, transport, tourism, and many domestic services. Priority policies and legislation are being formulated to improve the private sector and the ability of East Timor to sustain both domestic and foreign investment.

14 Poverty reduction cannot occur without the provision of infrastructure that includes an effective network of roads and bridges, efficient seaports and airports, reliable electric power, a telecommunications system, and postal services. Agricultural and business developments are crucially dependent on this infrastructure, and trade, tourism, and foreign investment cannot be encouraged without it. Consequently, a poverty reduction strategy is an integrated process that requires a pervasive effort by government and international donors who will play a major role in assisting East Timor's development.

CAPACITY BUILDING FOR PLAN IMPLEMENTATION

15. Promoting economic growth to reduce poverty will require the government to facilitate the delivery of basic social and economic services. This delivery will itself require enabling laws and regulations, and the empowerment of the population through community management and participation.

16. Currently, East Timor needs virtually everything – infrastructure, technology, training, capital and access to markets. To build capacity to meet all these needs during the next five years is clearly impossible. Consequently, prioritising needs for capacity building is essential for planning, as is the sequencing of the introduction of activities designed to provide these needs.

17. The Plan presents the main areas for capacity building and training, in several of its programs, in different sectors. These programs address both short-term implementation needs and capacity requirements for the coming years, at the central, district and local levels. Capacity building will be based extensively on government partnerships with civil society organizations, the church, non-government organisations (NGOs), the private sector, traditional institutions, informal networks, and mutual-help groups, particularly at the village level.

18. Capacity building at the government level is crucial for East Timor. The vast majority of current civil servants are neither adequately experienced, nor trained for the roles they will have to undertake. To address this problem, the former Cabinet endorsed a comprehensive ten-year program for Governance and Public Sector Management developed by the National Planning and Development Agency (NPDA) in 2001, with support from UNDP. The Plan builds on, and develops this program, by stressing the need to develop organizational and managerial values within a framework that respects East Timorese cultural values, whilst pursuing open, cost effective and accountable systems of government.

19. The Plan sets out strategies for developing and strengthening institutions for the post-transition period. It outlines how capacity can be built to enable the Government to assist in the development of a market-based economy. For each sector, the plan also provides strategies for strengthening capacities in policy development, co-ordination, and the core skills required for management. It shows how the East Timorese government can provide an enabling economic environment, deliver appropriate services, and establish relevant legal frameworks during the

post-independence period, outlining how capacity can be built within the civil service for drafting legislation, developing policy and upgrading skills at different levels.

20. The need for political decentralization is stressed in East Timor's Constitution. The Plan requires that capacity be built for this, through the provision of training for the administration of regional offices in some of the ministries, backed up by regional coordinating bodies with representatives from government, community groups, NGOs and civil society organizations. To further these proposals, training is required to improve the management skills of district and deputy district administrators, local development officers, and sub-district coordinators. In addition, at the suco level, there is a need to develop programs to increase village capacity for plan implementation, and to provide support for developing capacity in local training institutions to provide sustainable assistance to local administrators. NGOs, church organizations and civil society groups can assist in this process, as well as developing civic education programs to facilitate local communities to monitor plan outcomes, in relation to their original "vision" statements in the Countrywide Consultation.

21. Entrepreneurial, technical, and vocational skills are lacking in every sector of the East Timorese economy. To meet their needs, the Plan argues for an extension of the current on-the-job training undertaken in informal economy workshops throughout the country, the design and implementation of basic training programs by employers in the formal sector, and a further development of existing donor and church programs in vocational training. In addition, community-based training centres are to be set up in the countryside, to train people in the skills needed in the local informal economy, and to provide advice on employment.

22. Currently, standards of education in East Timor are among some of the lowest in the world. Consequently, the Plan focuses on capacity building for reconstructing and developing the education system – through prioritising strategies for teacher training, increasing primary school enrolment, improving retention rates, modernizing the curriculum, and enhancing community involvement in the management of schools. In addition, one of the most difficult tasks for schools in the years ahead will be to extend both the use of Portuguese language and the standardization of Tetun for use in schools. Again, the Plan offers programs and projects through which this can be achieved. Most importantly, the Plan also details projects to design a literacy manual, to extend existing donor literacy campaigns, and to develop new campaigns for implementation by the Ministry of Education.

23. Standards of health in East Timor are poor, and existing health provision is weak. To build capacity in this area will be extremely difficult, and the focus necessarily will be on the provision and delivery of services to meet basic needs. The Plan presents policies, and short and longer-term strategies for this. It prioritises ongoing, long-term programs in child, maternal and reproductive health. It also focuses on current needs to build capacity for the provision of support services and management systems for the delivery of these programs.

24. Infrastructure is in a poor state, and capacity in this sector is extremely weak. This is an issue of overarching importance for all sectors of the economy and society, since infrastructure is a key determinant of agricultural productivity, poverty reduction, investment, human development and government capacity to deliver services. The Plan specifies detailed programs for building capacity in the key areas of water supply and sanitation, road reconstruction, and the restoration of basic transport and communication facilities. For the longer term, it specifies programs for the development of a sustainable power infrastructure, with an accompanying institutional framework.

25. A crucial area for East Timor's development is an effective judicial system. Developing the judiciary will require rapid capacity building to prepare proposals for legislation and draft legislation, in addition to preparing legal opinions and advice.

26. In most of the areas for capacity building outlined above, during the coming years, East Timor will need continuing international support. At least in the short term, to further capacity building and human resource development, there are positions which need to be filled by international advisers, working closely with local staff. For plan implementation, it is crucial that the knowledge and skills appropriate for the attainment of economic growth, poverty reduction and human development be transferred and developed in an East Timorese context.

MONITORING, EVALUATION, AND PLANNING REVIEW

27. The Plan is a starting point for a structured planning process that includes monitoring and evaluation as critical components of successful national development. Ensuring that policy objectives are met – through program and project activities – requires adherence to a sound process of monitoring and evaluation. In addition, such a process meets the requirements of government, donors and other stakeholders for transparency and accountability. The main outcomes of strengthened monitoring and evaluation capabilities are improvements in project implementation and management, but most importantly, improvement in the Plan itself.

28. An institutional planning process is presented in this Plan as one that empowers the nation's leaders with responsibility for strategic planning. The process itself must ensure continuity of monitoring and evaluation, provide timely feedback on actual performance, and provide realistic analyses of what the nation faces in the coming years. This planning process also will permit adaptation of the existing plan, its goals, objectives, and strategies.

29. The planning process should not be budget-driven nor subordinated to international financial mandates. Instead, it should address the social, economic, and human development priorities of East Timor and, with appropriate diligence, consider what can be realistically accomplished given budget constraints. Ministries and their directorates are part of this on-going process with incremental annual action plans and achievable performance benchmarks. A process of periodic monitoring and evaluation reporting is suggested with annual planning reviews under an independent government body overseeing implementation in co-operation with government ministers, civil society organisations and the major stakeholders.

MACROECONOMICS AND PUBLIC FINANCE POLICY FRAMEWORK

30. The sector vision focuses on growth, employment, improved living standards and better public services delivery. Sustaining the culture and environment are important. Sound and transparent economic and financial management is essential.

31. The starting point for independent economic management is difficult and a period of consolidation is needed, particularly as the United Nations withdraws, before longer-term development is likely to take hold. The continuing support of donors in the transition phase before significant oil revenues begin to flow will be important.

32. Several core sector goals have been identified. These relate to: capacity building; poverty reduction; economic growth; low inflation; employment growth; a stronger banking sector; strengthening the external situation; improving revenues to enhance self reliance; effectively

managing oil revenues; responsibly managing budget expenditures; and effectively managing budget financing, especially aid.

33. Broad guiding principles revolve around an open market economic system but with important strategic and regulatory roles for government. The private sector (including agriculture) is provided with important responsibilities in the development effort. Provision of equal opportunities and improving living standards are important. Preservation of the environment and traditions are also important. Economic management will be transparent and corruption free.

34. Many constraints have been identified as needing to be addressed in the policy formulation stage. Without being exhaustive these include: coping with social and physical destruction; recognizing difficulties in transforming subsistence agriculture; limited experience in economic management; low domestic revenue base; a very weak banking and credit sector; an increase in wage levels under UNTAET along with a very strong US dollar has weakened international competitiveness; the private sector is weak as is the institutional and legal environment in which it operates; education, health and infrastructure services all need big improvements to support the development effort.

35. A detailed policy matrix is presented where the eleven core goals are assigned policy actions and performance indicators to measure the success of policies over time. A full range of macro, micro and institutional policies will need to be effectively implemented if the sector goals are to be achieved. Important policies that are set out include: budget policies (revenues; expenditures and financing); monetary and currency policies; wages policies; trade and investment policies; institutional and structural policies as well as capacity building initiatives.

36. The chapter concludes by setting out likely program and project funding for the sector during the plan. Significant additional resources are not called for and relatively speaking the sector should use less national resources over time. A large number of new project initiatives have been set out, the great bulk of which relate to systems and human capacity building measures in the Ministry of Finance (MoF) and the Banking and Payments Authority (BPA).

MEDIUM TERM ECONOMIC AND FINANCING OUTLOOK

37. This chapter provides the medium term economic and financing outlook. Many plans fail because they make unrealistic assessments of economic conditions and of domestic and foreign resources available. The links between medium term plans, budgets and economic policy frameworks are important ones. A base outlook for key components of the macro-economy is presented and indicates:

- a) Largely due to the phased withdrawal of UNTAET and TFET, economic growth is projected to be negative in 2002 and 2003, before commencing recovery in 2004. By the end of the plan there are prospects for solid, broadly based growth of 6% p.a.;
- b) The worst hit sectors during the downturn in late 2002/2003 are expected to be Transport, Communications, Trade, Hotels, Restaurants, Utilities, Construction, Finance, Rents, Business and Government Services;
- c) The sharp contraction is a reflection on the recent economic management period and makes a good argument for ongoing donor budget and project support to help smooth what will be a difficult transition;

- d) Sharp reductions in formal unemployment will be challenging to achieve. Excluding agriculture, around 40,000 private sector jobs will need to be created over the course of the plan if the open unemployment rate is to halve. Agricultural and informal employment will remain important social safety nets;
- e) Prices are expected to remain stable with inflation averaging 2% to 3% per annum. Public sector wage growth will be targeted at levels below that of inflation;
- f) Domestic revenues while growing will remain small. For FYs 2003 and 2004, donors are being asked to contribute around US\$40 million per annum to recurrent and capital budget support. Oil revenues are expected to strengthen sharply from FY 2005 and to average almost US\$100 million a year in the last 2 years of the Plan;
- g) Total sources expenditure will contract sharply over the course of the plan as UN and TFET contributions withdraw. After rapid growth in FY 2003, CFET expenditures are targeted to grow smoothly at 8% per annum nominal for the remainder of the Plan.

38. The Plan asks donors to maintain bilateral projects at around US\$75 million per annum throughout the Plan period. This is higher than levels previously discussed but is critical both for short-term economic management and long-term nation building. It also presents a case for significantly changing the composition of CFET expenditures over time, especially to find more resources for the key plan priorities of agriculture, education, health and infrastructure development. During the plan the BPA will develop the capacity to manage an independent monetary and currency policy.

39. Providing the stance of no public sector borrowing is maintained the external situation should remain manageable with a reasonable build-up in oil revenues saved in the offshore account (estimated to be US\$84 million by end 2007).

40. The Plan presents policies for the planned utilization and saving of oil revenues so as to preserve capital and earnings values for future generations. It also outlines aid policies and approaches to be pursued, which are critical both for short and medium term economic and financial management.

POLITICAL DEVELOPMENT, FOREIGN RELATIONS, DEFENCE AND SECURITY

41. The development of an effective administrative and governance structure to serve the needs and interests of the people and the nation is one of the most critical national priorities. Given the existing environment the priority medium-term programs will have to be the establishment and strengthening of the organs of state and of public administration, laying the foundations of good governance, creating the avenues for popular and community participation, developing the legal and regulatory framework, building the human resources capacity for policy formulation and execution as well as service delivery, strengthening oversight institutions and fostering the press and civil society.

42. The Plan emphasizes that transparency in governance is essential, including development of public information programs for civil service, activities of Parliament, and functions of the ministries. This will be reinforced by programs that reintroduce Portuguese and standardize Tetun as working languages of Parliament and public administration.

43. Decentralization and participation are critical to mobilize regional, community, and civil society organizations and entities. The Plan presents programs that will empower communities and strengthen grass-roots democracy. These are inclusive strategies that preserve the opportunity for everyone to have a voice in self-government.

44. The Plan also addresses civil priorities, such as identifying veterans and providing training and other assistance to re-integrate them into society. The plan underlines the importance of utilizing networks of diaspora organizations to represent East Timorese interests abroad.

45. The importance of a legislative agenda cannot be overstated as vital to the nation's ability to establish a society based on the rule of law, to foster domestic and foreign investment, to support private enterprise growth, and to protect the interests of the impoverished and disadvantaged.

46. The Plan includes the creation of an Ombudsman's office to raise the level of awareness of citizens' rights and respect for the law, to defend citizens from any abuse of power by public administration entities, and to safeguard against practices of corruption, nepotism and other abuses of power.

47. Not least of all, the Plan articulates development of protective services through the creation of refuge centres and support systems for victims of violence, and by creating programs for assistance and training of youth and women, particularly those who have become displaced by conflicts and inequitable social barriers.

POVERTY REDUCTION, RURAL AND REGIONAL DEVELOPMENT

48. More than two fifths of East Timorese live in poverty. The poorest households are those with little land, and no education. They are most likely to be farmers and fishers. More than three-quarters of the population live in rural areas. Poverty also occurs unevenly, with the western and central areas being poorer than the eastern areas

49. The main goals of poverty reduction within the Plan are to achieve rapid economic growth to deliver training and health services, establish social safety nets, and create skilled and professional human resources for an effective use of labour. Rural development will be integrated and regionally balanced, and governance for this development will be competent, efficient, accountable and transparent.

50. Rural and regional development will ensure the involvement of households and communities in all development activities in the villages. It will be integrated, equitable, and non-discriminatory.

51. The main resource constraints for rural development are detailed in the Plan. They focus largely on social and gender issues, but also list the main areas for capacity building, both within the Government and civil society organisations. Infrastructure constraints are viewed as particularly severe, limiting access to markets. The private sector has no meaningful framework for enabling rural development, and governance is restricted by limited co-ordination, inadequate targeting, a lack of transparency, and limited accountability.

52. Based both on the overall strategy for poverty reduction, outlined in chapter four, and on the mainstreaming of poverty in the Plan, the most important areas through which poverty can be reduced in the rural sector are presented and elaborated. Strategies are outlined for the creation of

economic opportunity, the provision of specific social services, the enhancement of security, capacity building for disaster preparedness, the provision of assistance to vulnerable groups, the empowerment of villages and communities, and the creation of equal opportunities for women in work, training and participation in business and private sector organisations.

53. Balanced regional development will be achieved through focusing on reducing imbalances in education, strengthening the economic bases of districts, improving access to infrastructure for relatively disadvantaged areas, allocating central government resources to districts based on population, land area, level of development and specific locational problems.

54. To promote balanced regional development, strategies are presented for strengthening the civil service locally, and for improving the immigration service and national archives.

55. Strategies for a fuller use of rural labour are outlined. These include improving the functioning of the labour market through employment exchanges, business consultation forums and the use of the media. A labour market database will be established, and manpower planning introduced.

HUMAN DEVELOPMENT: EDUCATION AND HEALTH

56. Human development priorities for both education and health are concerned with short-term reconstruction and long-term sustainable development. These represent two phases of program activities, which the Plan has endeavored to address as among the most important national goals of East Timor.

57. In the short-term over a two to three year period, education strategies will aim to consolidate the efforts and achievements of reconstruction. This will be done through rationalizing educational provision in relation to the needs of different areas of the country, and by developing human resources within the educational sector as a whole. Institutional capacity will be strengthened within the ministry, to promote reforms and to plan and develop educational programs.

58. In the longer term, education strategies will aim to promote reforms in key areas of the sector, as well as developing measures for institutional strengthening to achieve the provision of universal primary school education. Curricula will be designed and implemented, promoting high quality teaching. Institutional capacity will be strengthened with the aim of an efficient management of the educational system.

59. The education programs proposed in the Plan reflect a priority need to recruit and train competent teachers at all levels, but essentially for primary schools where the next generation of children can emerge as literate individuals with realistic opportunities to pursue higher education, meaningful jobs and careers. In line with teaching needs, programs focus on development of school facilities and educational materials, systematically improving teacher-student ratios, access to texts, support for school sports, and cultural development.

60. East Timor has one of the lowest literacy rates in the world. The Plan presents programs and projects for designing literacy manuals, and implementing campaigns to improve adult literacy, with a particular emphasis on women

61. Health priorities are among the most crucial in the Plan. Development strategies have been devised to emphasize the importance of providing adequate access to primary health care, focusing on prevention and clinical support in underserved areas. Health planners will develop a

system of primary health care, universally accessible to individuals and families in the community through household participation, and at a cost that the community and country can afford to maintain at each stage of its development.

62. Longer term health sector priorities are to ensure that health providers and clinical specialists can sufficiently meet the needs of the country's health system within the framework of overall social and economic development. In order to accomplish this, short-term activities include recruitment and staff training activities, a national plan for regional and rural health services, and an epidemiological approach to preventive medicine, inoculations, public health information, and improved hygiene.

63. A major concern is to solve the situation of women disadvantaged particularly by the mass displacement during the Indonesian period, but also suffering from domestic violence. Currently there are no laws either ensuring the protection of women's fundamental rights or addressing the social and cultural obstacles favoring men's access to opportunities.

64. The goal of promoting gender equality and empowering women must entail changes in attitudes, government social institutions and private sector practices. The overall strategy in the Plan is focused on mainstreaming gender equality in all areas and at all levels of education and health, thus ensuring that policies and programs respond to the needs and interests of women as well as men, and distribute benefits equitably.

65. Gender objectives in education and health emphasize the need for gender awareness campaigns at all levels, to remove obstacles to a full participation of girls in the educational process, and to ensure women's rights to health. This is particularly focused on reproductive health and on the prevention of health hazards.

AGRICULTURE, FISHERIES AND FORESTRY

66. The agricultural sector is pre-eminent, with the majority of the population deriving their livelihood from agricultural activities. The key position of agriculture in the economy means that there remains a strong imperative to ensure food security, rebuild to provide employment and income generating opportunities, and to expand opportunities for exports.

67. Agriculture in 2001 was the main source of income in 94 percent of sucos. Forty one percent of East Timor's population suffers from poverty, with those in rural areas more likely to be experiencing it. Agricultural policy and strategies, therefore, need to recognize the likelihood of seasonal food shortages and accord suitable priority to programs to overcome those shortages. Unfortunately, East Timor has little or no comparative advantage in agricultural commodities, and current wage levels coupled with the US dollar as the medium of exchange will constrain efforts to become internationally competitive.

68. The Plan presents strategies to efficiently deliver services to agricultural, fishing and forestry communities that improve their productivity and income-earning potential. These will also improve social welfare in rural areas and enhance human capital. Export development will be an uphill struggle, yet the Plan identifies a broad range of initiatives that provide funding and assistance opportunities to alleviate poverty as a first priority, and systematically enhance domestic livelihoods.

69. Agriculture and rural development continue to receive support under emergency rehabilitation funding arrangements, through TFET, bilateral donors and multilateral agencies.

They are substantial, yet as the Plan illustrates, they are not sufficient to meet East Timor's pressing needs.

NATURAL RESOURCES AND ENVIRONMENT

70. East Timor is relatively poorly endowed with natural resources apart from the oil and gas reserves of the Timor Sea. Fishery stocks are poorly understood, but might also comprise an important economic resource. Strategies proposed in the Plan recognize these limitations, but seek to develop sustainable domestic capabilities that optimize natural resources while also protecting the natural environment.

71. Natural resource development, environmental interventions, and the primary goals of poverty reduction and economic growth are inextricably linked. These are addressed within the sector plans that include: (1) improvement in people's health due to poor access to resources; (2) enhancement of the livelihoods of poor people, particularly in rural areas where they depend on land, water, forests and biodiversity; and (3) reduction of vulnerability to natural disasters such as violent storms, floods and fires.

72. The Department of Natural and Mineral Resources is not an implementing agency, but it is the administrative authority for pursuing legislation relating to minerals, energy and extractive industries, and thereby regulating development to utilize the nation's resources efficiently, whilst preserving its environment.

73. Programs within the Plan reflect environmental and resource priorities, and the need to encourage private development without exploitation. This responsibility requires inter-ministry cooperation, particularly concerning oil and gas resources and the related infrastructure that is essential to support national development.

INDUSTRY, TRADE AND THE PRIVATE SECTOR

74. The programmatic initiatives of the sector are divided into five divisions, each concerned with policy and regulatory priorities and capacity building that encourages private development of industry, investment, tourism and trade. Successful private sector development will be a key driver of economic growth and poverty reduction. In the near-term, the principal role of government will be to provide the best possible enabling environment for private sector development.

75. The transition to economic independence will be the main challenge confronting government during the next five years. This is particularly true as international spending may decline over the next few years, and revenues from oil and gas production in the Timor Sea may then subsequently increase. Both of these changes pose risks and opportunities to private sector development. The Government has committed itself to a market-based economy, but during the early years, this will be difficult to achieve without an open approach to foreign investment and foreign trade that will help build East Timor's international competitiveness.

76. During the UNTAET period, government policy has successfully fostered a rapid recovery of private investment and business activity, such that the supply of the vast majority of goods and services has been restored. Consequently, the first task of government in this sector is to continue this momentum and, in terms of early actions, provide positive signaling effects to the market.

77. The largest portion of East Timor's private sector is made up of its micro-enterprises and SMEs. Accordingly, their specific needs formed the backdrop of most of the policy options undertaken during the preparation of the Plan. Specific attention is given in the NDP to strategies that would most equitably distribute income and make available services to rural areas, thus addressing the priority goal of poverty reduction. These strategies are linked to the need to increase demand for domestic agricultural produce, and to improve domestic market linkages through consistency and quality of supply.

INFRASTRUCTURE

78. Infrastructure is an issue of overarching importance to society. It includes the physical capabilities and service systems that provide the population with the essentials of electric power, water, sanitation, postal services, telecommunications, roads, air and sea transport facilities, and various support services. Infrastructure has perhaps the strongest cross-sectoral implications for national development. Having an effective system of physical infrastructure and services is crucial for agricultural productivity and poverty reduction, but it is also a key determinant of business investment, is vital to human development, and the foundation for private sector development.

79. Although significant progress has been made to restore infrastructure, the quality and level of services remain woefully inadequate. The infrastructure sector plan emphasizes national priorities for economic development and a strong commitment to poverty reduction throughout its department activities, but the first priority is to restore or establish required physical capabilities and public services.

80. This focus will not detract from efforts to meet the needs and aspirations of those disadvantaged by poverty, remoteness and difficulty of access to infrastructure services. On the contrary, the ten divisions represented as the infrastructure sector in the Plan have systematically proposed programs that account for these needs.

81. The ultimate responsibility of each directorate is to provide a program of infrastructure development that ensures safe services, equitable prices, and maximum opportunities for economic development that improves human welfare. Most programs, however, are capital intensive and the Plan presents alternatives for development, including private sector investment, foreign investment, build-operate-transfer (BOT) options, and public service contracts. Sector strategies are heavily reliant on these alternatives and on subsequent assistance from the international donor community.

PART 1

VISION AND STRATEGIES

Chapter 1. INTRODUCTION

Chapter 2. VISION, GOALS, PRINCIPLES AND INDICATORS

Chapter 3. THE DEVELOPMENT STRATEGY

Chapter 4. POVERTY REDUCTION STRATEGY

Chapter 5. CAPACITY BUILDING FOR PLAN
IMPLEMENTATION

Chapter 6. MONITORING, EVALUATION AND REVIEW



1. INTRODUCTION

“The people of East Timor prepared the National Development Plan. It belongs to them and reflects their values, needs, ideas, aspirations and priorities.”

BACKGROUND

1.1 The release of the National Development Plan (the Plan) for the new nation of East Timor is a milestone in its history. It is the first time in more than 450 years that the East Timorese have participated as free people in formulating a twenty-year vision, identifying key development challenges, and evolving strategies and programs of action for the next five years (2002 – 2007) to take the nation forward economically, socially, and politically. The Plan is not the end of the planning and development process; it is only the beginning. The important work of preparation and implementation of annual action plans, including programs and projects, has begun and will proceed during the next five years.

THE PLANNING PROCESS

1.2 The process of formulation of the Plan began in earnest in September 2001, after the Second Transitional Government took office. A range of initiatives from the Government, civil society organizations and ordinary men and women fed into the planning process. These included activities within (a) the Poverty Assessment; (b) the Countrywide Consultation undertaken by the Consultative Commission for Civil Society on Development (CCCS); (c) intensive work over a period of three months by Government officials in eight sector working groups, each chaired by the relevant Ministers; and (d) discussions and feedback at, and following, a two-day stakeholder workshop on the Plan.

1.3 The Poverty Assessment (PA) comprised three components:

- c) a Suco Survey (SSTL) covering all the sucos (villages) in the country, which compiled an inventory of existing social and physical infrastructure, the economic characteristics of each suco, and the coverage of public services, based on information obtained from suco and aldeia (hamlet) chiefs, teachers and other local leaders;
- d) a Household Expenditure Survey (TLSS) which obtained information from the members of a sample of 1,800 households spread throughout the country, and collected data on household demographics, housing and assets, household expenditures, agriculture and the labour market, basic health and education, subjective perceptions of poverty, incomes and social capital; and
- e) a Participatory Potential Assessment (PPA) that assisted the communities in 48 aldeias in the 13 districts of the country to take stock of their assets, skills and strengths, identify the main challenges and priorities, and formulate strategies for tackling these within their communities.

- f) The Plan draws upon the results of the PA.¹ The SSTL Report was released in October 2001 whilst the reports on the PPA, the TLSS, and the composite PA (incorporating the findings from all three components), are expected to be published in mid-2002.

1.4 The Countrywide Consultation undertaken by the CCCS covered more than 38,000 East Timorese citizens – men, women, secondary school students and youth. The consultation captured the twenty-year vision (to the year 2020), as well as current priorities, initiatives the people can take, and how they think civil society and the Government can address their concerns. The results are incorporated in the vision, goals and strategies as well as in the sector interventions of the Plan. A popular version of the Plan entitled “East Timor 2020 - Our Nation, Our Future” outlining the vision, priorities and expectations of the population is being released simultaneously.

1.5 The eight working groups convened to work on the Plan involved more than 120 senior officials of the Government, including Ministers and Vice Ministers. They worked long days and weekends to formulate a homegrown Plan that takes into account the aspirations of the people, present realities and future prospects. Preparation of the *State of the Nation Report* has been the first major task accomplished by the working groups². It enabled the East Timorese to take stock of the position in which the nation finds itself prior to its independence, and provides the backdrop to the Plan. The working groups formulated a 20-year vision (to 2020), presenting the goals, guiding principles, strategies, policies, programs, projects and legislation necessary for the country to move ahead with its development over the next five years. There was a high degree of congruence between the vision and priorities identified by the people in the Countrywide Consultation and those formulated by the working groups. The working papers of the groups were presented by Ministers, and discussed at a two-day workshop for stakeholders, including NGOs, civil society organisations, interest groups, the Church, political parties and donors. The feedback from the workshop has been incorporated into the Plan.

1.6 The people of East Timor prepared the Plan. It belongs to them, and reflects their values, needs, ideas, aspirations and priorities. It is an amalgamation of inputs from the various stakeholders. The extent of citizen participation and the inclusive process adopted in preparing the Plan are unique, especially for an incipient country. Most importantly, this process has been crucial in building confidence and capacity among East Timorese Government officials, civil society organisations and communities.

ORGANIZATION OF THE DOCUMENT

1.7 The Plan provides a road map for the development of the country over the next five years within a twenty-year perspective. It is presented in three parts. Chapters 2 to 6 comprising Part I of the Plan provide an overview of the twenty-year vision, goals, strategies, and capacity development needs of East Timor, and monitoring, evaluation and review arrangements for the Plan. Part II presents a synopsis of the Macroeconomic Policy Framework and Medium-term Economic and Financing Outlook in Chapters 7 and 8, which are prepared by the Working Group on Macroeconomics and Public Finance. The remaining sector chapters prepared by the Working Groups on Political Development, Foreign Relations, Defence and Security (Chapter

¹ Only the preliminary results from the Household Expenditure Survey were available and fed into the Plan.

² Unless otherwise specified all the figures quoted in the Plan are from the State of the Nation Report.

9), Poverty Reduction, Rural and Regional Development (Chapter 10), Social and Human Development: Education and Health (Chapter 11), Agriculture, Fisheries and Forestry (Chapter 12), Minerals and Natural Resources and the Environment (Chapter 13), Industry, Trade and the Private Sector (Chapter 14), and Infrastructure (Chapter 15) form Part III of the Plan. The Plan organises and presents the outputs of the East Timorese as faithfully as possible.

2. VISION, GOALS, PRINCIPLES AND INDICATORS

“The formulation of the Development Vision for the country to the year 2020 was carried out in full consultation with the people, civil society organisations and government officials. The vision is an amalgamation of the inputs and tries to reflect accurately and fully the aspirations of all East Timorese”

THE LAND AND THE PEOPLE

2.1 East Timor is situated on the eastern part of the island of Timor, the easternmost of the Lesser Sunda Islands. It is bordered on the west by the Indonesian province of Nusa Tenggara Timur (or West Timor). The Savu Sea and the Strait of Wetar lie to the north of the island while Australia is to the south, about 500 kilometres across the Timor Sea. Also, the enclave of Oecussi in the western part of Timor Island is a part of the national territory of East Timor, as are the islands of Ataúro and Jaco.

2.2 The country has a land area of approximately 14,610 square kilometres (sq km), with a surprisingly varied topography and a diverse ecology. A core of rugged hills and mountains form a mountainous spine that divides the northern part of the country from the southern region. About 21% of the land is less than 500 metres above sea level, 41% between 500 and 1,000 metres and the rest (35%) more than 1,000 metres above sea level, with the last including Mount Tatamailau at approximately 3,000 metres. Around 44% of the territory has a slope of approximately 40% which, combined with heavy rainfall, contributes to soil erosion. The rainfall pattern is varied with the mountains receiving more rain than the coastal plains. The southern region receives more rainfall (2,000 millimetres or more) and has two harvests, while the northern part with less rain (between 500 to 1,000 millimetres) often has one harvest. The country is affected by the periodic El Niño-related weather anomalies.

2.3 The climate is hot, with an average temperature of 21°C, and a high humidity (about 80%). The dry months from May to October experience moderate winds and slightly milder temperatures – about 18°C on the coastline and 10°C or lower in the mountains. During the monsoon season (November to April), the rivers become torrents due to the extremely high rainfall in the mountains.

2.4 The country is organized into 13 districts, 67 postos (sub-districts), 498 sucos (villages) and 2,336 aldeias (hamlets). The districts have been grouped into three regions – the enclave district of Oecussi and the border districts of Bobonaro and Covalima forming the Western region, the districts of Aileu, Ainaro, Ermera, Liquica and Manufahi in the Central region, and the districts of Baucau, Lautem, Manatuto and Viqueque in the Eastern region – and the capital Dili. At present, the local government (administration) is organized at the district and sub-district levels although the traditional structures at the suco and aldeia levels continue via suco and aldeia chiefs. The districts have District Administrators with a small complement of staff and sub-district co-ordinators at the postos.



2.5 The last population census of East Timor Province was in 1990, and a population census of the new country has yet to be conducted. The 1990 Census placed the population at 747,557, which included 47,000 non-East Timorese (mainly Indonesians from other provinces of whom almost half were from West Timor). The rate of growth of population at about 2.5% per annum was high compared to that in the rest of Indonesia. The capital, Dili, had more than 14% of the population. The population density ranged from 48 persons per sq km in the Eastern region to 52 in the Central region with Dili at 271 persons per sq km. Estimates from the 2001 Suco Survey place the population at about 790,000 in mid-2001, with females accounting for 49.75% of the total. This figure does not include the approximately 120,000 East Timorese who were then still living in refugee camps in Indonesian Timor, following the aftermath of the 1999 paramilitary rampage. Since then, many of these refugees have returned to the country. In April 2002, some 60,000 refugees remained in the camps, but many are returning, with the approach of independence. The proportion of the population in Dili appears to have increased considerably in recent years, and unofficial estimates place it at more than 20% of the total. More than three-quarters of the population live in rural areas.

2.6 East Timor has a young population, with about 48.1% below the age of 17. This will place a considerable demand on education and health services, at least for the next decade. Also, the relatively high fertility rate implies a continued high population growth rate in the next decade or more, unless policies are introduced for family planning and health education. The labour force participation rate is about 74% overall with that for women estimated to be more than 50%. About three-quarters of those employed are in agriculture. Open unemployment, a recent phenomenon especially among youth, is in excess of 16%.

2.7 The ethno-linguistic diversity of the population is significant, with more than 30 languages or dialects in use. The major local languages include Tetun, Mambae and Macassae, each spoken by more than 10% of the population. The main language, Tetun, is understood by a large majority (about 80% according to some estimates) of the population, with about 40% able to understand and use Indonesian, approximately 5% able to understand Portuguese, and about 2% English. Indonesian was the working language for the government and the medium of instruction in schools during the more than 20 years of Indonesian rule. The new official languages are Portuguese and Tetun, with Indonesian and English accorded the status of working languages. This poses unique challenges of communication within the Government, between the Government and the people, and within the education system.

THE ECONOMY

2.8 The economy of East Timor was devastated by the 1999 violence. It has recovered somewhat in 2000, and further in 2001. The nominal gross domestic product or GDP, which is a measure of the value of all goods and services produced in the country at prevailing prices, was US\$321.2 million in 2000 (Boston Institute) and US\$380.0 million in 2001 (IMF)³. The GDP declined by 2.1% in 1998 and 34% in 1999; but grew by 15% in 2000 and 18% in 2001. The size of the real economy (i.e. GDP at constant prices or adjusted for price inflation) in 2001 was only about 88% of the 1997 level (IMF). Based on population data provided by the Government Statistics Office, nominal per capita non-oil GDP was estimated at US\$412 in 2000 and US\$452

³ The estimates of GDP and population vary between different sources and may not be strictly comparable. One set of estimates are available from the Boston Institute for Economic Studies (USA) and another from the International Monetary Fund (IMF).

in 2001 (IMF).⁴ This places East Timor in the low-income country category by international standards.

2.9 In 2001, the output of the agricultural sector accounted for 26.5% of non-oil GDP, with manufacturing industry at 2.5%, construction 13.3%, trade, hotels and restaurants 8.3%, transport and communications 7.4%, finance, rents and business services 6.3%, and Government services 33.5%. Almost three-quarters of the labour force (73.8%) were employed in agriculture and 16.8% were openly unemployed. All other sectors combined employed less than 10% of the labor force. Private consumption has been very high, reaching 100% of GDP in 2000, and private investment has been low. The large net external inflows (aid) played a significant part in the financing of domestic consumption and investment in the two years.

2.10 Inflation was very high in 1998 (80%) and 1999 (140%), but decelerated in 2000 (20%), reaching a low 3% in 2001. Data on recent private sector wages is poor. However, evidence from the 2001 Suco Survey indicates that wages for the unskilled in the coffee industry may have tripled since 1999 from around US\$1 a day to more than US\$3 a day. Anecdotal evidence suggests that these increases may have fed through into wage increases elsewhere in the private sector, especially in skilled areas. Allowing for inflation, real wages probably have remained the same since 1999.

THE DEVELOPMENT VISION

2.11 The formulation of the development vision for the country to the year 2020 was carried out in full consultation with the people, civil society organizations and government officials. The vision presented below is an amalgamation of their different inputs, and tries to reflect accurately and fully the aspirations of all East Timorese:

2.12 For the next generation, in the year 2020:

- a) East Timor will be a democratic country with a vibrant traditional culture and a sustainable environment;
- b) It will be a prosperous society with adequate food, shelter and clothing for all people;
- c) Communities will live in safety, with no discrimination;
- d) People will be literate, knowledgeable and skilled. They will be healthy, and live a long, productive life. They will actively participate in economic, social and political development, promoting social equality and national unity;
- e) People will no longer be isolated, because there will be good roads, transport, electricity, and communications in the towns and villages, in all regions of the country;
- f) Production and employment will increase in all sectors – agriculture, fisheries and forestry;
- g) Living standards and services will improve for all East Timorese, and income will be fairly distributed;

⁴ The GDP from oil and gas was estimated to be US\$71.4 million in 2000 and US\$63.9 million in 2001.

- h) Prices will be stable, and food supplies secure, based on sound management and sustainable utilization of natural resources;
- i) The economy and finances of the state will be managed efficiently, transparently, and will be free from corruption; and
- j) The state will be based on the rule of law. Government, private sector, civil society and community leaders will be fully responsible to those by whom they were chosen or elected.

DEVELOPMENT GOALS

2.13 This vision is to be realized through the achievement of goals and development targets (quantitative and qualitative indicators). The Countrywide Consultation undertaken by the CCCS identified education, health and agriculture as the population's main priorities for the development of the country. Responding to the wishes of the people, the Government also accords high priority to these sectors. The main goals include the following:

- a) Improve the education, health and nutritional status of the people of East Timor; promote gender equality and the empowerment of women; improve the economic, social and cultural well being of individuals, families and communities in East Timor; create human resources that are skilled and professional in accordance with the interests and talents in each field; and ensure equal opportunities to obtain work and effective utilization of labour.
- b) Transform the subsistence economy into a market economy; achieve food security; and protect the environment.
- c) Achieve and sustain rapid economic growth, utilizing to the optimum the country's human, financial and natural resources; with low inflation and increased employment adequate to cater to the growing labour force; a stronger banking and finance sector; maintain a competitive real exchange rate with more exports and less imports; create equitable business opportunities and increase incomes, especially in rural areas.
- d) Reduce poverty among women and men; establish a social safety net to reduce the burden on those in society who are unable to work/help themselves.
- e) Promote private initiatives, innovation and investments by creating enabling and supportive environments - including policies, legislation and regulations, reliable supplies of electricity, water, roads and transport, marketing and banking systems, and a competent, productive and disciplined labour force.
- f) Secure and maintain the unity, territorial integrity and sovereignty of the nation; create and maintain durable internal peace, security and stability; prevent crime and involve the community in the reduction of crime; and make the country attractive and safe to citizens and visitors.
- g) Promote integrated rural development to generate remunerative employment and sustainable livelihoods, increase rural incomes, reduce poverty, accelerate economic growth and reduce the gap between rural and urban areas.

- h) Promote an orderly development of cities and towns that are pleasant (e.g. with parks and playgrounds), not crowded, affordable and friendly to the environment.
- i) Achieve balanced regional development to reduce poverty, improve the lives of East Timorese in all regions, enhance and exploit complementarities between regions and agro-ecological areas, accelerate economic growth, and reduce regional disparities.
- j) Achieve growth in government (budget) revenues to improve financial independence; effectively manage oil and gas revenues and savings to benefit present and future generations; and ensure responsible, efficient and productive management of government (budget) expenditures to promote poverty reduction and growth.
- k) Develop and administer an effective, accessible and impartial system of justice, which is prompt and transparent, and in conformity with the positive values and cultural heritage of East Timor; create an effective and independent system to oversee, monitor and remedy the potential excesses of the government and its functionaries.
- l) Strengthen an already robust civil society, and create opportunities for its constructive engagement and participation in national life, and enhance the participation of citizens in public and national affairs.
- m) Foster a culture of respect for human rights (particularly for women, children and other vulnerable groups, including the poor) and the rule of law; create public trust in a fair and just public administration; establish control mechanisms to monitor levels of responsibility amongst government officials and public authorities.
- n) Promote good governance through popular participation; a responsible and responsive government including a lean, efficient, effective, accountable and transparent civil service and effective, professional, non-political defence and police forces; a decentralized administration with simple and transparent norms, so that governance and public administration is closer to the people; a socially responsible private sector; transparent and accountable civil society organizations; and a responsible, independent and effective media.
- o) Foster a robust multiparty democratic system; establish and sustain a system of checks and balances between the judiciary, the legislature and the executive (i.e. the Courts, the Parliament, the Council of Ministers and the President).
- p) Build and strengthen regional and international political, economic, scientific and cultural cooperation.

GUIDING PRINCIPLES

2.14 A number of principles have been identified to guide actions and progress in achieving these goals. The important guiding principles adopted by the East Timorese are listed in the following. As can be expected in such exercises, there is some overlap between the goals and the guiding principles.

- a) Participation of all citizens in economic, social and political processes and activities.

- b) Gender equality between women (girls) and men (boys) in access to opportunities, services, goods and privileges.
- c) Equitable development between population groups (e.g. able-bodied and disabled, young and old, rich and poor and different ethnic groups) and areas (e.g. rural and urban, accessible and remote).
- d) Equality and non-discrimination in access to jobs, other opportunities, goods, services and privileges, for diverse population groups in different areas.
- e) Honesty, impartiality, professionalism, integrity, hard work, efficiency, transparency and accountability in public service.
- f) Respect for, and preservation of, the values and culture of the various groups comprising East Timorese society.
- g) Integrated development, ensuring synergies between different interventions to generate benefits that are larger than the sum of the benefits of each intervention.
- h) Cultural, religious and gender sensitivity.
- i) Environmental, economic, social and political sustainability.
- j) Democracy, sovereignty, respect for human rights and the rule of law, and equality before the law.
- k) Self-reliance, social solidarity, peace and national unity.
- l) Creativity, innovation and quality.

2.15 A number of additional principles are to be adopted in the management of the economy, and for the overall development of the country. They are:

- a) A market economic system with strategic and regulatory roles for Government, including the provision of social safety nets.
- b) A strong role for the private sector in development.
- c) A role for government to ensure that physical and social infrastructure and services are provided, and to provide a growth enabling policy and legal environment, including the maintenance of monetary and fiscal stability.
- d) Effective, transparent and corruption free management of the economy and public finances.
- e) Pursuing a fair and equitable economy and society with equal opportunities and improved living standards for all.
- f) Developing in ways that preserve the beautiful environment, traditions and customs of East Timor.

KEY DEVELOPMENT INDICATORS

2.16 The key development indicators have been identified by the East Timorese population. They include economic indicators, such as growth in income (aggregate and per capita GDP), inequality in income distribution, labour force participation and employment, and poverty incidence; social indicators including food availability, access to and use of education, health, water and sanitation services; indicators of security including personal and food security as well as security from shocks and disasters; empowerment indicators such as the number of voluntary people's associations and voting in elections; and indicators of gender equity and empowerment of women. A detailed list of the indicators is provided in Annex 2.1.

2.17 The indicators for East Timor draw upon those presented in the global Millennium Development Goals (MDGs) adopted by more than 175 countries at the United Nations Millennium Assembly in September 2000 (see Annex 2.2). The MDGs use 1990 as the base year, and build upon the targets adopted at previous UN Conferences including those on Children, Environment, Food, Population, Social Development and Women. The Goals to be achieved by the year 2015 include:

- a) reduction of poverty and hunger by half,
- b) achievement of universal primary education with gender equality at all levels (i.e. primary, secondary and tertiary),
- c) reduction of mortality of children under five years old by two-thirds, reduction of maternal mortality by three-quarters, and the halting and reversal of the incidence and spread of HIV/AIDS, malaria and other major diseases,
- d) ensuring environmental sustainability,
- e) reducing by half the proportion of people without access to safe drinking water,
- f) improving significantly the lives of urban slum dwellers,
- g) developing global partnerships for development,
- h) developing and implementing strategies for decent and productive work for youth,
- i) making available new technologies, especially information and communication technologies, in cooperation with the private sector, and
- j) addressing the special needs of the Least Developed Countries (LDCs) and small island states.

3. THE DEVELOPMENT STRATEGY

“...the overriding goals for the development of the country (East Timor) are to reduce poverty.....and to promote rapid, equitable and sustainable economic growth.....”

INTRODUCTION

3.1 As an independent nation emerging from war and transition from the UN administration, East Timor faces many challenges and opportunities. It needs virtually everything. In the process of formulating the Plan, the Government has taken stock of the situation and identified nine key challenges confronting the country in the *State of the Nation Report*.⁵ These key challenges are:

- a) Helping the sizeable number of poor Timorese to help themselves, and to reduce poverty;
- b) Improving the position of women to achieve gender parity;
- c) Improving human resource capacities in the Government, private sector and civil society to manage and administer a nation state in the Twenty-first Century;
- d) Sorting through the multitude of local languages in use and resultant communication problems, and facilitating an orderly and cost-effective transition to the new official languages of Portuguese and Tetun;
- e) Transforming the agrarian subsistence production to a market-based economy;
- f) Improving productivity in all sectors through the introduction of appropriate technologies and practices, reducing risk and modernising production processes;
- g) Creating an enabling environment for the private sector (including farmers, fishermen, small, medium and large investors and entrepreneurs, traders and others) to generate the jobs and economic growth necessary to improve the welfare of the people;
- h) Managing public finances in an efficient and pragmatic way to enhance good governance and attract adequate budgetary support from donor partners, to provide essential services during the next three to five years, until significant revenue flows from the exploitation of oil and gas reserves begin to materialise; and
- i) Sound administration and sustainable utilisation of the oil and gas revenues to benefit present and future generations of East Timorese.

3.2 The above challenges are in tune with the priority constraints identified by the people in the PA during 2001 and the Countrywide Consultation undertaken by the CCCS in early 2002. These challenges underpin the strategy for national development during the next five years (2002/03 to 2006/07), which is seen as the first step towards achieving the twenty-year development vision of the people of East Timor.

⁵ Planning Commission, *The State of the Nation Report*, Dili, East Timor, April 2002.

3.3 Through a participatory planning process, the people of East Timor determined that the overriding goals for the development of their country are to reduce poverty in all sectors and regions, and to promote rapid, equitable and sustainable economic growth that reduces poverty and improves the well being of all the people.

3.4 Whilst these goals are clear, the question remains, “*How to get there – how to achieve the goals and objectives?*” The development strategy tells us, in broad terms, what the general approach will be, and how the goals and objectives will be achieved. The strategy helps decision-makers to focus on the main approaches to, and outcomes of, national development. The development strategy for East Timor addresses the nine key challenges identified by the people. These challenges are to be met through the strategies outlined below. These strategies are elaborated in the relevant sector chapters.

Poverty Reduction

3.5 More than two-in-five East Timorese are living below the national poverty line of US\$0.55 per capita per day. This poverty line has been set to fulfil the food requirement of 2,100 kilocalories per day and other expenditures on education, health and housing, taking into account normal consumption patterns in the country. In addition to expenditure, the other dimensions of poverty as mirrored by social indicators reflect an equally austere picture. For example, literacy levels are low, access to and use of education services modest, and health services meagre, reflecting both supply and demand constraints. Considering the significant number of poor people and the central role of poverty reduction in the development strategy, a detailed presentation of the poverty reduction strategy is provided in the next chapter.

Gender Mainstreaming and Empowerment of Women

3.6 Women constitute almost half the population of East Timor (49.75% according to the 2001 Suco Survey). Women are key economic and social agents. They are also important actors in caring for the young and the old, managing the household, and moulding the values and behaviour of children who are the future leaders. The active participation of women in national development as equal partners with men is crucial for the overall improvement of the welfare of the people.

3.7 Many East Timorese do not yet seem to fully appreciate women's rights or to embrace gender equality. Women (including girls) continue to be discriminated against in the ownership of assets, access to social and economic services, and participation in making decisions affecting their lives. The prevalence of a multitude of traditional practices and the absence of statutory laws make the identification and enforcement of women's rights difficult. The ingrained orientation of men towards the traditional roles of women in East Timorese society needs to be changed through education and sensitisation. A campaign of education and awareness raising on gender is essential, throughout the country and particularly in rural areas. Gender awareness and equity should be incorporated in school curricula. The print and audio-visual media should be mobilised to get the message across to all areas of the country.

3.8 East Timor has made a good start in recognising and promoting the role of women. For example, women constitute about 25% of the members of the Constituent Assembly (legislative

body).⁶ Drawing upon the recommendations of the Women's Congress in 2000, the Second Transitional Government of East Timor has included in the draft Civil Service Law a target of at least 30% representation of women in the civil service and has already achieved 25%. Many women are active in civil society organizations including non-government organisations (NGOs). However, there is a traditional division of gender roles that does not always work to the promotion of gender equality. Many activities in and outside the household are divided by gender including in farming. Women's participation in petty trade has been traditionally an important means to augment family income.

3.9 Gender parity appears to have been achieved in primary school enrolment. Yet the female participation rate in education at secondary and tertiary (including university) levels is low, and the gender gap wide. Successful experiences from other developing countries could be drawn upon and adapted to suit the conditions in East Timor, to bridge this gap. Health facilities that serve the specific needs of women need considerable improvement. Maternal health services are critical not only for mothers but also for children. Resource allocation to these services is inadequate, and should be augmented. Women are at greater risk than men from HIV/AIDS because of their subordinate position within the household. The campaign to halt the spread of HIV/AIDS should pay particular attention to the vulnerable situation of women, their reproductive role in transmission of the virus to children, and to their special needs.

3.10 Recognising the importance of gender dimensions, the Second Transitional Government set up an Office for the Promotion of Equality, and appointed a Gender Adviser reporting directly to the Chief Minister. This has facilitated significant sensitisation and inputs into the gender dimensions of the Plan formulation process. Additionally, the Countrywide Consultation undertaken by the CCCS provided for consultation jointly, with women and men, and separately with women and with women's groups, in order to capture fully women's vision for their country, and their national priorities.⁷

3.11 Programs proposed in the Plan also include those on women's economic empowerment. Gender dimensions are also incorporated in the Plan's education and health programs. The recently adopted Constitution has several provisions protecting the rights of women and promoting gender equality. Formulation, adoption and enforcement of necessary statutory laws prohibiting discrimination and violence against women and girls are planned. Civic and political leaders and opinion makers can set role model examples in their personal behaviour, promoting gender equity. After independence, the Government intends to ratify a series of international conventions including the Convention on Elimination of Discrimination of All Types Against Women (CEDAW). Gender inequality is the surest way to transmit poverty to future generations of men and women. Therefore, reducing gender inequality and enhancing women's productivity will be integral elements of the country's development and poverty reduction strategies.

Human Resources Development

3.12 East Timor has human capacities, informal and formal institutions, and social and exchange arrangements, which have evolved over many years, and withstood the onslaught of colonialism and occupation. While these are well suited to the past circumstances, many are

⁶ In August 2001, 24 women were elected to the 88-member Constituent Assembly accounting for about 27% of the total. However, two women members resigned since bringing down the proportion to 25%.

⁷ There is substantial agreement between women and men on the relative importance of education, health and agriculture – the top three priorities mentioned by the largest proportion of people consulted. However, there are significant differences on the other aspects. For example, women often mentioned "helping vulnerable groups" as the next priority while men ranked "roads and bridges".

inadequate for managing and developing a modern nation state in the Twenty-first Century. The modest capacity in the country is insufficient to meet its myriad needs. East Timorese in the government, private sector and civil society will need to acquire new knowledge and develop new skills to administer a modern nation state and build a more diverse and developed economy. Yet it will be difficult to build the capacity to meet all these needs during the next decade. Consequently, prioritising needs for capacity building is essential for planning and plan implementation, as is the sequencing of the introduction of activities designed to provide these needs.

3.13 The Plan presents the main areas for capacity building and training in different sectors. Human resource development strategies focus on capacity building within the Government, private sector and civil society organizations, in such areas as management, supervisory skills, office management and administration, gender awareness and equity, human rights, information technology, Portuguese language and translation. Training programs for district and village staff are also envisaged. Entrepreneurial, technical, and vocational skills are in short supply, and are to be augmented through training programs and projects, including technical and vocational training.

3.14 During the past two decades, a sizeable number of the youth have joined the struggle for independence and missed the opportunity to attend school. The Plan visualises training programs for these veterans and other youth to impart productive skills for wage or self-employment.

3.15 Training and capacity development through formal education programs in primary and secondary schools and tertiary institutions are proposed to be expanded with particular attention to increasing the participation of the poor and girls. Simultaneously, campaigns to improve adult literacy and numeracy are envisaged, since these are crucial for productive employment and economic growth. In the health sector, capacity building is likely to be time consuming, costly and difficult, and the focus necessarily will be on the provision and delivery of services to meet basic health care needs. Similar efforts on strengthening capacity are visualised in other sectors. Capacity building efforts should go hand in hand with an efficient and effective utilization of scarce human resources. (See Chapter 5 for more details on capacity building.)

Language and Communication

3.16 There are at least 30 local languages or dialects being used in different parts of the country. Almost 80% of the people of East Timor can speak or understand Tetun, with more than 40% able to use Indonesian. Portuguese is understood by about 5% and only 2% can operate in English. The Constitution formalised the adoption of Portuguese and Tetun as the official languages with Indonesian and English to be used as working languages as long as needed. The strategies for improving proficiency in Portuguese include the introduction of the language as the medium of instruction in grades 1 to 3 and as a second language in grades 3 and above. This is to allow time for training of teachers and development of the curriculum and textbooks in Portuguese language. The process of introduction of the Portuguese language as the medium of instruction in grades 4 onwards will be gradual and flexible to allow for a smooth transition. Also, language training in Portuguese is to be provided to civil servants and promoted in the private sector and in civil society. Simultaneously, development of Tetun as a written language for daily use, and for judicial and technical purposes is being pursued. This is a pragmatic approach to tackling a difficult challenge.

Transforming Subsistence Production into a Market-based Economy

3.17 East Timor is an agrarian society with a largely subsistence economy in which much of the production is consumed by producers (home consumption). About 76% of the people live in rural areas, and the poor among them account for 85% of the nation's poor. Most of the rural residents depend on agriculture, and productivity in the sector is low. However, there is potential to increase productivity and production, promote specialisation in niche commodities to take full advantage of the agro-ecological diversity, to enhance market exchange and expand exports. In the short and medium term, the sector is not only an important driver of economic growth, but is also a key vehicle for poverty reduction in the rural areas. Recognising this, the Plan provides for introduction of improved technologies and practices, enlarged support services, and better functioning markets. There is a wealth of successful experiences in the Asia-Pacific region, showing how the agriculture sector could be mobilized to accelerate economic growth in the initial stages of economic development, and transformed from a subsistence to a market-based system. Additionally, integrated rural development is seen as a vehicle to supplement and augment initiatives in the agriculture sector to transform the rural economy.

Improving Productivity and Modernising Production

3.18 Low-input low-output technologies and processes typify production in virtually every sector of the economy. They rely on locally available and often home-produced inputs. Emphasis on risk minimisation is the norm for much of the production intended for home consumption, with only a small portion passing through market channels (see paragraph 3.17). Introduction of productivity enhancing technologies and processes is to be promoted through public support services (e.g. in agriculture) as well as through private and civil society initiatives (e.g. domestic and foreign direct investment and the promotion of micro, small and medium enterprises in informal and formal production, and in the service sectors). East Timor is fortunate to have access to modern off-the-shelf technologies in many sectors, ranging from agriculture to information technology. The initiatives put forward in the Plan visualise the adaptation and propagation of technologies to suit the ecological, economic, social and cultural conditions of East Timorese society.

3.19 Modernisation of production requires markets both for the supply of inputs and for the sale of products and services. Strengthening existing markets and developing new markets is feasible through improved infrastructure, reduction of transaction costs, improved access to information, and the promotion of competition. The important role of good infrastructure including roads and bridges, ports and airports, electricity and water supply, transport, telecommunications including radio, TV, telephone and internet and post are recognised. The Plan provides for rehabilitation, improvement and construction of improved infrastructure to promote the modernisation of the economy and better serve the needs of the people.

Creating an Enabling Environment for the Private Sector to Flourish

3.20 The private sector in East Timor comprises among others farmers, fishermen, and micro, small and medium size entrepreneurs. It is in a nascent stage of development and needs a nurturing environment to develop. Much of it has been geared to fulfil domestic consumption needs, and to serving the demands of the government during the past quarter century. The principal role of the Government is shifting from driving the economy to create an enabling environment - including laws, regulations, and enforcement mechanisms (e.g. police, courts and other institutions) and arranging for the delivery of essential support services for the private sector to gain confidence and strength, and to become the engine of economic growth. The Plan incorporates measures to introduce enabling policies, laws, regulations and enforcement

mechanisms in such areas as land ownership, occupancy and lease/rental (tenancy), corporate and bankruptcy laws, banking and insurance, and appropriate security and enforcement mechanisms including well functioning civil and criminal courts and efficient police and security services. Initiatives to strengthen the capacity of the private sector, especially that of small entrepreneurs, is visualized through pilot testing and the adoption of successful approaches in other countries (e.g. in micro finance, small and medium industries development and tourism services).

3.21 The Government intends to strengthen the provision of essential infrastructure including reliable electricity and water supply, telecommunications and transport through a combination of public, private, civil society organisations and community partnerships. Already, the private sector is the major actor in the provision of such services as transport, communications, agro-processing and manufacturing, tourism and hospitality services (e.g. hotels and restaurants), and marketing, including the supply of inputs and sale of output. As it gains strength and matures, the private sector will play an increasingly important role in the provision of infrastructure, education and health services, side by side with the Government and civil society organisations including the Church and NGOs. The Government will focus on its core functions, and will avoid involvement in commercial activities unless there is clear evidence that the private sector is unable to provide essential goods and services (market failure), and that such non-provision impedes poverty reduction and economic growth.

Managing Public Finances

3.22 While the size of the Government will be smaller than in previous years, it will still have a critical role to play in managing public finances, ensuring the rule of law and good governance, and in implementing development priorities. In the short and medium-term, East Timor is confronted with the twin problems of a limited capacity to raise domestic revenues and a relative lack of skilled human resources. Since the mid-1970s, many of the resources required for government operations in the territory were provided by the central government in Jakarta and more recently by the UN and other donors. The Government will have to tackle the dual problems of a lean civil service⁸ that is not yet fully competent in government, and inadequate resources to fund all its priority programs. Effective management of the limited staff, and careful and efficient use of the scarce financial resources must take centre stage in governance during the next few years.

3.23 Efforts to prioritise programs and spending during 2002/03 are already under way. The exercise emphasises prioritisation and sequencing of expenditures and investments, and ensuring complementarities and synergies between programs to generate benefits that exceed the sum of those resulting from individual programs. A cross-sectoral approach should ensure efficient resource use, and generate commensurate benefits. At the same time the continual updating of strategies within sectors and agencies will be important. Also, a three-year medium term fiscal framework (MTFF) incorporating a results-based management approach is being developed for adoption.

3.24 By mid-2002, the departure of the bulk (about 70%) of the foreign personnel and the local counterparts engaged by UNTAET will leave a major gap in the capacity of the

⁸ The civil service strength (excluding the military and security forces and the police) is expected to reach about 12,000 by the end of 2002, which is less than half of the approximately 28,000 under the Indonesian rule. The former is considered to be adequate (if fully competent and equipped) to perform government functions and is barely affordable by the country, given its present circumstances.

Government. To facilitate a more orderly transition, this gap is planned to be filled at least temporarily by about 300 foreign personnel with expertise in finance, management, development administration and other technical fields. They are to be deployed in various line ministries (including the Ministry of Finance) and departments at the centre in Dili, and in the districts. This should ease the situation and allow time for building the capacity of the civil service in the next twelve to eighteen months. The financial crunch on budget resources is expected to ease somewhat, once significant revenues from oil and gas begin to materialise.

Administration of Oil and Gas Revenues

3.25 The projected flow of significant oil and gas revenues currently expected to begin in 2004/05 or shortly thereafter, is a blessing to the people of East Timor. It will allow them to more fully address their development needs and priorities, further strengthen their human resources, consolidate the gains achieved so far, accelerate and sustain economic growth, reduce poverty and improve the welfare of all East Timorese. According to present indications, the flow of significant oil and gas revenues is expected to be of limited duration – between 20 to 30 years – depending on the types of petroleum products extracted, world prices and new discoveries. Prudent management, saving, investment and utilization of the windfall in oil and gas revenues provides a valuable opportunity for East Timor to build its human, physical and economic capacities, and graduate to a middle-income country. The thrust will be to utilise the resources for the benefit of present and future generations of East Timorese, and curb the temptation to squander the windfall in ostentatious consumption. The Government is already benefiting from the advice and assistance of Norway on the latter's experience in managing petroleum revenues in a sustainable way.

GOVERNANCE AND MACROECONOMIC MANAGEMENT

Governance

3.26 East Timor is fortunate in having a vibrant civil society and an enthusiastic people that are eager to move on with nation building. However, development in East Timor is constrained by a lack of appropriate legislation, regulations, institutions and other elements of a national governance structure. As indicated in the foregoing, the Development Strategy includes a focus on developing, as soon as possible, priority legal, institutional and governance structures that support poverty reduction, gender mainstreaming, human resources development, private sector development and overall economic growth.

3.27 The strategy considers and incorporates the social and cultural values and norms underpinning society. These include areas such as religion and the role of the Church, the cultural and social context in which productive, social and community activities occur, and the impact of development on the natural environment. Emphasis will be accorded to strengthening and maintaining an environment of peace and security. The development strategy will build upon the extensive participation of the people in formulating their national vision and development priorities. It will promote continued participation of the people in translating the Plan into action (implementation), monitoring and evaluation while seeking accountability from public institutions and functionaries, the private sector, civil society organisations and the media.⁹

⁹ The baton of government will pass from UNTAET to the Government on 20 May 2002. Use of the future tense in this and other paragraphs should be seen in this light.

Macroeconomic Management

3.28 Appropriate macroeconomic policies will underpin the development strategy. These policies will be designed and managed to be pro-poor. Examples of pro-poor policies include:¹⁰

- a) equitable tax and revenue policies,
- b) priority to public spending on services that are most used by the poor (e.g. primary education, basic health care, rural water supply, and urban slum upgrading),
- c) reducing rural urban gaps in access to, and affordability of, basic social services (e.g. education and health care) and essential economic services (e.g. extension, technology, training, credit and markets),
- d) curbing price rises (low inflation),
- e) ensuring banking, credit and microfinance services are available to all, including the poor and women, and
- f) implementing trade and investment policies that promote growth of production and employment to benefit the poor.

3.29 All the macroeconomic policies (including fiscal policy, monetary policy, exchange rate policy, trade policy, investment policy and wages policy) will be framed as a consistent package that will promote growth and poverty reduction. The package will be designed to establish and strengthen the international competitiveness of East Timor. The economy will be open to trade and investment, with adequate safeguards to nurture and develop domestic industries that are competitive. The macroeconomic and sector policies will aim to promote the development of a strong and dynamic private sector, leading the growth process. Foreign investment will be encouraged, especially in sectors that contribute to strengthening East Timor's economic infrastructure and human skills and facilitate the transfer of technology.

3.30 In the initial stages, growth is likely to be led by labour-intensive activities and businesses employing unskilled and semi-skilled labour, particularly in the transformation of agriculture. Macroeconomic policies will be conducive to moving to more mature stages of growth, including high technology and high skills businesses, as investment demand and relevant skills emerge. The policies will be conducive to maintaining the competitiveness of East Timor with its neighbours and in international markets. Higher domestic saving and investment will be encouraged. The banking and financial sectors will be developed to provide adequate services to all the people, and especially to rural residents, following prudent principles and practices.

¹⁰The details on the macroeconomic policies are presented in the chapter on the Macroeconomic Framework.

4. POVERTY REDUCTION STRATEGY

“.....poverty reduction in East Timor should be seen primarily as a means to accelerate and sustain economic growth.”

INTRODUCTION

4.1 Poverty is multidimensional and manifests itself in different forms. It is more than a problem of inadequate income. It includes a lack of access to basic social and essential economic services and life choices, including opportunities to participate in economic, social and political processes. The many characteristics of poverty include malnutrition and illness, shortened lives, illiteracy, social exclusion and the lack of appropriate means to improve one's situation. These dimensions may be experienced in different combinations. For example, men and women view and experience poverty differently. Often, women have less access to, and control over, assets such as land and economic (e.g. credit and extension) and social services (e.g. education and healthcare), and limited participation in decision-making in and outside the household.¹¹ Thus, gender inequality is considered to be one of the most important causes of poverty among women.

4.2 On a more general level, inequality can manifest itself in the ownership of land, in the distribution of wealth and income, in access to economic and social goods and services as well as to remunerative jobs, in participation in social and political processes, and in other life choices. Virtually all such inequalities are present in different combinations across regions and over time. They contribute to poverty and to the unequal distribution of income and the benefits of development.

4.3 Consequently, poverty can be defined in both money (expenditure or income) and human terms. However, many of the quantitative measures in use are based on poverty lines defined in expenditure (income) terms, supplemented by other indicators on aspects such as access to and use of education (including literacy), health, water, sanitation and housing. Gender dimensions are also incorporated in poverty measurement. National poverty lines are constructed based on data generated from household expenditure surveys covering a sample of the households in the country. The head-count ratio of poverty measuring the proportion of people below the poverty line in the total population is the most commonly used index. A poverty gap measure (the ratio or percentage of the amount required to bring the expenditures of the poor to the poverty line, relative to the total expenditures of the poor at the poverty line) is used to measure the intensity of poverty.¹²

¹¹ The ranking of development priorities may differ between men and women. For example, while the results of the Countrywide Consultation show almost complete agreement between men and women on the top three development priorities (education, health and agriculture), significant differences emerge on ranking the other priorities. Also, the differences in ranking between men and women vary by district. For example, in Aileu which is one of the poorest districts, women ranked “helping vulnerable groups” while men indicated “roads and bridges” as the fourth priority.

¹² For example, the poverty line in East Timor is US\$0.55 per person per day and about 341,000 East Timorese are below the poverty line. Preliminary results from TLSS indicate the average expenditure of the poor to be \$0.48 per person per day. Based on the above, the poverty gap is estimated to be about 13% $[(0.55 - 0.48) \times 341,000 \div (0.55 \times 341,000)]$.

4.4 Understanding the causes and consequences of poverty are important to design appropriate means to address it. The poor are not a single homogenous group. People view and experience poverty in different ways. The perceptions of the poor, their neighbours, community leaders and local officials on poverty, the constraints faced by the poor, and the potential that exists are valuable in understanding the situation on the ground. Often, these perspectives are captured through consultations, participatory appraisals, surveys and/or focus group discussions with these groups, through participatory poverty (potential) assessments (PPAs).

POVERTY IN EAST TIMOR

4.5 The people of East Timor have survived harsh and difficult conditions and successfully overcome both colonial and occupation regimes. Their rich experience in the political liberation of their country has been widely recognised. However, the stark reality is that the country is one of the poorest in the region, with not only low income, but also poor performance on social indicators such as, education, literacy and health. Thus, there is an urgent need for economic, social and cultural liberation to empower the people to exercise and enjoy fully their newfound political freedoms and rights.

4.6 Recognising the imperative of poverty reduction, the East Timor Transitional Administration (ETTA) in partnership with four donors¹³ undertook a poverty assessment during 2001-02. The assessment comprised a survey of all the sucos (villages) in the country, a living standards measurement (or household expenditure) survey, and a PPA. Based on the preliminary results from the household expenditure survey undertaken in September 2001, a national poverty line at the equivalent of \$0.55 per person per day was formulated. Around two-thirds of this was allocated to food, sufficient to provide 2,100 kilocalories per day, and the rest to non-food items including education, health, clothing and housing. Using this benchmark, it was estimated that about 41% of the population fell below the poverty line, with the incidence higher in the rural areas (46%) than in the urban centres (26%). The lowest poverty rate is in the urban centres of Dili and Baucau (14%).

4.7 The vast majority of the poor (85%) live in the rural areas. Of these, the poorest groups are in households that have small landholdings or are headed by fishermen. Additionally, households with many children, or those with a large number of elderly or other dependent relatives are most likely to be poor. Poverty incidence is higher among households headed by those with no schooling, and it declines with a rise in the educational achievement (level) of the household head.

4.8 Poverty in East Timor is also related to inequality in income distribution. The generally used measure of inequality is the Gini-coefficient, which varies between 0 (absolute equality) and 1 (one person receives all the income). In 1995, the Gini-coefficient in East Timor was at 0.363, which was higher than in some of the other poor provinces of Indonesia (see Table 1). This can be explained in part by the low productivity of agriculture, which reduced rural incomes. Although three quarters (73%) of workers were employed in agriculture, they generated less than one-third (around 30%) of the gross domestic product (GDP). Agricultural output per worker in East Timor during the mid-1990s was less than half that in most other provinces during the Indonesian administration.

¹³ These are the Asian Development Bank, the World Bank, the United Nations Development Programme and the Japan International Cooperation Agency.

4.9 The majority of the urban workers were either employed by the government or other service providers and probably had earnings similar to those elsewhere in urban Indonesia. Thus, in the mid-1990s the per capita income in Dili was 73% higher than that for East Timor as a whole while that for the poorest district, Lautem, was 42% lower than the national average. In other words, the per capita income in Dili was about three times that in Lautem. The departure of Indonesian officials in 1999 was followed by an influx of foreign experts under UNTAET and other donor and NGO programs. As a result, the Gini-coefficient increased marginally to 0.37 in 2001.¹⁴ This effect may be moderated somewhat after the scaling down of UNTAET operations after independence on 20 May 2002.

Table 4.1. Inequality and Agricultural Productivity, 1995¹⁵

	Gini-coefficient	Agricultural output per worker (Rp. Millions)
East Timor	0.363	0.847
W. Nusa Tenggara	0.286	1.706
E. Nusa Tenggara	0.296	0.961
Maluku	0.269	2.026
Irian Jaya	0.386	2.007

4.10 An additional frequently used measure of inequality is the ratio of the proportion of income captured by the richest 20% of the population to that accruing to the poorest 20%. In 1998, this ratio for East Timor was estimated to be about 3 by the Boston Institute for Developing Economies (USA). The inequality in income distribution in East Timor is considered to be low to moderate as compared with that in other countries at a similar stage of development.

CAUSES OF POVERTY

4.11 The more apparent causes of poverty in East Timor include the following:

- a) rapid population growth (estimated to be around 2.5% per annum),
- b) lack of ownership and/or access to adequate productive assets, including land (for example, 24% of the families owned less than 0.5 ha of agricultural land and 60% between 0.5 and 2.0 ha),
- c) lack of productive skills (including literacy),
- d) lack of remunerative employment or jobs (the open unemployment is more than 16% and especially high among the youth, and there may be significant underemployment in the agriculture sector),

¹⁴ Preliminary estimate from the 2001 TLSS.

¹⁵ Reproduced from Booth, A. (2001), "Poverty, Equity and Living Standards in East Timor: Challenges for the New Nation," in Hill, H. and J. Saldanha, East Timor: Development Challenges for the World's Newest Nation, Institute of Southeast Asian Studies, Singapore, p. 244.

- e) lack of or inadequate access to social and economic services (e.g. access to schooling is low especially in the poorer districts, and the rural residents have to walk on average 70 minutes to reach the nearest health facility; and access to extension services low and markets difficult),
- f) lack of information about the rights and obligations of citizens (this has been improving in the last two years),
- g) political, social and economic turmoil, resulting particularly from the violence of 1999,
- h) discrimination, particularly against women, in the economic, social, political and legal arenas,
- i) natural shocks including drought, flood and fire,
- j) unexpected death and illness, including Malaria, TB, and STD and HIV/AIDS,
- k) manmade shocks such as revenge killings and violence, displacement and fear/insecurity,
- l) social breakdown, including breakdown of marriage, family and social support systems, and
- m) increase in the prices of basic necessities (e.g. food, clothing and fuel) and services particularly during 1999-2000, partly resulting from introduction of the US dollar.

4.12 Some of these causes may be accentuated by poverty thereby creating a vicious circle.

CONSEQUENCES OF POVERTY

4.13 The effects of poverty on the poor are degrading and devastating, especially for women and children. The consequences of poverty are also detrimental to society. These include the following:

- a) the meagre resources of the poor are not adequate to subsist, let alone to save and invest,
- b) the poor are forced to over-exploit renewable and non-renewable resources (e.g. forests including mangroves) for sheer survival, thereby contributing to environmental degradation,
- c) the sub-optimal development of the productive potential of the poor, women and other vulnerable groups, results in a reduction or loss of their full contribution to economic growth and social development, and
- d) the poor may impose negative externalities such as crime, spread of diseases, social unrest, and political instability.¹⁶

¹⁶ Environmental degradation is another negative externality mentioned already.

4.14 Poverty reduction should be addressed through policies and programs that help redistribute the growing assets and opportunities, income, services and choices to the poor. Disaffection of the poor and the disadvantaged may lead to social unrest and political instability, in addition to economic disruption. Therefore, poverty reduction is not only sound economics but also good politics. East Timor can ill afford to ignore the potential and aspirations of its poor and women.

POVERTY REDUCTION STRATEGY

4.15 Economic growth and poverty reduction are the overall goals of the development of East Timor. The people – including farmers, fishermen, traders, labourers, workers, and micro, small and large investors – are the main actors that generate economic growth through their innovation, skills and work. The Government is primarily a facilitator in this process. The assets and efforts of the poor are necessary for the country to accelerate its economic growth, and to sustain development. This is all the more significant, since the poor constitute more than two-fifths of the population. The East and Southeast Asian countries mobilised the efforts of all their peoples – rich and poor, men and women, skilled and unskilled – in order to generate and sustain rapid economic growth and achieve the status of newly industrialised countries (NICs). They treated their people as their most valuable resource. This is an important lesson from which East Timor could benefit. Indeed, during the PPA in November – December 2001 and the Countrywide Consultation undertaken by the CCCS in January – February 2002, the people of East Timor wanted to convey the important message to the Government that they should be seen as an asset rather than a liability.

4.16 A large majority of the poor people in East Timor is capable of contributing to the country's economic growth and development.¹⁷ The challenge is to provide the enabling environment for them to participate in, and partake of the benefits of development, while assisting the few that cannot help themselves. Thus, poverty reduction in East Timor should be seen primarily as a means to accelerate and sustain economic growth. The Poverty Reduction Strategy of the country is formulated on the basis of this approach. It is understood that rapid economic growth is a prerequisite for sustained poverty reduction in East Timor. The main elements of the Poverty Reduction Strategy comprise the following:

- a) Create an enabling environment to generate opportunities for the economic participation of the poor, improving their productivity and enhancing their incomes;
- b) Provide and/or encourage and help others to provide basic social services to the poor on affordable terms;
- c) Provide or help to provide security of person and property, and protection from unforeseen shocks and disasters (vulnerability), including food security at both the household and national levels; and
- d) Empower the poor and other vulnerable groups through popular participation in deciding upon and managing development in their aldeias, sucos, postos, districts and the country.

¹⁷ Only a small minority (including orphans, the disabled, widows, and other vulnerable groups) require either temporarily or on a continuing basis direct transfers of income or other help to lead a reasonable life by the standards of the East Timorese society.

4.17 Elaboration of these four elements of the strategy and their links with activities undertaken in the various planning sectors are illustrated in the following sections:

Opportunities for Economic Participation

4.18 The experiences of the Asian NICs show that the initial thrust for rapid economic growth emanated from the agricultural sector, especially from productivity improvements in small-scale agriculture. About three-quarters of the labour force in East Timor is dependent on small-scale agriculture, and improving their productivity is critical for accelerating the country's economic growth. Almost half of this labour force is poor, and a majority of the poor are women.

4.19 The poor in East Timor are engaged primarily in agriculture – in cultivating crops, animal husbandry, fisheries and forestry. Improving productivity in the sector is recognized as a high priority. Traditionally, East Timorese farming families have attempted to minimize risks from crop failure due to adverse weather or other unforeseen events through the practice of intercropping and low seeding rates.¹⁸ Other approaches to risk minimisation such as the use of drought resistant varieties, improved water use including irrigation management, and high yielding crop varieties are feasible. Proposed initiatives for this within the Plan include rehabilitation and construction of irrigation systems and their improved operation, introduction of water harvesting techniques, wider distribution of improved seeds of crops, fruits and vegetables, protection of livestock, improved fishing and sustainable management of forest and other natural resources, through community participation. Improvements in marketing and infrastructure are also planned. Provision of support services is expected to materialize through public and private initiatives in agriculture, and in other sectors.

4.20 The informal sector has been an important contributor to growth in the Asian NICs. Alongside agriculture, a large proportion of the employed in East Timor are dependent on the informal sector, in both the urban and rural areas,¹⁹ and a majority of them may be poor. Consequently, increasing opportunities and improving productivity in this sector are crucial for enhancing the country's economic performance and reducing poverty. Initiatives proposed in the Plan include training, introduction of appropriate technologies, and other support services including the supply of micro credit.

4.21 A third important area is the formal private sector, in manufacturing, construction and real estate, trade, transport, tourism, and financial and other services. Priority policies and legislation are being drafted to improve the policy environment, and to encourage both domestic and foreign private investment in the country.

4.22 A fourth area is the provision of infrastructure – including roads and bridges, ports and airport(s), electricity, telecommunications and postal services. These are critical for the movement of people and goods, an orderly and efficient functioning of markets, and for a sustainable development of the country. A number of interventions are proposed to improve the country's infrastructure, drawing primarily upon aid resources.

¹⁸ For example, many small farmers grow three or more crops (e.g. sweet potato, maize and beans) on the same plot of land simultaneously.

¹⁹ For example, a 1993 survey by BPS, the Indonesian statistical agency, showed that about a third of the farm household income came from off-farm sources including wage income and self-employment in manufacturing, trade, transport, other transfers (e.g. pensions), etc. (Cited in Booth, A. (2001), *Poverty, Equity and Living Standards in East Timor: Challenges for the New Nation*, in Hill, H. and J. Saldanha, East Timor: Development Challenges for the World's Newest Nation, Institute of Southeast Asian Studies, Singapore, p. 249.)

4.23 The final area relates to macroeconomic policies and the management of public finances, including public expenditure allocation. In this area, pro-poor macroeconomic and public expenditure policies will be implemented.²⁰

Basic Social Services

4.24 Enhanced access to and use of basic social services is an urgent need in East Timor. Almost half the adult population is illiterate, with women considerably disadvantaged relative to men. Whilst access to schooling improved considerably during the Indonesian period, when compared with the latter years of Portuguese rule, the quality of teaching and learning was low. Currently, about a third of children are not enrolled in primary school, and up to 20% of those reported as enrolled do not attend classes. Access to and use of public health services is minimal, due to the inadequate number of trained personnel, facilities, medicines and supplies (supply constraints), coupled with poor access and cost (demand constraints). For example, in the rural areas, reaching the nearest health facility requires - on average - a 70 minute walk. After reaching the facility, there is no guarantee that a doctor and/or nurse will be available. Additionally, each visit costs about two dollars (US\$2). Access to safe water and sanitation is also low, and the quality of much of the housing stock is inadequate.²¹

4.25 The provision and effective use of basic social services is an important means to break the poverty cycle. Education and literacy are prerequisites for introduction and adoption of modern productivity enhancing technologies. The Plan incorporates programs to improve school participation rates, especially for children from poor families, and to improve the quality of teaching and learning. Adult literacy programs are also proposed. Evidence from other countries shows that education of girls and women have multiple benefits, affecting their welfare, and that of their children, families and future generations. The delivery of basic health care is to be improved by addressing both the supply and demand constraints. These are key ingredients for improving not only the productivity of the population but also the welfare of the society.

4.26 Ensuring access to, and affordability of basic social services is an important task for the Government. This does not mean that the Government should deliver all the services. As in many countries in the region, NGOs and religious organizations in East Timor have been involved in the delivery of some of the basic social services. The Church is prominent in education, some NGOs have been involved in healthcare delivery (until mid-2001), and others are involved in supporting community water supply and sanitation. The private sector has also been active in the delivery of services to those who can pay in other countries. For example, almost half the health services in the Philippines are delivered by private clinics and hospitals.

4.27 Under present circumstances in East Timor, the delivery of quality primary, junior secondary and senior secondary schooling, and primary health care (including preventive care such as immunization and health, hygiene education and curative care) are given priority within the Plan. With regard to water supply and sanitation, the overall approach is to address the provision of the services in urban areas on a cost recovery basis, whilst community ownership and operation is the norm in rural areas. The challenge is to build partnerships and strengthen complementarities between public and private entities – in this case mainly with the Church and

20 The UN World Summit for Social Development (Copenhagen, March 1995) recommended the adoption of the 20/20 Compact for mobilisation of resources for financing basic social services. The basic social services include primary education and adult literacy, basic healthcare, safe water and sanitation. These services are considered essential for combating the worst manifestations of poverty and deprivation and improve human development. The Compact calls for devoting at least 20% of public expenditures (government budget) and 20% of ODA to providing basic social services.

21 The phenomenal destruction of property in the 1999 violence greatly reduced the modest stock of relatively better quality housing.

the NGOs – to deliver services to the population at large, and to the poor in particular, with gender equity.

Security

4.28 The third element of the Poverty Reduction Strategy, is concerned with ensuring the security of person and property (against violence, destruction and theft), food security, livelihood or job security, and protection against unforeseen calamities - including natural disasters such as floods and droughts, as well as economic shocks and political and social disturbances. Security of person and property has been a major concern for many East Timorese families during much of the 25 year occupation, and particularly in September 1999. The security situation has improved considerably since September 1999. Proposals are included in the Plan to consolidate, improve and sustain the current relatively stable and peaceful situation in the country, with the participation of its constituent communities. Interventions include precautionary measures (monitoring/intelligence), police and law enforcement activities, and efforts to promote reconciliation and reintegration of refugees and other groups at risk.

4.29 Food security is an important concern for the population in general, and for the poor in particular. The findings from the 2001 SSTL and the TLSS show severe stress in food availability during December and January – the lean months preceding the harvesting of maize and rice, the major food crops – with significant stress during November and February. Coping strategies mentioned by the people include reducing consumption (eating two meals a day instead of three), substituting maize for rice and cassava and sweet potato for food grains, selling livestock, and borrowing from relatives and friends. There have been some improvements in national food security in the last two years resulting from better harvests of rice and maize. However, food security is still a major concern at the household level.

4.30 Interventions outlined in the Plan for the agriculture sector will enable a consolidation and further improvement in overall food availability in the country. They will also contribute to improving food security at the household level. Further targeted interventions may be necessary to strengthen food security at the community and household levels, including strengthening traditional community structures such as caring and sharing arrangements. However, it is important to recognise that food scarcities may adversely affect all households in a poor community, and there may not be enough to share and alleviate the hunger. Often children and women are at greater risk. This takes on increased significance when viewed in the context of almost half the children in the country being underweight, and a quarter malnourished. Examples of interventions included in the Plan at the program level include school feeding and the distribution of milk and food supplements to pregnant and lactating women. Continuation of the current practice of augmenting food availability through imports in the short and medium-term, and timely distribution to vulnerable groups is also envisaged.

4.31 Insecurity of livelihood or employment is pervasive in the traditional, informal and formal sectors.²² This can arise from lack of recognition of ownership and tenancy of agricultural land, from traditional access to such resources as forests, or other public lands for collection of food, fodder and other products, and from delineation and lease or sale of common property resources (e.g. fishing grounds and pastures). In most cases, it is the poor and vulnerable that are at risk. The proposed legal frameworks and policies on agricultural land, fisheries and forestry should minimize such risks. Additionally, employment arrangements in the informal and formal

²² Also, open unemployment is in excess of 16% of the labour force with a much higher rate among youth and veterans who participated in the struggle for independence. A significant proportion of the labour in rural areas may be underemployed.

sectors for unskilled (and often poor) labourers may be insecure, due to economic or market developments (e.g. cheap imports) or other events, with unscrupulous employers exploiting workers for long hours of menial work with low wages. Some protection of the workforce in terms of fair wages and working conditions is envisaged, without these creating disincentives for employment.

4.32 Security from natural and man-made disasters is a further dimension that needs to be addressed. There is a wealth of experience on these aspects in other countries in the region, and in other regions of the world. It includes disaster forecasting, preparedness, prevention and mitigation. Employment in public works, including community maintenance of roads, is already being implemented in East Timor. Other initiatives in this direction are proposed in the Plan. They stress the importance of community involvement and the strengthening of community resilience, in addition to material help from the Government, donors and NGOs. These interventions and arrangements may be refined, based on experience during the first two to three years of plan implementation.

4.33 Security from economic shocks is an area that also needs attention. One of the more significant, imminent economic shocks is the scaling down of UNTAET operations, and the departure of a large number of foreign staff. This will be felt not only in the urban areas of Dili and other district towns, but also in the hinterlands that provided goods and services to foreigners. Some short-term and medium-term training and employment measures are contemplated to cushion the adverse impacts of the UNTAET contraction.

Empowerment

4.34 The fourth dimension, empowerment, embraces the provision of “voice”, and the participation of the poor in making decisions about their future and the future of their communities, on economic, social, cultural and political issues.

4.35 As the experiences in the formulation of the Plan demonstrate, popular participation is a widely accepted norm in present day East Timor. Many initiatives proposed in the Plan intend to consolidate and build upon this enthusiasm. Examples include community decision-making and management of water supply, infrastructure and natural resources. Successful examples of community management of schools and health facilities in other countries should be drawn upon in piloting and testing similar approaches in East Timor.

4.36 Decentralisation is an important means to ensure the sustained participation of the people in general, and the poor and women in particular, in local affairs. The degree of decentralisation can be at three levels: deconcentration, delegation and devolution.²³ For example, prior to 1999, “deconcentration” was the rule, with the central government delegating responsibility for implementation of policies and programs decided by Jakarta to administrators at the local level. It was a top-down system with little room for decision making at the local level or the flow of information from the bottom up, let alone people’s participation. Delegation involves the transfer of some decisions and functions to local organisations including those at the village level. For example, the ongoing Community Empowerment Project (CEP) delegates responsibility for a number of decisions and functions to elected Village Development Councils. The Plan aims to build upon the experiences and lessons learned in the CEP, and to expand and replicate the more successful approaches in other areas. Devolution is the next level of decentralisation, and involves the transfer of significant authority for decision-making, finance

23 UNDP, *East Timor Human Development Report 2002*, second draft, Dili, April 2002.

and management to elected local governments, often with the power to impose taxes and raise revenues. Significant capacity building at the local level is a prerequisite for the introduction of devolution. This is a gradual process, which the Government intends to pursue.

4.37 Informed participation of the people requires civic education and improvements in education and communication. The recent highly successful experience of voter education resulting in high levels of participation in the Presidential election - with a turnout of more than 86% of eligible voters - is an excellent example of civic education, which can be replicated in other areas. Civil society organisations, including the Church, have been important facilitators in the voter education process. School curriculum development is expected to incorporate civic education. Also, separate programs on civic education are to be promoted through the mass media, in partnership with civil society organisations.

4.38 The challenge of formulating and implementing an information, education and communication (IEC) strategy focusing on all the people is recognised. This is critical for informing and educating the people on the roles, functions and activities of the different organs of the Government, donors, NGOs and other civil society organisations. At the same time, viable channels need to be evolved to facilitate the flow of information from the people on the ground to policy makers, other Government functionaries and other stakeholders. This is especially important for the poor, women and other vulnerable groups. In this regard, the institutionalisation of the recent successful political and popular participation and consultation approaches may be appropriate. The Plan incorporates initiatives that go some distance in this direction (e.g. information and education on the role and activities of the Parliament, organisation of communities and provision of audio visual equipment). It is necessary to examine the initial experiences in the different sectors in formulating the IEC strategy and in designing appropriate coordination mechanisms.

CONCLUSIONS

4.39 The implication of the preceding analysis is that improving the productivity of the poor is essential for East Timor's economic growth. It should be an integral part of the interventions in all the sectors of the economy to achieve and sustain rapid economic growth and improvements in the welfare of all Timorese. Creating an enabling environment for catalysing and sustaining the contribution of the poor to national development is an important task for the Government. It will entail both providing, and helping others provide basic social and essential economic services to the poor, nurturing and promoting the entrepreneurial initiatives of the poor, and prohibiting discrimination based on gender, ethnic origin, language, or geographic location.

4.40 Enforcing the rule of law, creating a secure environment, and a sound management of fiscal and monetary affairs are important ingredients for economic growth and overall development. Discretionary decision-making must give way to rule-based procedures, with reduced opportunities for corruption and favouritism. The role of Government should be limited to providing those essential services that the private sector and civil society organizations are not in a position to deliver. These are important ingredients for poverty eradication, gender equity and economic advancement of the country.

4.41 In particular, there is a need to link closely governance and poverty reduction, to enable the people to seek solutions to their development problems, and to exploit all available opportunities. East Timor must create a conducive political, social, economic and legal environment for the poor to mobilise their resources, to realise their potential, and to build sustainable livelihoods.

5. CAPACITY BUILDING FOR PLAN IMPLEMENTATION

“East Timorese in the government, private sector and civil society will need to acquire new knowledge and develop new skills to administer a modern nation state, and to build a more diverse, developed economy.”

INTRODUCTION

5.1 Promoting economic growth to reduce poverty will require the Government to facilitate the delivery of basic social and economic services. This delivery will itself require enabling laws and regulations, and the empowerment of the population through community management and participation.

5.2 To build capacity to meet East Timor’s significant needs in infrastructure, technology, training, capital and access to markets during the next five years is clearly impossible. Consequently, prioritizing needs for capacity building is essential for planning and plan implementation, as is the sequencing of the introduction of activities designed to provide these needs. East Timorese in the government, private sector and civil society, will need to acquire new knowledge and develop new skills to administer a modern nation state, and to build a more diverse, developed economy.

5.3 In this process, criteria for prioritization should centre on the importance of capacity building for essential, sustainable, and affordable service delivery. It is vital that the most crucial areas for capacity building be agreed at the earliest stage of plan implementation. The Plan presents the main areas for capacity building and training, in several of its programs, in different sectors. These programs address both short-term implementation needs, and capacity requirements for the medium term at the central, district and local levels. They recognize a crucial point: that capacity building will have to be based extensively on government partnerships with civil society organizations, the church, NGOs and the private sector. Additionally, capacity building must take into account the roles performed by existing traditional institutions, informal networks, and mutual-help groups, particularly at the village level. These were critical in maintaining communities during the struggle for freedom, and will continue to play an important part in capacity building at the local level.

5.4 On the basis of these requirements, several areas are prioritized in the Plan. These can be summarized, as follows:

GOVERNMENT AND GOVERNANCE

5.5 Capacity building at the government level is crucial for East Timor. During the Indonesian period, limited indigenous expertise was developed in senior and middle management, supervisory level skills, and in office management and administration. Additionally, many of the East Timorese trained in these areas left the country during 1999, and have not returned. Consequently, as outlined in *The State of the Nation* Report, the vast majority of current civil

servants are neither adequately experienced, nor trained for the roles they will have to undertake. Yet East Timor will have to depend heavily on its civil service to manage the transition to an independent, democratic, and economically viable society. To address this problem, the former Cabinet endorsed a comprehensive ten-year program for Governance and Public Sector Management developed by the National Planning and Development Agency in 2001, with support from the UNDP. This program was well received by donor countries. The Plan builds on, and develops this program, by stressing the need to develop organizational and managerial values within a framework that respects East Timorese cultural values, whilst concomitantly pursuing open, cost effective and accountable systems of government.

5.6 The Plan sets out strategies for developing and strengthening institutions for the post-transition period. It outlines how capacity can be built to enable the Government to assist in the development of a market-based economy. For each sector, the Plan also provides strategies for strengthening capacities in policy development, co-ordination, and the core skills required for management. It shows how the East Timorese Government can provide an enabling economic environment, deliver appropriate services, and establish relevant legal frameworks during the post-independence period. It stresses the need for transparency, and outlines how capacity can be built within the civil service for drafting legislation, developing policy and upgrading skills. In this, it cites as most crucial: the development of operational planning and budgeting; the development of organizational and supervisory skills at middle and supervisory levels; training in records management and document control, information technology, Portuguese language and translation; training programs for district and village staff; gender awareness and equity training, and human rights training. In meeting these aims, additional, basic skills need to be developed at a number of levels within public service. For example, at the senior and middle management level, there is a need to develop the ability to put together operational plans and budgets, to develop capacity in advising ministers on legislation and regulations, to create operational programs from policies, and to link government with the private sector, NGOs, and civil society organizations. Similarly, at the office management and administrative levels, skills need to be developed in areas such as records management, drafting documents, and communication. Only through developing skills such as those outlined above, will East Timorese be able to genuinely own their administration, and begin to build capacity themselves.

5.7 The Capacity Development for Governance and Public Sector Management Programme, outlined above, suggested 75 areas of development, implementation of which was regarded as important for institutional and human resource development in East Timor. Some of the more crucial of these have already been specified, notably for improving capacity for service delivery in the Civil Service Academy, improving human resource skills and capacity for the development of policies, legal and regulatory frameworks for civil service personnel management, and for servicing the government with cost-effective, efficient human resources systems. Donor support for these, and for other areas such as records management, policy, guideline and procedure development, legislative review, planning and budgeting, the operation, maintenance and management of Information Technology will be important in strengthening governance and public sector management capacities. The aim of such support, and one of the essential goals for building capacity for plan implementation is to develop a professional, efficient and effective civil service, capable of monitoring and guiding long-term development. This is linked directly to poverty reduction, to optimising the delivery of services to the public, and to enabling the development of a vibrant private sector.

DECENTRALISATION

5.8 The need for political decentralisation is stressed in East Timor's Constitution. Decentralisation aims to provide more efficient delivery of services and decision making, with priority given to communities who understand their local needs and circumstances. The Plan proposes that capacity be built for this, through the provision of training for the administration of five regional offices for several ministries, backed up by regional coordinating bodies with representatives from government, community groups, NGOs and civil society organizations. To further these proposals, training is required to improve the management skills of district and deputy district administrators, local development officers, and sub-district coordinators. Such training could be developed and provided through the Office of District Affairs. Sector managers working at the district level also require relevant training, to implement, monitor and evaluate plan activities in their respective areas. Additionally, at the suco level, there is a need to develop programs to increase village capacity for plan implementation, and to provide support for developing capacity in local training institutions to provide sustainable assistance to local administrators. NGOs, church organizations and civil society groups can assist in this process, as well as developing civic education programs to facilitate local communities to monitor plan outcomes, in relation to their original "vision" statements in the Countrywide Consultation.

EMPLOYMENT

5.9 Entrepreneurial, technical, and vocational skills are lacking in every sector of the East Timorese economy. The Plan stresses that one of the most important challenges for East Timor, both currently and in the foreseeable future, is to create an adequate number of both formal and informal employment opportunities to meet the needs of the country's youth. Some 15-20,000 young East Timorese enter the working age population each year, far more than the anticipated number of jobs in the public sector. To meet their needs, the Plan argues for an extension of the current on-the-job training undertaken in informal economy workshops throughout the country, the design and implementation of basic training programs by employers in the formal sector, and a further development of existing donor and church programs in vocational training. To facilitate the development of technical and vocational training, the Plan proposes that the Government establish a unit responsible for Technical and Vocational Education and Training. The Labour Code passed by the Constituent assembly, due to be enacted on May 1st, 2002, requires that the Department of Labour and Solidarity establish a Division of Vocational Training and Employment, comprising three units – for skills development and upgrading, employment services, and labour market assessment. Additionally, community-based training centres are to be set up in the countryside, to train people in the skills needed in the local informal economy, and to provide advice on employment. These centres will also develop a basic skills-employment matching service.

EDUCATION AND LITERACY

5.10 Currently, standards of education in East Timor are among some of the lowest in the world. Illiteracy prevents approximately 50% of the population from participating fully, socially and politically. It also restricts the attainment of improved health standards. Most importantly, however, it limits national development, since literacy and numeracy are crucial for productive employment and economic growth. Consequently, the Plan focuses on capacity building for reconstructing and developing the education system – through prioritizing strategies for teacher training, increasing primary school enrolment, improving retention rates, modernizing the curriculum, and enhancing community involvement in the management of schools. One of the

most difficult tasks for schools in the years ahead will be to extend both the use of Portuguese language and the standardization of Tetun for use in schools –as required in the country’s Constitution. Again, the plan offers programs and projects through which this can be achieved – through language training for teachers and administrators, and the production of texts in the two languages. Most importantly, the Plan also details programs and projects to design a literacy manual, to extend existing donor literacy campaigns, and to develop new campaigns for implementation by the Ministry of Education.

HEALTH

5.11 Standards of health in East Timor are poor, and existing health provision is weak. Life expectancy ranges from 50-58, and is combined with high infant mortality rates of 78-149 per 1,000 live births, and under-5 years mortality rates of 124-201 per 1,000 live births. Women bear an unacceptable burden of maternal mortality and morbidity, with maternal mortality rates at 350-800 per 100,000 live births. Only 30% of births have any skilled birth attendance. Approximately 3-4% of children aged 6 months to 5 years are acutely malnourished, whilst 1 in 5 are chronically malnourished. About 45% of children under 5 are underweight. Almost all health facilities were destroyed in 1999, and there are acute shortages of doctors, nurses and midwives. To build capacity in this area will be extremely difficult, and the focus necessarily will be on the provision and delivery of services to meet basic needs. The Plan presents policies, and short and longer-term strategies for this. It prioritises ongoing, long-term programs in child, maternal and reproductive health. Crucially, it also focuses on current needs to build capacity for the provision of support services and management systems for the delivery of these programs.

INFRASTRUCTURE

5.12 As detailed in the *State of the Nation Report*, infrastructure is in a poor state, and capacity in this sector is extremely weak. This is an issue of overarching importance for all sectors of the economy and society, since infrastructure is a key determinant of agricultural productivity, poverty reduction, investment, human development and government capacity to deliver services. The Plan specifies detailed programs for building capacity in the key areas of water supply and sanitation, road reconstruction, and the restoration of basic transport and communication facilities. For the longer term, it specifies programs for the development of a sustainable power infrastructure, with an accompanying institutional framework. The substantial expenditures required for these programs highlight the crucial issue of financial constraints on infrastructure development. Here - perhaps more than in other sectors - there is a pressing need for prioritization and sequencing. Many of the programs suggested to the Planning Commission for funding may be necessary when viewed in the context of the developmental needs of the country over the next twenty years, but the key questions for the sector are, which programs are needed currently, which in five, and which in ten or twenty years from now. On this basis, a series of programs have been selected and designed in the Plan, focusing specifically on infrastructure needs in both the short and longer term.

THE JUDICIARY

5.13 A crucial area for East Timor’s development is an effective judicial system. Building capacity for this currently is a major problem. As outlined in the *State of the Nation Report*, one of the most pressing problems is a shortage of legal personnel. There are very few trained East Timorese judges, prosecutors and public defenders, and the courts have few resources. Developing the judiciary will require rapid capacity building in three areas: i) simplification of

legal procedures in both civil and criminal law to replace the current overlapping system with its heavy emphasis on procedure; ii) the creation of an independent, skilled judiciary, possibly through the formation of a judicial council to train and supervise judges; and iii) the development of a legal association to certify and train lawyers, establishing admissions criteria, and regulating legal conduct.

CONCLUSION

5.15 In most of the areas for capacity building outlined above, during the coming years, East Timor will need continuing international support. At least in the short term, to further capacity building and human resource development, there are positions which need to be filled by international advisers, working closely with local staff. Particularly crucial are positions with a high technical content, such as financial management, engineering, legal and judicial expertise. It is vital that this mentoring continue, particularly for the next five years, whilst East Timorese are in tertiary education, on leave of absence to learn requisite skills. For implementation of the Plan, it is crucial that the knowledge and skills appropriate for the attainment of economic growth, poverty reduction and human development be transferred and developed in an East Timorese context.

6. MONITORING, EVALUATION, AND REVIEW

“A comprehensive planning process with effective monitoring and evaluation will take into account what decision-makers need to know to make timely corrections..... the process must be participative, not one of unilateral decision-making by a small cadre of Ministers.”

“This is East Timor’s first Plan,....., it is important that it is reviewed at certain times to see if the overall strategic direction remains valid or if changes should be made.”

INTRODUCTION

6.1 Planning for the future is an ongoing concern, and the National Development Plan is only the beginning of a structured planning process. The heart of the Plan is the national vision that reflects the hopes and aspirations of East Timor’s people. It is a statement to indicate long-term commitment to human principles and constitutional concepts that provide leaders with a philosophical framework for development. However, the vision does not, in itself, provide insights about how to plan, to grow, to address poverty, or to adapt to an ever-changing world. East Timor faces all these challenges and many more, not least of all how to manage its financial resources during a very critical time of transition.

6.2 The Plan is, however, an initial framework that will grow, change, mature, and become systematically better with time and attention. This section of the Plan includes a description of a process that can ensure an effective monitoring and evaluation process, provide timely information to senior ministers who must decide the nation’s goals and strategies, and establish administrative control of planning activities. The process will reduce the risk of the nation becoming entrapped by unexpected circumstances or untimely events. It will allow the nation’s leaders to recognise unexpected opportunities or to act upon favourable circumstances. The ultimate aim is to nurture the nation’s vision, bringing the nation and its people consistently closer to their aspirations for health, peace, equality, and prosperity.

6.3 Preparation of the Plan also involved policy development and the formulation of programs and projects. Experience from elsewhere shows, however, that the focus of planning has been largely on formulation, design and appraisal of programs and projects, without placing equal importance on monitoring and evaluating development plans and the implementation of their policies, legislative initiatives, programs and projects. That experience shows also that the lack of emphasis on monitoring and evaluation has led to major delays in implementation, underperformance of programs and projects, and a failure to learn from the lessons of past activities.

6.4 Monitoring and evaluation are critical components of successful national development planning exercises. Ensuring that policy objectives are met – through program and project activities – requires adherence to a sound process of monitoring and evaluation. Additionally, such a process meets the requirements of



Government, donors and other stakeholders for transparency and accountability. The main outcomes of strengthened monitoring and evaluation capabilities are improvements in program and project implementation and management.

6.5 Consequently, an institutional planning process is essential, one that empowers the nation's leaders with responsibility for strategic planning. The process itself must ensure continuity of monitoring and evaluation that will result in a living development plan, one that grows with the nation itself. First, it will provide timely feedback on actual performance by every agency within the Government's authority. Second, it will provide realistic projections and analyses of what the nation faces in the coming year, the next few years, and perhaps the long term. And third, the planning process will permit adaptation of the existing plan, its goals, objectives, and strategies. The key agency responsible for the various planning activities, including monitoring and evaluation, is characterised generically here as a 'Planning Commission', although it might be a quite different body to the currently existing Planning Commission.

6.6 The Plan, as noted above, is simply the beginning of the planning process. Planning responsibilities will now fall to a senior person in each 'sector' (Ministry, agency, or office of Director-General). Actual planning will continue on the model developed through the first national planning process, but include specific one-year action plans devised at department and division levels to implement the comprehensive long-term plan. This might consist of working groups and key managers at division level, with at least quarterly planning duties, and comprehensive long-range planning on an annual basis (these points are addressed below). No new staffing would be required. Indeed, the planning function is an appropriate responsibility for managers in these positions, although the planning activities should be highly participative.

MONITORING PERFORMANCE AND OBJECTIVES

6.7 Monitoring and evaluation are complementary yet different activities. Monitoring is the tracking and information gathering process that provides the data, insights, or descriptions of results in a systematic manner throughout a plan's life. This is a communication and reporting procedure, which is proposed here on the basis of quarterly 'feedback' and annual 'consolidation.' In contrast, evaluation is the process of analysing the information obtained through monitoring to determine what progress is being made, what problems exist, what successes have been achieved, and how task-related activities compare against planned outcomes. In this section, 'monitoring' is addressed separately from 'evaluation,' which follows in the subsequent section.

6.8 Monitoring involves the continuous assessment of program and project activities in the context of implementation schedules, and the use of program/project inputs by targeted populations in the context of design expectations. It is an internal program/project activity, an essential part of good management practice, and an integral part of day-to-day management.

6.9 Monitoring, therefore, is an important management tool, one that provides the basis for corrective actions to improve plan, policy, program and project design and implementation, along with the quality of results. It is a continuous assessment of the progress of policies, legislative initiatives, programs and projects with the aim of ensuring they achieve their policy objectives. Monitoring assists organisations – the Government and its Ministries and other agencies in this instance – to assess:

- a) the relevance of policy, program and project goals and objectives, along with legislative initiatives and reforms, on a continuing basis;
- b) efficiency in the delivery of inputs;
- c) effectiveness in the production of planned outputs and in fulfilling immediate objectives of policies, programs and projects;
- d) timeliness of policy, program and project activities and the adherence to the implementation schedules that have been developed; and
- e) problems encountered in the development process and possible remedial actions.

6.10 Consequently, a consistent and reliable monitoring process that addresses task-level performance indicators is essential. This will be achieved on several levels, including national, sector (Ministry or agency level), program, project and activity level. Monitoring (and evaluation) therefore requires a regular routine of preparing progress reports. The following reports and activities will comprise the 'backbone' of monitoring and evaluation in East Timor:

- a) quarterly policy, program and project performance reports;
- b) six-monthly or semi-annual policy, program and project performance reports;
- c) program/project site visits;
- d) annual review reports for sector-level activities;
- e) progress performance reports of large donor-funded programs and projects, as well as policies and legislative initiatives; and
- f) progress performance reports on policies, legislative initiatives, programs and projects.

6.11 Pro-formas need to be developed for each report to simplify the process of monitoring (and evaluation) and to ensure consistency in report preparation.

Monitoring at the National Level

6.12 The present Plan combines the outcomes of two separate but closely related visioning exercises – the Countrywide Consultation and the Ministry-level work of the Working Groups. Follow-up planning exercises could usefully follow the same format, with some activities being conducted on a nationwide basis and others being performed at Ministry level.

6.13 Some activities at national level will have a monitoring function. The TLSS, for example, provided a very detailed snapshot of living and working conditions in all regions and for all social and economic segments of the population. The Countrywide Consultation provided qualitative insights on the concerns and aspirations of a broad cross-section of society. Follow-up exercises at regular intervals, perhaps every 3-5 years, would be useful in measuring the progress being made in different areas and across a broad spectrum of indicators.

6.14 There is also a need for regular and close monitoring of macroeconomic indicators as these provide guidance on the general health of and changes in the economy. Such monitoring must be supported by monitoring policy development and implementation of policies. A Macroeconomic Policy Unit is proposed for the Ministry of Finance (MoF) for this purpose,

while such a Unit would also take responsibility for coordination with other key financial institutions such as the central bank (currently the Banking and Payments Authority – BPA). Macroeconomic skills are, however, in short supply, and capacity building and support in this area will be needed in support of national development.

Sector-level Monitoring

6.15 Each Ministry or agency, through the Working Group process, established development goals and long-term policies within a framework of guiding principles that reflect priorities of the sector under the national vision. In many instances, they extended a sector-specific vision to reinforce their commitment to national development. Because development goals and policies are long term and therefore do not change significantly over time, the reporting Ministry or agency should make a thorough review of its achievements with recommendations for changes at least annually. Interim reviews on a quarterly basis would be ideal but require additional resources.

Program-level Monitoring

6.16 Not all agencies or divisions within departments have formal programs to monitor. The offices of the Directors-General, for example, have activity responsibilities and priorities that they would pursue as part of their administrative roles. The Plan lists many of these as ‘programs’ with descriptive titles. Monitoring at this level will entail descriptive progress reports without specific performance benchmarks. For activity-specific programs that exist in line divisions, there are performance indicators or descriptive benchmarks associated with each relevant objective. Program managers should, therefore, be accountable for reporting quarterly on performance results or describing progress with respect to each objective for which they are responsible.

Project-level Monitoring

6.17 A ‘project’ is distinct from a ‘program’, comprising a well-defined set of tasks to be accomplished within a specific time frame and with a specific budget. In contrast, programs are commonly considered ongoing activities with a sense of permanence, such as a ‘trade promotion program.’ A project under trade promotion may be to establish trade legations with primary trading partners within one year. Therefore, all projects should have clearly defined and measurable performance objectives. There should be no ambiguity about whether a project is making progress, falling short, or has succeeded.

6.18 There are three categories of projects for East Timor. The first concerns projects that are budgeted and implemented entirely within the capabilities of the Government. The second comprises projects funded and implemented through the donor community. The third includes ‘all others,’ which may be the result of one-off bilateral agreements with a specific country, a contract with an international company for a turnkey project, or projects with allocations under trust funds or joint-development programs. In each instance, however, the projects will have well-articulated objectives and performance indicators that should be tracked quarterly and reported. Donors and bilateral participants not subject to direct reporting to government should make their progress reports available to the Planning Commission to ensure transparency and effective planning.

EVALUATION OF PERFORMANCE RESULTS

6.19 Evaluation may be defined as an assessment, which is as systematic and objective as possible, of an ongoing or completed program, project or policy, its design, implementation and results. Normally, evaluation occurs at the completion of a program or project, or at the completion of a particular stage of such a program or project. Consequently, the purposes of evaluation are

- a) to provide an objective basis for assessing the performance of programs, projects, policies and activities;
- b) to improve programs and projects through feedback on the lessons learned; and
- c) to provide accountability, including provision of information to Government, donors and other stakeholders, including the general public.

6.20 A formal evaluation process must be developed in East Timor to provide the Council of Ministers with a consistent and accurate assessment of results throughout the government sectors. Donors invariably structure their projects with internal reporting and evaluation systems and, while all donors have their own methods of evaluation, their evaluation framework is similar. They will provide government planners with realistic summations of their activities and projects on a timely basis that will be sufficient for the CoM to fully comprehend how all programs and projects are progressing.

6.21 The challenge, therefore, is for East Timor to create a comparable system. This is not necessary to simply placate donors (yet donors will want periodic verification of how the recipient ministries and agencies are performing), but to provide East Timor's leaders with the most accurate diagnostics possible to help them steer their country toward its goals. Such a system cannot be driven by financial priorities – a plan that is forced into a budget is not a plan at all, but an 'allocation process.' The system must produce scenarios of both social and economic performance, and subsequently be judged in light of all development indicators. Budgets are vital, first of all, as 'tools' for tracking, keeping score, and quantifying results in universally understood terms. They are equally important for allocating resources, but only within a fundamental framework of an effective national development plan. Financial budgets become the standards for allocation and the mechanisms for assessing time-phased activities. An effective evaluation system must have the components of planned objectives articulated in measurable benchmarks, a method of analysis, and a correction process. These components are addressed below.

Planned Objectives

6.22 Objectives, as defined in the Plan, are the operational results to be achieved. They are typically described within programs or projects, or as role expectations for managers (such as directorates' responsibilities to draft bodies of regulations). Objectives also are typically defined within a time frame and are measurable. For example, an educational development plan or a program for reducing poverty, have individual time-phased objectives, but must also be orchestrated with all other governmental activities and, therefore, considered within a budgeted resource and finance framework.

Measurable Benchmarks

6.23 Performance indicators are the predominant benchmarks used in program and project management. These are both quantitative and qualitative results that not only define when objectives are met, but provide timely points of assessment to ensure that planned activities are being effectively implemented. Similar patterns of performance benchmarks, dealing with such matters as timeliness of implementation, cost and project results, are required for every program and project and, indeed, for any initiative that occurs through government for which the political leadership is responsible.

6.24 Benchmarks should be appropriate to measure the intended performance, sufficient to inform decision-makers as to the results (or to corrections needed to remain on-course), and feasible within the constraints and abilities of those accountable for results. Consider, for example, the national goal of 'reducing poverty' and one task-related objective to be 'to reduce the number of people living below the poverty line.' This objective may be further refined to a measurement such as 'reducing the number of people living below the poverty line by five percent within one year.' The appropriate benchmark would be to count the number of people currently living below the poverty line, and count that number again at the end of one year. This measurement may also be sufficient to inform decision-makers as to the results, but perhaps it may not. Decision-makers may also want to know where progress has been made (who was affected, who benefited from poverty reduction programs), how they achieved the added income to rise above the poverty line (by earned income, a currency manipulation that distorted results, or a per-capita GDP measurement that averaged out national product when only a handful of the elite made windfall profits and most people remained poor). Consequently, an appropriate benchmark is one (or a set) of performance indicators that provide sufficient information to decision-makers about the real results of planned activities. Finally, the measurement must be feasible. That is to say, the objective must be attainable (five percent reduction in the number of people below the poverty line in one year may be unrealistic or perhaps even too modest), and the programs implemented to achieve this must have the human, material, and financial resources to succeed.

6.25 The role of budgets, as indicated earlier, is critical to all plans. However, there are different types of budgets used in planning, but budgets should not drive plans. A financial budget is essential to allocate scarce monetary resources, and it subsequently becomes a numerical measurement on which to track and analyse performance. The role of a budget office, however, is to carefully accumulate data and to address all aspects of transactions and financial data monitoring. Analysis may be delegated to a budget office or to another unit (as discussed in the next section). The point here is that a financial budget is only part of the evaluation equation. Operational budgets are also required, and often they are equally important to financial budgets. They include staff mobilisation plans and targets for staff resources (measured in person days per project, number of work hours, levels of effort, and many other criteria). They include material budgets and procurement levels, time budgets, and various measurements on social issues (such as access to or distances from health clinics). The important point is that almost all activities and resources can be budgeted in measurable terms such as money, time, numbers, percentages, or quality standards, among others. They still must be appropriate, sufficient, and feasible to qualify as useful performance indicators.

Methods of Analysis

6.26 Designing and implementing a monitoring and evaluation system is a significant project requiring experts in planning and monitoring systems, and specialists in developing analytical procedures. A budget office can be highly effective for tracking and evaluating financial budget

performance. The reason should be clear. Financial budgets comprise only a small part of the total planning and monitoring system. Human resource capabilities, asset management, regulatory performance, trade activities, foreign affairs, and many other issues make up a majority of the components within a national development plan. Each of these has its own set of tasks and objectives, and each must have performance indicators or means of describing whether they are being effectively implemented.

6.27 For most development programs and a majority of donor projects, the methods are similar. They will define the benchmarks and performance indicators, and establish a time-phased system of tasks required to accomplish their objectives. This system will be broken down into stages, such as quarterly increments of task activities, and the indicators will be prorated to each of these incremental stages. Therefore, reports will provide assessments of partial task results and compare these against ‘budgeted’ or expected results for each operational period. The techniques of evaluation will almost always take the form of variance analysis, and be reported in easy-to-understand statistics. Variances can be calculated as absolute numbers (so many dollars under or over-budget, so many under or over-utilised staff compared to staff schedules, and so on), or by percentages (a certain percentage under or over budget for purchased assets, number of people trained, and so on). More sophisticated economic models are often necessary for variances in monetary or fiscal performance, trends in income, trade, or investments, asset depreciation, technology development, industry capacity, and other macro factors.

6.28 A nation’s development, however, cannot be entirely reduced to numbers and analyses. A great many objectives are concerned with social, cultural, and behavioural dimensions. Poverty, for example, may be reduced to a definition of per capita income, yet the form of that income may be meaningless; a depreciating monthly cash income, even if the nominal amount is rising rapidly, may translate to even more wretched conditions for the individuals caught up in these circumstances. Cash money, even if sufficient to a rural family that cannot access health care or schooling for children seems hollow. A fully employed economy – if such a thing could exist – may still be abhorrent if the population is ruttled in meaningless work and destitute conditions. Measurements of legislative endeavours, regulatory reforms, types of foreign investment, East Timor’s presence in the region as a trading nation, political stability, cultural preservation, environmental protection, national security, and many other similar concerns require very creative methods of evaluation. These cannot be addressed fully in this report, yet they will be required for East Timor to have an effective and complete national planning, monitoring, and evaluation system.

Correction Process

6.29 The correction process completes the cycle, and it is where the CoM, with support and information from donors, from the budget office, and from the body set up to oversee planning implementation, will steer the ship of state. In order to meet their responsibilities, they must have ready access to crucial information that is accurate and reliable, and they must have that information when it is needed. The ‘instrumentation’ of monitoring and evaluation provides that assortment of information. The ultimate objective is to have informed and enlightened decision-makers capable of correcting the direction of the plan.

6.30 Corrections are essential to remain realistically on course but, most importantly, to avoid major and unforeseen disasters. Without regular feedback and appropriate analysis, they cannot make such decisions, and the timing of information can vary significantly. For example, feedback from a nationwide survey of the population’s perceptions about social and economic development may be important, but it may not be critical enough to cause planning to be repeated more than every few years. In contrast, a program aimed at repatriating indigent

refugees may require monthly or even weekly monitoring. Those situations of higher risk than others require more deliberate monitoring intervention, and those that could have greater consequences than others require greater attention.

6.31 A comprehensive planning process with effective monitoring and evaluation will take into account what decision-makers need to know to make timely corrections. In addition, the process must be participative, not one of unilateral decision-making by a small cadre of Ministers. They will need to work with the planning specialists, donor representatives, and budget analysts to fully address each issue, then to communicate decisions with a consensus of agreement on changes or adaptations. Ministers will need to work closely with their department heads and directorates to share information and to involve them in the planning and evaluation system. This not only builds capacity systematically throughout government, but also progressively advances the plans and all task activities toward achieving the nation's development goals. In effect, each iteration of the monitoring and evaluation cycle improves the plan, improves operational performance, sharpens objectives and their related indicators, improves human resource capabilities, and moves the nation steadily toward fulfilling the vision for national development.

PLANNING REVIEW

6.32 'Review' and 'evaluation' are often used interchangeably. However, a distinction can be made between them, with that distinction relating mainly to the purpose, timing and level at which the activity occurs. As noted above, evaluation tends to be focused on assessing how well programs, projects or policies are performing, and it may occur at various stages during the lifetime of an activity. Review tends to occur at a higher level and may influence the overall strategic direction being taken by the organisation which, in this case, is the Government of East Timor. This is East Timor's first Plan and, consequently, it is important that it is reviewed at certain times to see if the overall strategic direction remains valid or if changes should be made. Two matters are important here:

- a) because the national budget is based on a three-year, medium-term fiscal framework, the national strategic plan needs to be reviewed each year so that it 'rolls forward' and remains consistent with the Budget; and
- b) because the Plan is East Timor's first, it should be subject to a full review after its first year of operation (meaning that the review would be due in July-August, 2003). The review should involve external support and personnel, along with domestic inputs and personnel in a team approach.

6.33 As the Plan's policies, programs and projects are implemented, user surveys and other means should be used to monitor the outcomes of the programs against the intended results, according to the performance indicators or benchmarks established in the Plan. Such evaluations should focus on the cost-effectiveness of spending, analysing and explaining reasons for any cost overruns or shortfalls in outcomes that may have occurred.

INSTITUTIONAL SETTING: MODEL OF PLANNING, MONITORING AND EVALUATION

6.34 On completion of the Plan, the Planning Commission will be disbanded. There is, however, a need for a Government body with responsibility for overseeing national development planning functions, particularly monitoring and evaluation. In many countries such a body is

located either in the Prime Minister’s Office, in the Ministry of Planning, or - less frequently - in the MoF²⁴. In East Timor, there is a need to find a suitable institutional location for such a body. It should be located within an institution or office which can have an overview both of planning operations, and of the role of government, civil society and community organizations in plan implementation. For it to be credible, this organization must have a significant degree of autonomy, and be able to involve stakeholders in implementation, monitoring, and assessment. The location of the government body overseeing implementation of the Plan should be decided after independence, and should involve discussions with government ministers, civil society organizations and the main stakeholders already involved in the planning process. The body set up must ensure that adequate participatory processes are established to enable all stakeholders to be involved in the monitoring of plan implementation. Since the vision statements of the East Timorese population were crucial in designing and giving direction to the Plan, it is vital that groups representing their interests within the community and civil society are fully represented in monitoring and evaluation of plan implementation. Those monitoring the plan should be trained in participatory methods, and indicators devised for this monitoring should be based upon participatory approaches and techniques

6.35 Individual ministries will also require some planning capability, including the capacity to undertake monitoring. The use of pro-formas will allow individual officers to undertake regular monitoring. However, at least in the larger ministries, the establishment of an internal policy and planning unit could support project preparation, implementation, monitoring and evaluation, and review. Such a unit could also provide the link to the national-level monitoring body, outlined above, as well as a contact point for donors and other stakeholders.

6.36 The routine involvement of stakeholders, outlined above, and other partners, notably the donor community, will be instrumental in ensuring that planned future donor activities be based on an accurate knowledge of experience with current programs, and a regularly updated awareness of the Government’s priorities. Regular joint sector missions by donors could be planned to take place shortly after quarterly updates become available. Such missions could be provided with the latest information, to avoid placing a supplementary reporting burden on the government.

CONCLUSIONS

6.37 Following independence, the Government should establish a new body with responsibility specifically for overseeing national development planning functions, particularly monitoring and evaluation. This should have a significant degree of autonomy, and should be located within an institution or office which can have an overview of planning operations, the role of government, agencies, and civil society and community organizations in plan implementation. This new body will have to draft a policy statement that captures its responsibilities, relationships with the budget office, donor coordination, and respective line ministries. A general framework for planning and reporting should be instituted so that a pervasive process can be implemented with consistent models of quarterly and annual reports that follow upward from project and program levels to ministries or agencies, and then to the new overseeing body.

²⁴ The monitoring and evaluation suggested here has a much broader focus, and is distinct from that which will be undertaken for the medium term fiscal framework (MTFF)

6.38 The reports submitted to the organisation overseeing plan implementation should be aggregated summaries, and they should include both the quantitative and qualitative analyses of results prepared through monitoring and evaluation. The overseeing body will have to have capabilities for economic evaluation and forecasting, social and environmental evaluations, and various specialised analytical tasks. The budget office within the MoF will be responsible for financial monitoring and analyses, and a statistics division will be accountable for such issues as population and demographics, healthcare, education, employment, and labour data.

6.39 Each division would be responsible for annual plans (action plans) that capture program and project activities, structured with quarterly performance indicators that meet the full criteria of being appropriate, sufficient, and feasible. Line ministries would have aggregated plans that reflect these annual action plans that, taken together over time, could provide the basis for long term (five-year) national development plans. In effect, at the end of each year, the process of rolling these annual plans forward can generate new ‘five-year’ plans (not merely second or subsequent years to one five-year plan that eventually must be replaced with new and extensive long-term criteria). This can be achieved by extending the fifth year every year as a new annual plan emerges. However, this is a policy decision. At minimum, the annual results should produce a revised set of plans for the upcoming year whilst also providing the overseeing body with greatly enhanced information on subsequent years.

6.40 Ultimately, the planning process should not be budget-driven, nor be subordinated to international financial mandates. It should address the social, economic, and human development priorities of East Timor and, with appropriate diligence, consider what can be realistically accomplished given budget constraints. All proposed programs and projects put forward by the divisions in all sectors should remain within the development plans, even if they cannot be feasibly pursued in the near term. They should not be lost for current lack of resources or capacity, but simply prioritised given the nation’s limitations. Finally, the planning process should be fully participative, linking each level of government, and fully involving civil society and community organisations in planning, monitoring, and evaluation activities.

PART 2

ECONOMIC OUTLOOK

Chapter 7. MACROECONOMIC POLICY FRAMEWORK

Chapter 8. MEDIUM TERM ECONOMIC AND FINANCING
OUTLOOK



7. MACROECONOMIC POLICY FRAMEWORK

VISION

7.1 To sustain our vibrant traditional culture and beautiful environment, while moving to faster growth in production and employment, so as to provide significant improvements in opportunities, living standards and services for all East Timorese. Central to achieving our vision will be the management of our economy and finances in efficient, transparent and corruption free ways.

INTRODUCTION

7.2 This chapter focuses on the policy framework for macroeconomics and public finance, mainly over the five-year planning period, but also in relation to the longer term. The related *State of the Nation Report* addressed itself to recent macroeconomic and public finance policies and conditions in East Timor and should be read in conjunction with this chapter, which is essentially forward policy oriented in nature. Chapter 8 (Medium Term Economic and Financing Outlook) of this document also addresses related macroeconomic issues.

7.3 With the onset of political independence come additional and challenging responsibilities for managing the national economy and public finances. Aspirations and expectations of the people are high. Sound but creative macroeconomic and public finance policies will be needed over an extended period if hopes and expectations are to be met.

7.4 East Timor is still recovering from the extreme difficulties of long periods of external rule, which culminated in the 1999 emergency. Significant further economic adjustment will be needed over the next two to three years as the United Nations fully withdraws and as current investment programs from bilateral donors and the Trust Fund for East Timor (TFET) reduce in size, and in some cases terminate completely.

7.5 In these circumstances the immediate challenge is to consolidate on the economic institutions and framework that have been put in place and particularly to ensure that public finances are placed on a sound and sustainable medium term path. Provided the transition away from the United Nations period is successfully manoeuvred over coming years, the outlook for East Timor is very bright, with the prospect of steadily improving and broadly based growth for decades to come, particularly following the onset of oil production from the Timor Sea and as political liberation leads to economic transformation and improved efficiency throughout the country, especially in agriculture.

7.6 Successive periods of external rule have left East Timor with a fragile economic base and quite low levels of domestic revenues as it commences Independence. Prospects appear bright from around late in the decade that both domestic and foreign resource constraints will ease with the onset of petroleum

and gas production from the Bayu Undan project in the Timor Sea. However, continuing assistance from the international donor community will be critical, not only in the years leading up to this project, but also well beyond it. This Plan asks donors to accept a heavy burden of responsibility for seeing through the generous initial assistance which has been provided. Any move to premature withdrawal on the part of donors would be counter productive for all, and place at risk the important advances made to date. In the short-term, over the next three years, donors are being asked to provide further financial resources to keep basic operations running efficiently and to allow for development of the Government's own modest investment program. In the longer term the need will change more to assistance with the development of capacity and the building of physical and social infrastructure.

GOALS

7.7 The goals for the sector are as follows:

General Goals

- a) Improved capacity and institutional performance of the key central economic Ministries/Agencies (including effective and transparent management approaches).
- b) Reducing poverty.

Macroeconomic Goals

- a) High and sustainable economic growth, particularly in the non-oil economy.
- b) Low inflation.
- c) Growth in employment/decline in unemployment
- d) Stronger banking and finance sector.
- e) Strengthening the external situation (competitive real exchange rate and open trading system).

Public Finance/Fiscal Goals

- a) To pursue growth of budget revenues to improve financial independence.
- b) To effectively manage oil and gas revenues and savings.
- c) To responsibly and productively manage budget expenditures.
- d) To effectively manage the budget deficit and its financing (especially effective aid management, including negotiation of a medium term aid agreement).

GUIDING PRINCIPLES

7.8 Broad principles that will guide economic policy development and the management of the economy and public finances are as follows:

- a) Market economic system; but with strategic and regulatory roles for Government, including the provision of a social safety net during difficult times.
- b) Strong role for the private sector in development.
- c) Open trade and investment policies.
- d) Government's role will be limited to ensuring that physical and social infrastructure and services are provided and to establishing a growth enabling policy and legal environment; including provision of macroeconomic stability.
- e) There are particular areas Government will not venture into, including operating commercial business ventures such as banks and airlines, regulating/controlling prices, or trying to pick winners and providing subsidies/exemptions to particular businesses or industries.
- f) Effective, transparent and corruption free management of the economy and public finances.
- g) Pursuing a fair and equitable economy and society with equal opportunities and improving living standards for all.
- h) Developing in ways that preserve the beautiful environment, traditions and customs of East Timor.

CONSTRAINTS

7.9 While the future is approached with confidence and optimism, there is need to recognise, and address over time, constraints to broadly based economic development, including the following:

- a) The aftermath of conflict has left some people weary – there is a need to consolidate and build confidence while commencing pursuit of economic growth.
- b) The conflict destroyed a lot of property and assets; so property and assets need to be restored as part of the development effort.
- c) Many in the rural areas are used to leading a dualistic subsistence/cash farming lifestyle where production of sufficient food crops to sustain life is of paramount importance. Achieving major transformation and modernisation in the rural areas is a major challenge. Rural/urban imbalances are significant.
- d) The population is young and many young (and old) people cannot get jobs. Without the creation of jobs youth problems and social unrest may develop.
- e) Managing the economy and public finances is a new responsibility for many East Timorese leaders and civil servants. There is need for rapid learning, institutional development and capacity building in macroeconomics and public finance.
- f) With low growth and low per capita incomes, domestic revenue collections are very low. There are limits on the extent to which new public services can be provided, meaning in the short-term high dependence on aid inflows.

- g) The banking system was destroyed in 1999 and needs to be further rebuilt to ensure savings, credit and other financial instruments are available to all the people, and that the people gain confidence to use them. Further legislative reform is likely to be necessary to support financial sector development.
- h) Since 1999 wages have grown very rapidly and the US Dollar has continued to be very strong. Should these trends continue, or should further domestic inflation emerge, then it will be increasingly difficult to compete internationally, particularly until the productivity of labour grows. Economic management will need to closely monitor trends in currency and wage competitiveness. If the package of policies being introduced is not providing for production and employment growth, then bolder measures will need to be considered with currency and wages policies.
- i) Domestic savings and domestically financed investment are both low and need to be enhanced. Over the medium term generating savings and investment from oil earnings and direct foreign investment will be important.
- j) The private sector needs to play a key role in development. Yet for the moment it is weak and will need time, support and an appropriate operating environment to develop (particularly important will be the development of appropriate legislation: company law, foreign investment law, and secure land tenure for investors).
- k) More education and training is needed at all levels, from primary through to tertiary education and vocational training to equip the community with the skills to grow a modern economy.
- l) The health of the population also needs to be improved, especially from energy sapping diseases like malaria, if the productivity of workers in agriculture and the broader economy is to be raised.
- m) Without improved infrastructure (power, roads, transport, communications) it will be difficult to develop either the agricultural sector or industry.

OVERVIEW OF POLICY CHALLENGES

7.10 The overriding goal is to achieve high growth in production and employment. This will be no easy or short-term task. Most growth during the Indonesian and UNTAET periods was generated by high levels of public expenditure. Yet it is clear that combined sources expenditure will fall sharply in the immediate years ahead, thereby acting as a negative force on growth. Future growth must be largely generated by the private sector (including agriculture), but the private sector is currently small and weak. In the short term the UNTAET period has seen wages rising to levels well above those of competitors in Indonesia and elsewhere in the region, with resultant losses in production and jobs. At the same time the extreme strength of the US Dollar since 1999 has further worsened competitiveness. There is also a need to remove impediments to investment, and for the development of laws and institutional arrangements covering land and property rights, foreign investment, lenders collateral and a sound regulatory environment, as well as policies to address inadequate infrastructure and low skill levels in the labour force.

7.11 Recent trends make for a very difficult starting position from which to generate future private sector growth. Short-term economic management will need to closely monitor trends in currency and wage competitiveness and growth. If the package of policies being introduced is not providing growth then bolder measures will need to be considered with currency and wages

policies, particularly as the BPA develops over time the economic management and institutional capacity to run independent monetary and exchange policies.

GOALS, POLICY ACTIONS AND PERFORMANCE INDICATORS

GOAL NO. 1: INSTITUTIONAL STRENGTHENING

7.12 To further strengthen institutional and human capacities in the main central economic institutions (MoF, BPA and MEAD).

Policy Actions for Goal No. 1

- a) Develop corporate plans for key institutions and manage to them.
- b) Undertake a training and staff development needs assessment study and regularly update.
- c) Develop a Human Resources Development Plan for key institutions.
- d) Establish Personal Development Plans for all officials, to include training needs, and to provide for annual assessments.
- e) Develop succession plans for all line positions held by expatriates.
- f) Develop small Economic Policy/Research Units in the MoF and the BPA.
- g) Locate all planning, economic policy and aid coordination functions under one roof, possibly in the MoF - apart from monetary matters to be the responsibility of the BPA.

Performance Indicators for Goal No. 1

- a) Effectively implement all seven policy actions above.

GOAL NO. 2: POVERTY REDUCTION

7.13 To eliminate poverty over time while maintaining an equitable distribution of income and wealth.

Policy Actions for Goal No. 2

- a) Foster a social and political climate supportive of eliminating poverty and maintaining equity.
- b) Promote opportunities for participation and advancement of all members of the society.
- c) Provide opportunities for empowerment of the people as key agents of government processes.
- d) Provide security for all, including: human rights, freedom from hunger and relief from disasters.
- e) Design and manage macroeconomic policies in pro poor ways.

- f) Provide stable economic and political conditions as a prerequisite for assisting the poor.
- g) Implement equitable tax and revenue policies.
- h) Spend government budget money in sectors and within sectors to benefit the poor.
- i) Ensure expenditure allocations allow for an equitable balance between rural and urban areas.
- j) Ensure foreign aid programming is appropriate to national needs, including poverty reduction.
- k) Set monetary and exchange policies so as to support growth, stability and poverty reduction.
- l) Ensure banking, credit and micro finance services are broadly available to the poor.
- m) Implement open trade and investment policies to promote growth to benefit the poor.

Performance Indicators for Goal No. 2

- a) Gini Ratio (currently 0.37) to remain relatively stable over the short and medium term.
- b) Percentage below poverty line of US\$0.55 (currently 41%) to reduce markedly within five years.
- c) Adult illiteracy rate (currently about 50%) to reduce markedly within five years, and halve within 20 years.
- d) Primary school participation (net enrolment rate, currently about 70%) to increase significantly in five years.
- e) Infant mortality rate (currently estimated between twelve and fifteen percent) to decline significantly below eight percent within five years.
- f) Walking time to nearest health clinic (current average 70 minutes) to be reduced in five years.
- g) Maternal mortality rate (currently between 0.4% and 0.6%) to decline within five years.

GOAL NO. 3: PURSUIT OF ECONOMIC GROWTH

7.14 To achieve high, sustainable, and broadly based growth (with stability and poverty reduction).

Policy Actions for Goal No. 3

- a) All macroeconomic policies to be framed as a consistent package to be conducive to growth.
- b) The package of macroeconomic policies to provide for international competitiveness.

- c) All sector policies to be framed as a consistent package conducive to growth (especially policies for agriculture; infrastructure; education; health; regional/rural development; and private sector development).
- d) As 75% of people work in rural areas, but agriculture contributes only around 25% of GDP, sector policies with regard to the transformation of agriculture will receive high priority.
- e) Both public and private sectors of the society will be provided with a policy environment conducive to saving. Foreign investment will be encouraged, as will savings from Timor Sea revenues.
- f) Market oriented mechanisms will allow for higher savings to be channelled into higher capital formation (both private and public – including social capital investment) to support growth.
- g) The package of macroeconomic and sector policies aims to see development of a strong and energetic private sector with much of growth private sector led. This will include related legal reforms in areas such as foreign investment, land tenure, company law and lenders collateral.
- h) Education sector policies (including well-targeted vocational and entrepreneurial education) will be given priority to improve the base knowledge and skills of the workforce.
- i) Health sector policies will receive priority to ensure the basic level of health of the workforce.
- j) Infrastructure policies and investments will be targeted to facilitate growth.
- k) Initial growth is likely to be labour intensive with low to semi-skilled businesses. Policy will support this, but will be ready to move to more mature stages of growth as investment and skills emerge.

Performance Indicators for Goal No. 3

- a) After a likely slump in growth, during the transition away from the UN period, underlying Non-Oil growth by the end of the planning period will reach sustainable levels of five to six per cent per annum.

GOAL NO. 4: PURSUIT OF LOW INFLATION

7.15 To achieve a low level of inflation.

Policy Actions for Goal No. 4

- a) Responsible monetary/currency policy (price stability is the prime objective of the BPA).
- b) Restraint on wages growth (particularly public sector).
- c) Responsible budget policies, with declining deficit levels and zero borrowing.

Performance Indicators for Goal No. 4

- a) Consumer price index inflation in East Timor to be no higher than USA consumer price index inflation over the five years of the Plan (around two to three percent per annum).

GOAL NO. 5: PURSUIT OF MORE EMPLOYMENT

7.16 To achieve growth in employment/decline in unemployment.

Policy Actions for Goal No. 5

- a) Pursue a similar package of policies as those proposed to promote economic growth (see Goal No. 3).
- b) Consistent and supportive package of macroeconomic policies.
- c) Supporting sector policies: agriculture, education, training, youth, health and infrastructure.
- d) Internationally competitive wages, exchange rates, and trade policies.
- e) Encouragement of higher domestic and foreign savings and investment levels.
- f) Promoting conditions conducive to growth of the private sector (laws, land arrangements, labour market information; banking development, vocational training and education).
- g) Gearing policies to support labour intensive growth initially (with high importance given to flexible and moderate wages policy linked to productivity movements).

Performance Indicators for Goal No. 5

- a) Open unemployment rate to decline significantly from recent levels of around 17% of those actively seeking work.
- b) A significant number of new jobs will be created each year.

GOAL NO. 6: PURSUIT OF STRONGER BANKING AND FINANCE SECTOR

7.17 To promote development of a stronger banking and financial sector.

Policy Actions for Goal No. 6

- a) Review and upgrade Banking and Financial Legislation, including Governing Board oversight of BPA, funding and accountability of BPA, and movement to full central banking functions (in line with April 2002 recommendations of the IMF – Preparing for a Central Bank of East Timor).
- b) Maintain appropriate international (mainly Basle) standards for licensing and regulation.

- c) Promote more competition and increasing numbers and types of private banks and financial institutions (including widening rural presence by private banks and the BPA).
- d) Develop regulations and capacities to promote growth of insurance (both general and life).
- e) Develop regulations and capacities to promote growth of private superannuation and other savings schemes (including increased saver education and enhanced security for savings).
- f) Support donors and NGOs to develop micro savings and credit schemes, especially in rural areas.
- g) Develop related Laws important to the expansion of credit to the private sector (Company Law; Contract Law; Collateral Law; Bankruptcy Law; Foreign Investment Code; Land Laws).
- h) Government (mainly through BPA) to increasingly undertake a near full range of central banking type functions and to be a catalyst for significant growth of savings and credit in the sector.

Performance Indicators for Goal No. 6

- a) Effectively implement all eight policy actions above (particularly to increase the range of private sector institutions and products and to significantly expand savings and credit) within the five-year period of the Plan.

GOAL NO. 7: PURSUIT OF A STRONGER EXTERNAL SECTOR

7.18 To achieve a stronger external situation, including a competitive real exchange rate, higher exports and an improving trade balance.

Policy Actions for Goal No. 7

- a) Pursue responsible expenditure policies to constrain domestic demand to levels that can be sustained from domestic revenues and foreign grant aid (without public borrowing).
- b) Pursue a competitive real exchange rate (exchange rate adjusted for inflation), especially in relation to agricultural competitors.
- c) Maintain competitive wage and trade policies to allow competition in export markets and to enhance the ability of domestic producers to compete with imports.
- d) Promote sector policies supportive of private sector growth in exports and improved competitiveness in relation to imports (especially agriculture and agro processing).
- e) Maintain open (low effective protection) trade and investment policies, including moving to observer or membership status of such bodies as ASEAN and WTO.
- f) Pursue diplomatic efforts to increase access rights to key markets; Europe; Australia; and Asia.

Performance Indicators for Goal No. 7

- a) No significant real effective appreciation of the currency over time.
- b) Non-oil merchandise exports to recover significantly from recent negligible levels.
- c) Non-oil and non-aid related merchandise imports to decline to more moderate levels so narrowing the current imbalance on the non-oil/non-aid related trade balance.
- d) Positive overall balance of payments to be achieved without recourse to public foreign borrowing.
- e) By the end of the Plan period net foreign reserves will be in the early stages of a large long-term build-up (mainly from savings policies in relation to Timor Sea oil and gas).

GOAL NO. 8: PURSUIT OF IMPROVED REVENUE COLLECTIONS

7.19 To increase revenue collections to enhance fiscal autonomy, while retaining incentives for private sector development and ensuring equity for the poor.

Policy Actions for Goal No. 8

- a) Maintain existing package of tax and non-tax revenues, while reviewing their appropriateness regularly (including likely introduction of some recommendations of the IMF Mission on tax and revenue policy in the context of the FY 03 Budget).
- b) Improve administrative resources, systems and skills to raise collection yields and levels.

Performance Indicators for Goal No. 8

- a) Domestic (non oil) revenue as a percent of GDP to grow from current levels of five percent of GDP to approach seven percent of GDP by the end of the Plan period.
- b) Collection yields for existing taxes to show at least a 25% improvement over the Plan period.
- c) Any new taxes introduced to be consistent with equity and poverty alleviation goals.

GOAL NO. 9: MAXIMISE COLLECTIONS AND SAVINGS FROM TIMOR SEA REVENUES

7.20 To maximize collections of Timor Sea revenues and to save and sustainably manage significant proportions of them.

Policy Actions for Goal No. 9

- a) Install very strong, internationally competitive resource skills in the MoF/Revenue Service, to ensure regular tax audits and collection of all petroleum taxes due.
- b) Development of effective offshore savings and investment mechanisms, based in part on findings of the Norwegian Technical Assistance Mission undertaken in March 2002.

Performance Indicators for Goal No. 9

- a) Rigorous annual scrutiny of taxation returns and 3 yearly detailed tax audits.
- b) Build up of a secure and growing stock of offshore investments, in line with recommendations of the Norwegian Technical Mission and consistent with estimates published in the MTFF.

GOAL NO. 10: PURSUE CREATIVE AND EFFECTIVE EXPENDITURE PROGRAMS

7.21 To pursue creative and effective expenditure policies; including: (a) restraining total expenditure to levels that are sustainable; and (b) ensuring that expenditure allocations between Agencies/Functions are consistent with plan objectives and particularly that currently high central administration expenditures fall to the benefit of priority areas of health, education, agriculture and infrastructure.

Policy Actions for Goal No. 10

- a) Improving the capacity of all public officials to prepare and manage effective budgets.
- b) Use of MTFF to control aggregate expenditure.
- c) Use of MTFF to determine the current/capital expenditure split.
- d) Use of MTFF and work of Planning Groups to determine an appropriate allocation of expenditures.

Performance Indicators for Goal No. 10

- a) Total expenditure to grow at an annual average rate, which is in line with the (sustainable) MTFF.
- b) Average proportions of current/capital expenditure over the plan period to be in line with responsible levels contained in the MTFF.
- c) Expenditure allocations finally determined by CoM as being appropriate to be implemented with close monitoring over the 5 years in line with MTFF allocations.
- d) Currently high shares of central administration expenditures to fall to the benefit of priority areas of health, education, agriculture and infrastructure.

GOAL NO. 11: PURSUE APPROPRIATE DEFICIT AND FINANCING POLICIES

7.22 Budget deficit levels to reduce sharply over time with any deficits to be grant and not debt financed; and donor grant deficit financing over time to be in line with a Public Investment Program developed by the Government.

Policy Actions for Goal No. 11

- a) MTFF in conjunction with donor negotiations to plan for gradual deficit reduction as domestic and Timor Sea revenues grow.

- b) A preferred forward Public Investment Program to be developed over time and then to be updated annually with significant improvements in project identification, preparation and appraisals over time.

Performance Indicators for Goal No. 11

- a) Total deficit to fall sharply by the end of the Plan period, in line with MTFF estimates.
- b) Government preferred forward Public Investment Program in place and improved on annually.

SUMMARY OF PROGRAMS / PROJECTS SPECIFIC TO MACROECONOMICS / PUBLIC FINANCE SECTOR

Table 7.1: Recent and Forward Estimates of Program / Project Expenditures (US\$ 000)

Item	FY 00 Actual	FY 01 Actual	FY 02 Revised Budget	FY 03 Prelim. Budget	FY 04 Estimate	FY 05 Estimate	FY 06 Estimate	FY 07 Estimate
1. Banking and Payments Authority								
CFET Operations	26.5	1,374.0	1,374.0	1,325.0	963.0	1,026.0	1,092.0	1,150.0
(Of Which Own Revenues)	(0.0)	(0.0)	(0.0)	(245.0)	(350.0)	(450.0)	(550.0)	(650.0)
U.N. Assessed Contributions	0.0	1,060.0	933.0	900.0	800	0.0	0.0	0.0
Total	26.5	2,434.0	2,307.0	2,225.0	1,763.0	1,026.0	1,092.0	1,150.0
2. Ministry of Finance (Minister; Core CFA; Customs; TFET Taxes; Payroll; External Audit; Others – but excluding Contingencies / Reserves):								
CFET Operations	0.0	0.0	305.0	445.0	0.0	0.0	0.0	0.0
TFET Bilateral Projects	35.3	1,016.0	5,623.0	3,016.0	3,259.0	3,333.00	1,801.0	1,000.0
UN Assessed Contributions	0.0	3,940.0	3,563.0	3,200.0	2,400.0	0.0	0.0	0.0
Total	70.3	5,873.0	11,189.0	8,908.0	7,880.0	5,681.0	4,101.0	3,200.0
3. Economic Affairs (Trade, Investment, Industry, Mineral Resources and Tourism):								
CFET Operations	0.0	457.0	440.0	521.0	391.0	407.0	484.0	500.0
TFET Bilateral Projects	0.0	0.0	1,000.0	700.0	100.0	0.0	0.0	0.0
UN Assessed Contributions	0.0	2,170.0	1,110.0	900.0	700.0	0.0	0.0	0.0
Total	0.0	2,627.0	2,830.0	2,341.0	1,241.0	407.0	484.0	500.0
4. Planning Commission (Previously NPDA)								
CFET Operations	0.0	225.1	113.0	0.0	0.0	0.0	0.0	0.0
Bilateral Projects	0.0	0.0	350.0	0.0	0.0	0.0	0.0	0.0
UN Assessed Contributions	0.0	0.0	135.0	0.0	0.0	0.0	0.0	0.0
Total	0.0	225.1	598.0	0.0	0.0	0.0	0.0	0.0

Source: Ministry of Finance for FYs 00 to 02 and Preliminary Planning Commission estimates for FY 03 to FY 07

Table 7.2: Summary of Major Ongoing and New Projects

	Organisation / Project	Likely Funding Source
1.	Banking and Payments Authority	
1.1	Development of data processing systems	ADB
1.2	Foreign training and attachments	Various Central Banks and IMF
1.3	New Central Bank building	Donor Sought
1.4	Capitalization for full Central Bank	Donor Sought
2.	Ministry of Finance	
2.1	Phase 3, Freebalance Information Systems	Donor Sought
2.2	Establish Office of Budget independently	No additional cost
2.3	Capacity building (Budget Office/Statistics)	TFET
2.4	Public sector management capacity building	ADB
2.5	Ministry wide institutional strengthening	AusAID
2.6	Technical Assistance Ministry wide	Portugal
2.7	Continue 13 UNVs in District Offices	UNTAET
2.8	Open 2 new Regional Revenue Offices	Government Budget
2.9	External Legal Advice	Donor Sought
2.10	Operationalise Board of Tax Appeals	Government Budget
2.11	Senior Managers Development Program	Donor Sought
2.12	Establish professional library	Donor Sought
2.13	Additional common services by OGCS	Budget + UNTAET
2.14	Training programs in Knowledge Centre	Budget + World Bank
2.15	New Customs building	Donor Sought
2.16	Refurbish Customs regional warehouses	Donor Sought
2.17	Introduce ASYCUDA FMIS in Customs	UNDP
2.18	Transfer Macro Policy, Planning; and Aid Coordination	No additional cost
2.19	Transfer Statistics Office	No additional cost
2.20	Develop statistics laws / regulations	Donor Sought
2.21	Conduct national census	UNFPA
2.22	Develop trade statistics	Donor Sought
2.23	Compile National Accounts annually	World Bank
2.24	Update CPI basket	Donor Sought
2.25	Capacity building with poverty statistics	World Bank
2.26	Establish Performance Monitoring Unit	Government Budget

Notes: *1 Based on five year priorities developed by the Macroeconomics / Public Finance Working Group. Implementation will depend on the availability of funding, either from the CFET Budget or Bilateral Donors.*

Projects and Programs of the Department of Economic Affairs and Development have been included in the Chapter on Industry, Trade and the Private Sector.

8. MEDIUM TERM ECONOMIC AND FINANCING OUTLOOK

INTRODUCTION

8.1 This chapter provides a medium term economic and financing outlook for the Plan period. Much of the information underlying the outlook presented is summarised in the statistical tables in the appendix and illustrated in the charts below. Two important words of caution are made with regard to the outlook presented:

- a) Preparation of economic forecasts has not received significant attention so far in the building of East Timor's central economic institutions. Accordingly, there does not exist a consolidated database of historical macroeconomic information, nor have macroeconomic forecasting models been developed.
- b) Forecasting is notoriously difficult in small open economies, which are prone to shocks from a wide range of sources, with macroeconomic trends likely to be volatile rather than smooth.

8.2 The medium term outlook presented is a modest first attempt by the central economic institutions. One of the goals for institutional improvement within the Macroeconomics and Public Finance Sector is to significantly strengthen capacities in macroeconomic policy formulation and management. Assuming progress is made in this regard, future medium term planning exercises will be able to build on the first efforts made here.

8.3 What follows is a base case outlook. It takes account of:

- a) past underlying trends and relationships in the economy throughout the 1990s;
- b) estimates of the build-up of foreign assistance during the UNTAET period, and its forthcoming anticipated decline;
- c) likely policy, program and project developments in different sectors of the economy, as set out in the sector chapters of this plan;
- d) the views of the sector working groups on the base case outlook for different sectors; and
- e) prospects for Timor Sea Oil and Gas revenues based on the best information available to the Government at this time.

8.4 Even more than most outlooks attempted, the base case scenario presented is subject to significant risks and uncertainty. Providing the policies and approaches set out in the Plan are closely adhered to and the human responses are positive and reasonably rapid, there is an upside potential for more rapid development than in the case presented, especially in the later years of the Plan period. Nevertheless, the risks of slow policy development and response remain;

and unexpected external shocks are always lurking for small and open economies. Accordingly, risks of lower potential also exist.

ECONOMIC GROWTH

8.5 Estimates of the economic growth outlook are presented in Appendix Table 1 and in Figures 8.1 to 8.3 in the text. It should be noted that for the time being for statistical purposes oil producers in the Timor Sea Zone of Cooperation are being treated as non-residents pending clarification of their status. Accordingly, GDP is effectively calculated on a Non Oil basis. The growth outlook can be summarized as follows.

- a) Total real growth is estimated to be negative in 2002 and 2003 (-0.5% and -2.2% respectively); before commencing recovery in 2004 and 2005 (1.2% and 3.3%); and then going on to achieve its longer term underlying potential of 5.1%; and 5.9% in 2006 and 2007, respectively. Significant progressive withdrawal of the international presence from 2002 is the main negative influence on growth in the early years of the Plan period (with negative impacts on transport and communications, wholesaling, hotels and restaurants, utilities, construction, finance, rents, business services and government services).
- b) A number of sectors are expected to sustain positive growth throughout the Plan period, notwithstanding the decline in foreign presence. The main sectors with expected positive growth are: (a) agriculture, forestry and fisheries; (b) quarrying; and (c) manufacturing.
- c) Most other sectors are expected to directly or indirectly experience negative effects from the international drawback, before recovering and reaching their underlying production and potential growth levels beginning from around 2004. Many of the transitional negative effects will be felt in the urban areas; with large parts of the population insulated from them, providing growth in productive sectors (especially agriculture) can be sustained.
- d) The largest structural change expected to occur over the period relates to the declining importance of Government Services, which fall from 33.7% of GDP in 2000 to 27.7% of GDP in 2007 (in constant prices). This mainly reflects the decline of UNTAET influence, which is currently large.

Figure 8.1: Real Total GDP Growth, 2000-2007 (%)

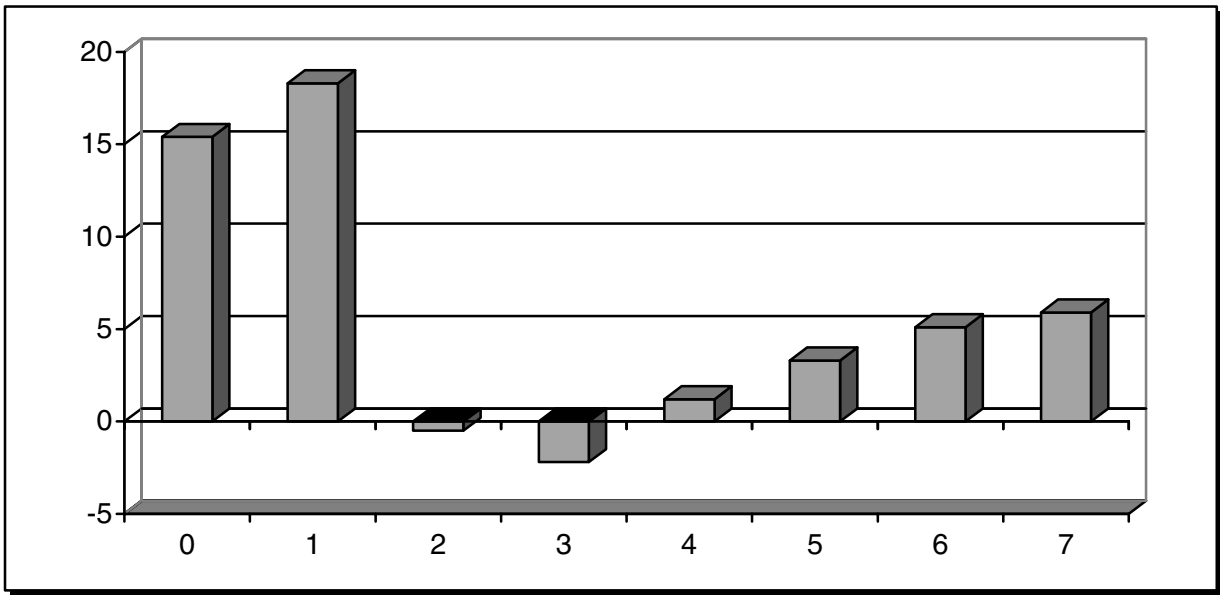


Figure 8.2: Sector Components of Real Total GDP (%)

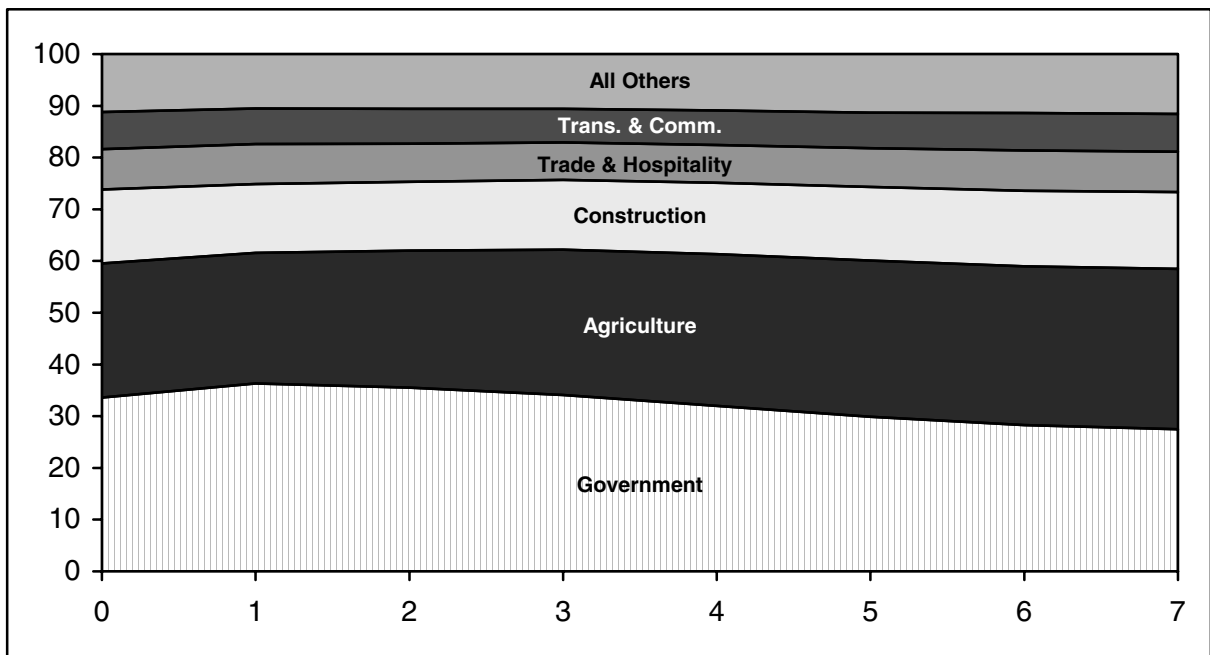


Figure 8.3: GDP Sector Growth, 2001-2007 (%) Figure 8.3: Cont...

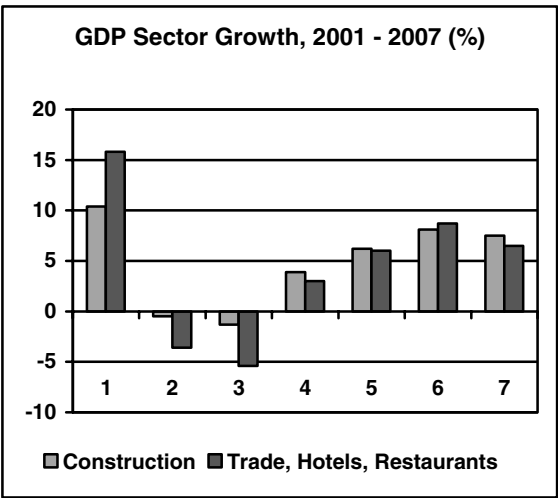
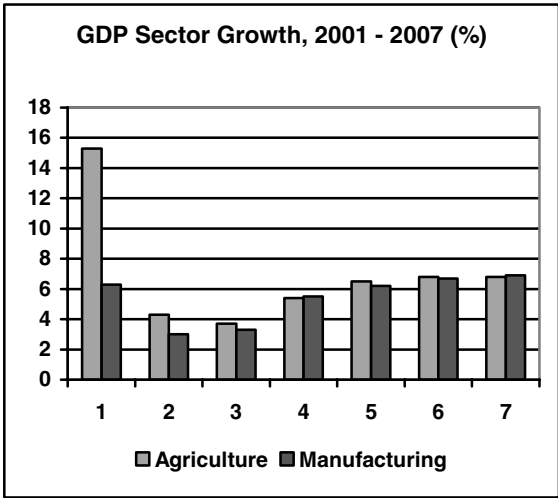
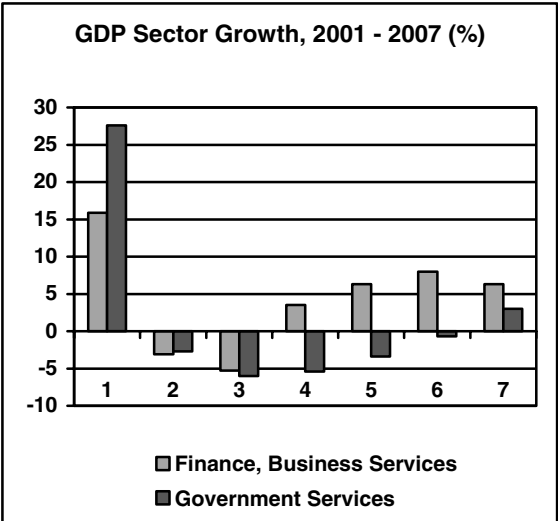
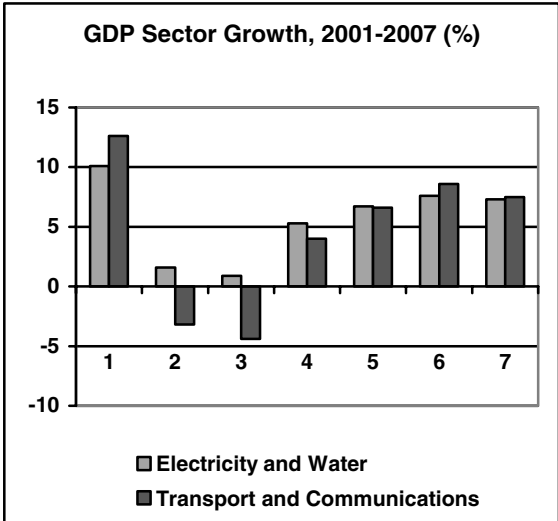


Figure 8.3: Cont...

Figure 8.3: Cont...



EMPLOYMENT/UNEMPLOYMENT

8.6 The most recently available estimates on employment along with the outlook to 2007 are presented in Table 8.1 and Figure 8.4. Because of data deficiencies these estimates should not be regarded as forecasts, but rather as broad indications of the types and levels of employment generation that will be needed if the Government’s goal of significantly reducing the unemployment rate is to be achieved. The outlook presented suggests the following:

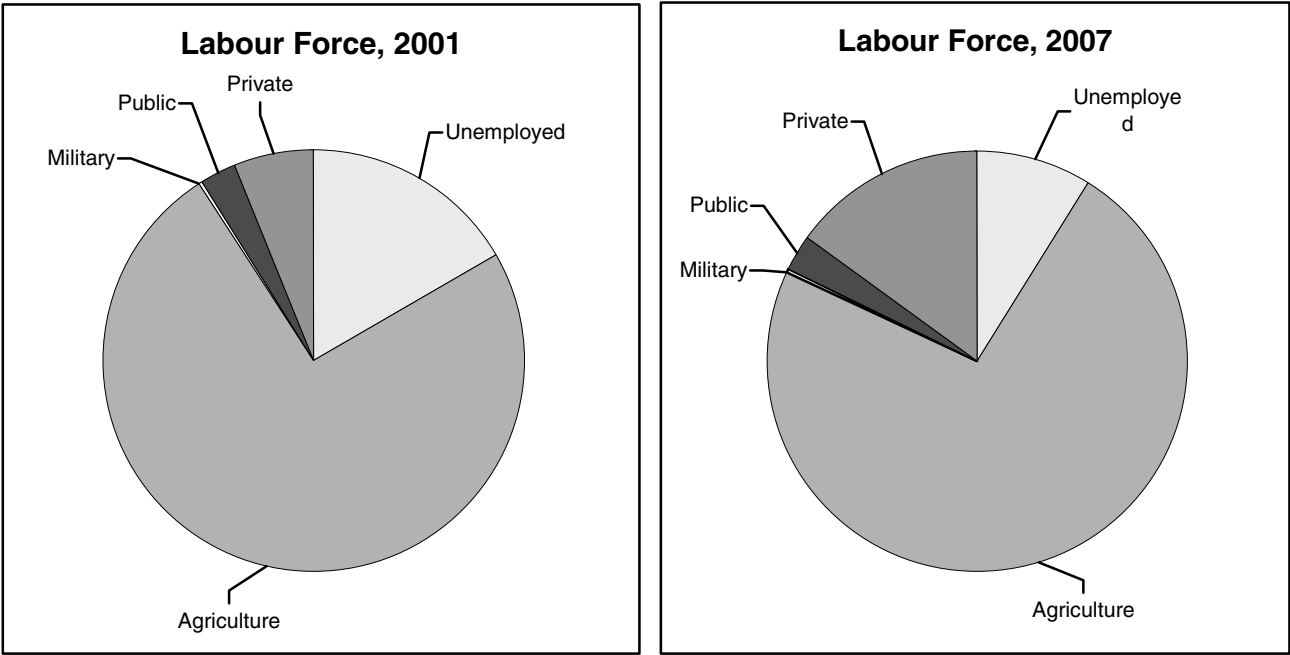
- a) The goal is to increase employment and reduce the unemployment rate during the Plan period. The analysis below attempts to estimate the magnitude of employment generation needed to achieve a major reduction in the open unemployment rate from an estimated 16.8% at present to 9.0% in 2007. The achievement of this target will be extremely challenging.

- b) In the short term there is a severe squeeze on the growth of public sector employment and this is expected to be more or less maintained over the course of the Plan period. The public sector does not present a direct solution to the unemployment problem.
- c) Agricultural growth is projected to be reasonably strong over the Plan period and this will allow for significant numbers of workers to be absorbed there. However, over the longer term (beyond the current plan period) agricultural growth is likely to be achieved increasingly by more rapid transformation towards modernisation and improved efficiency, with a resultant freeing of labour for other private sectors of the economy. Agriculture alone is not the solution.
- d) Given the above constraints around 40,000 new jobs in the private sector (excluding agriculture) would need to be created over the Plan period, if the target for unemployment reduction is to be met. This implies an annual growth of private sector employment of around 20% per annum, which is well above the projected private sector GDP growth. It highlights the difficulties in reducing unemployment if the private sector of the economy cannot grow rapidly. In the absence of very rapid private sector growth, the target for reducing the unemployment rate will only be partially achieved. Promoting agricultural and informal employment will remain of high importance given the major challenges in the promotion of formal sector employment.

Table 8.1: Labour Force Outlook, 2001 and 2007

ITEM	2001		2007	
	No.	%	No.	%
Labour Force (Actively Seeking Work)	325,930	100.0	406,400	100.0
- Of Which Openly Unemployed	54,851	16.8	36,576	9.0
- Of Which in Agriculture	240,928	73.9	296,672	73.0
- Of Which in Military / Police	900	0.3	1,000	0.3
- Of Which in Public Administration	9,605	2.9	11,200	2.8
- Of Which Other Private / NGO	19,646	6.1	60,952	14.9

Figure 8.4: Labour Force in 2001 and 2007



PRICES AND WAGES

8.7 Recent price movements have been subdued with year on year inflation to March 2002 recording a negative -2.2%. The policy stance and outlook for prices and wages are as follows.

- a) The maintenance of price stability is a key goal, which will be pursued principally through the policy on continued use of the US Dollar as the national currency along with a package of consistent macroeconomic policies. In these circumstances the outlook is for continued subdued inflation at levels that are no higher than projected United States inflation of two to three percent per year.
- b) The pursuit of moderate wage growth is seen as important for furthering a number of macroeconomic goals, including - higher economic growth - employment generation; and improved international competitiveness to reduce external trade imbalances. It will be important for the public sector to lead rather than follow the market in wage setting and ensure that the growth in public wage levels are below price inflation throughout the Plan period. Flexibility in wage setting will still occur where necessary to respond to market circumstances, but the wage increases occasioned by skills shortages are likely to be offset by relative wage reductions in areas of skills surpluses.

Figure 8.5: Changes in Consumer Prices and Public Wages, 2001-2007 (%)



FISCAL/BUDGET

Domestic Revenues

8.8 Domestic revenues have recently been very low at around five percent of GDP or US\$19 million a year. Government policy is to gradually increase the amount of domestic revenue raised, consistent with the current fragile and narrow economic base. At the time of preparation of the Plan, recommendations of the March 2002 Mission of the IMF (which reviewed tax and revenue policies) are under consideration, with a number of new initiatives possibly to be included in the FY 2003 budget (rates may rise modestly on: import duties, sales tax, services tax, general excise, excise on cars, and specific excise rates). Attempts are to be made to raise efficiency and yields in collecting existing taxes. Notwithstanding that some policy and administrative reforms are likely for FY 2003, and later during the Plan period, the scope to dramatically raise domestic revenues is limited in the short to medium term.

8.9 The medium term outlook for domestic revenues is contained in Appendix Table 2 and Figure 8.6. It indicates that total collections will grow from recent levels of US\$19 million per year to US\$27.6 million by 2006/07. Domestic revenues as a proportion of GDP are expected to rise moderately over the Plan period. Indirect taxes, especially taxes on imports, currently dominate domestic revenues and this trend is expected to continue over the Plan period.

Timor Sea Oil and Gas Revenues

8.10 On July 5, 2001, East Timor and Australia signed the Timor Sea Arrangement (TSA) with the intention of converting this to a Treaty upon East Timor's Independence. The TSA establishes a Joint Petroleum Development Area (JPDA) in the Timor Sea pending a final delimitation of seabed boundaries. Under the TSA, East Timor will receive 90% of petroleum from the JPDA and Australia 10%.

8.11 There is one small producing oilfield in JPDA, Elang Kakatu; although this is expected to close around the end of 2002. The Bayu Undan liquids project (condensate and liquid petroleum gas) was approved in 2002 and should begin production early in 2004. Full gas development at Bayu Undan depends upon Australian regulatory approval of part of the understandings on fiscal terms reached between East Timor and Bayu Undan contractors in December 2001. Meanwhile,

in March 2002 the contractors announced a gas sales agreement with Japanese utilities for LPG from Bayu Undan Gas. The Greater Sunrise gas-condensate field lies partly within the JPDA as defined in the TSA. A development arrangement for this field has yet to be agreed among the joint venture partners.

8.12 There is still much uncertainty about revenue prospects from the Timor Sea. The main uncertainty relates to whether particular projects will proceed at all. Further uncertainty remains about the gas pricing method. Even if these uncertainties abate, East Timor will still be exposed to the risk of lower than expected world prices for oil and gas. It is therefore appropriate for East Timor to forecast Timor Sea revenues with caution.

8.13 If oil prices remain above US\$18 per barrel (Brent Crude) then the Bayu Undan field is estimated to yield (in current prices) US\$1.8 billion to US\$ 3.2 billion to East Timor over the project life up to 2021. The higher figure assumes that full gas development occurs, while the lower assumes it does not. This is a “base” forecast, with an equal chance of a better or worse outcome. Accordingly, East Timor’s fiscal planning should use conservative estimates until there is confirmation of higher prices or new development outcomes.

8.14 The Bayu Undan Phase-2 project, if developed would be a dry gas project based around either a pipeline to Darwin or a floating manufacturing facility at the well site. Possible additional capital costs (extraction only) are around US\$500 million. Gas reserves are estimated at 3 trillion cubic feet. The potential revenue to East Timor over a 20-year site life has been tentatively estimated at US\$1.4 billion (current prices).

8.15 Annual revenues from Bayu Undan from FY 2006 to FY 2009 (oil and gas) are unlikely to exceed US\$100 million; perhaps just sufficient to support planned public (budget) expenditures during those years. Thereafter, revenues are estimated to be higher for a decade or more. East Timor needs to finalise and implement a revenue smoothing and savings strategy well before then.

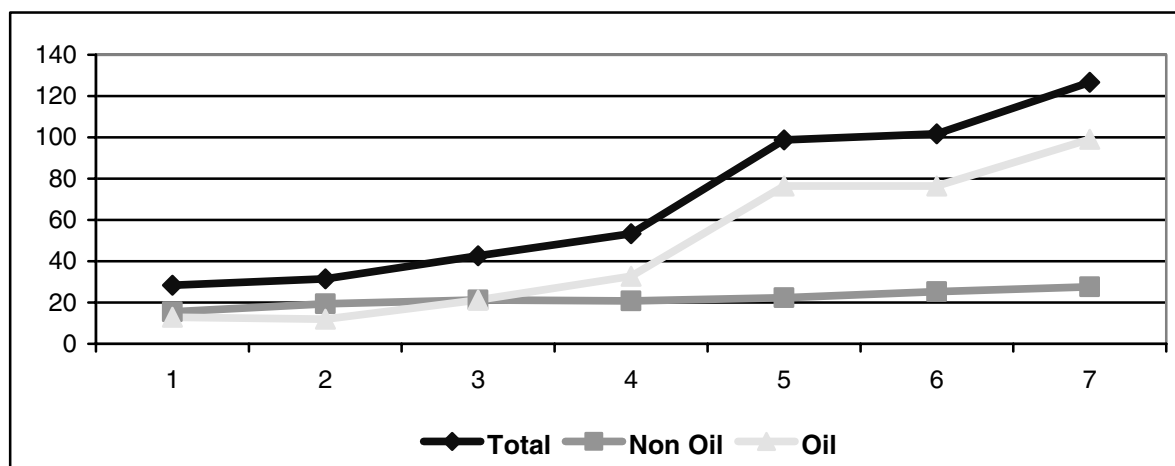
8.16 While there may be substantial uncertainty about Timor Sea revenue flows, it is clear that for the next three years at least such revenues under any scenario will be insufficient to finance government expenditure needs. There are also prospects that there will be shortfalls in revenue beyond FY 2005. The position may improve in the following years, but no substantial excess of revenue is likely until around FY 2010.

8.17 The long term implications of the oil and gas sector are covered in more detail later in this chapter. The remainder of this section concentrates on anticipated revenues to FY 2007, which are detailed in Appendix Table 2, Table 8.2 and Figure 8.6.

Table 8.2: Distribution of Timor Sea Revenues, FY 01 to FY 07

ITEM	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	TOT. 01/07	%
Total Oil Revenues	12.9	12.0	21.3	32.7	76.4	76.4	99.1	330.8	100
Oil Revenues to Budget	9.8	6.0	20.5	26.1	52.2	78.0	84.0	276.6	83.6
Oil Revenues Saved	3.1	6.0	0.8	6.6	24.2	(1.6)	15.1	54.2	16.4

Figure 8.6: Components of Total Government Revenue, FY 2001 – FY 2007 (US\$m)



Total Expenditures

8.18 Expenditure planning is occurring in the context of an MTFE covering the period FY 03 to FY 05. The analysis in this plan uses this period and the MTFE as the fundamental building block for expenditure planning, but also adds to it fiscal years 06 and 07. Detailed information on the outlook for expenditure is contained in Appendix Tables 3, 5, 6, 8, 9 and 10; Table 8.3 and Figures 8.7 to 8.9.

8.19 At the time of plan preparation the CFET budget for FY 03 was still in the very preliminary approval stages having been tentatively endorsed by the COM, but yet to be considered by the National Parliament. Furthermore, due to uncertainties about the availability of external donor financing, the Council approval covered a range of total expenditure possibilities for FY 03, from a core of US\$67.4 million to a peak and preferred level of US\$77.2 million.

8.20 This Plan supports the provision of external donor financing to allow for total expenditures of US\$77.2 million in FY 03. In the Appendix tables and in the analysis which follows, this amount is used for the FY 03 estimate and as the base for expenditure planning over the full Plan period. Should financing levels to support this expenditure base not be forthcoming then modest adjustments will be needed to total expenditure numbers for FY 03 and possibly for FYs 04 and 05. However, no such adjustments should be necessary to estimates for FYs 06 and 07 which can be Government financed at proposed levels without recourse to donor CFET budget support. The Planning Commission considers the base expenditure level of US\$77.2 million for FY 03 to be appropriate for the following reasons:

- a) Total combined sources expenditure is projected to drop sharply in FY 03 (by 24%) as is Nominal GDP (by 8.5%). It is important for public expenditure to hold up economic activity in the coming difficult years, to the maximum extent possible. Had very significant expenditure outlays during the UNTAET period been conserved somewhat better over time than occurred, a smoother contraction would have been possible, and smoothing the transition still warrants support.
- b) Significant UNTAET common and other services are to be discontinued in FY 03 and will need to be directly or indirectly picked up by CFET. The net effect of UNTAET withdrawal from service delivery will be a significant real decline in resources available for public service delivery in FY 03 (and beyond) compared to FY 02.

- c) The proposed expenditure base for FY 03 combined with gradually and smoothly growing planned expenditures over the remainder of the Plan period, leads to levels of expenditure in 2007 that are sustainable in relation to both the Government's and the IMF's assessment of long term resource availability from Timor Sea oil and gas.

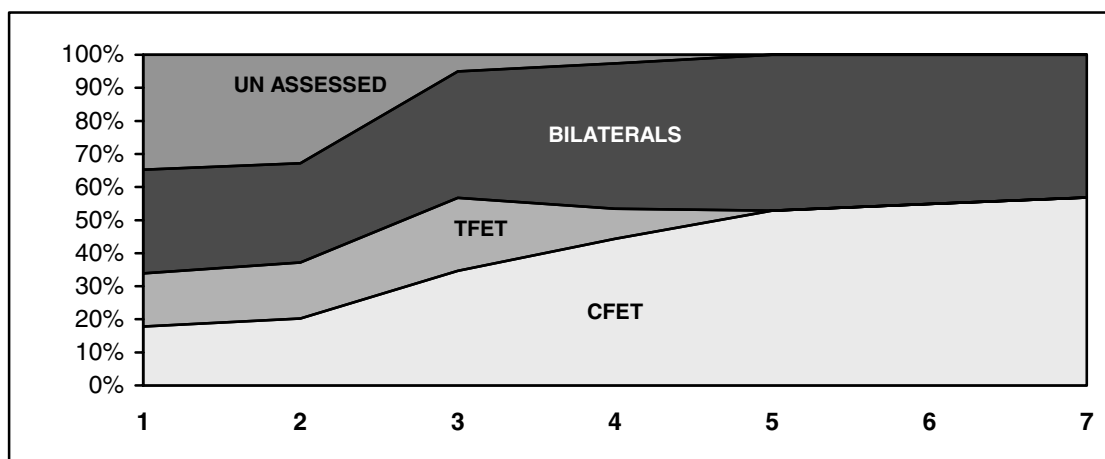
8.21 At present there are various dimensions to public expenditure in East Timor. The CFET covers the Government's own budget and sets out expenditure over which the Government has most direct control (although in the short term it will continue to rely heavily on donor financing to support it). Other elements of expenditure which go to make up Total Combined Sources Expenditure are: (a) TFET, which is a project trust fund financed by donors and administered by the World Bank and Asian Development Bank jointly; (b) Bilateral development projects; and (c) UN Assessed Contributions supporting the Budget (mainly foreign staff). Over the Plan period the CFET budget is expected to grow in significance while all other forms of expenditure will decline significantly. Total combined sources expenditures are expected to decline very sharply over the next 3 years. Trends in total levels of expenditure of each of the components are set out in Table 8.3 and Figure 8.7.

Table 8.3: Growth Rates of Combined Sources Expenditure Components, FY 2001 to FY 2007 (%)

ITEM	FY02	FY03	FY04	FY05	FY06	FY07
Total CFET	13.8	32.2	11.1	11.5	8.0	8.0
TFET	6.5	0.0	(63.9)	(100.0)
Bilateral Projects	22.0	(3.7)	(2.0)	0.0	0.0	0.0
UN Assessed	(5.0)	(88.4)	(54.5)	(100.0)
Total Combined Sources	0.6	(23.2)	(12.9)	(6.6)	4.2	4.4

Note: Numbers in brackets signify negative numbers

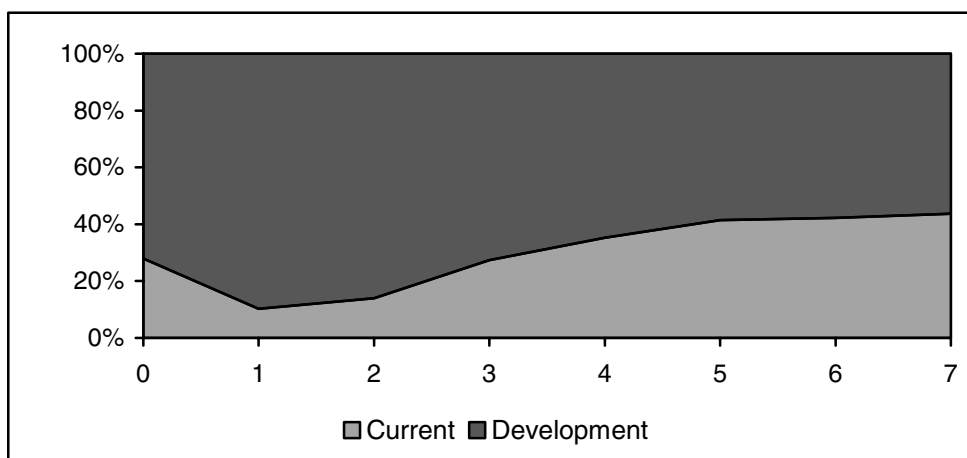
Figure 8.7: Components of Combined Sources Expenditure, 2001-2007 (%)



Recurrent and Capital / Development Shares of Total Combined Sources Expenditure

8.22 In recent times the share of capital and development expenditures in total combined sources expenditure has been very high, buoyed by donor expenditures (Appendix Table 3). This situation is not expected to continue over the Plan period with the share of capital and development expenditure declining towards more normal levels. Expected trends are set out in Figure 8.8. To some extent the recent trends shown are an overstatement, because much of recent donor spending categorised as development has not been strictly capital or developmental in nature, but rather has included large components of current outlays (particularly in the form of Technical Assistance). The outlook for 2007 is that development expenditure will have fallen to around 56% of the combined budget and 25% of GDP. While still quite high it assumes continued high levels of bilateral support and this is considered appropriate for East Timor’s current early stage of development. The proposed nature and composition of the future development budget is set out in Appendix Tables 8 to 10 and is commented on in more detail below.

Figure 8.8: Shares of Current / Development in Combined Sources Budget, 2001-2007 (%)



Expenditure Allocations by Agency and Function

8.23 Anticipated trends in the Agency and functional composition of CFET total expenditures between FY 2002 and FY 2007 are set out in Appendix Tables 5 and 6 and Figure 8.9. Analysis of the recent situation (FY 2002 revised budget) in terms of expenditure allocation by Agency and function reveals three important concerns for the development of future expenditure policy:

- a) By international standards there is a quite high amount spent on bureaucracy and administration at present. The functional data indicates a significant 15% of the CFET budget allocated to General Public / Administrative Services. Most countries aim to keep this ratio below 10%. (However, comparison of East Timor's budget situation with other countries requires caution).
- b) Subsidies to the energy sector are very high at US\$ 6.8 million, representing 11.6% of all budget expenditures. There is an obvious need to progressively reduce and remove this subsidy over a relatively short period of time.
- c) As a result of the above expenditure patterns, resources available to priority areas of Government are far less than they should be. This applies particularly to education, health, infrastructure maintenance and development; and agricultural extension and investment. These patterns in part reflect the post crisis nature of the economy and with good management can be expected to even out over time.

8.24 Future planning policy needs to focus on progressively changing these inherited difficulties. At this point in time the Government is not sufficiently well advanced in its planning to have very hard sector and Agency ceilings in place for each of the 5 years of the Plan. Furthermore, all countries need to maintain reasonable flexibility with forward expenditure plans. Accordingly, neither the MTFP nor the Plan presents very hard numbers for outer years of the Plan. Notwithstanding this it will be critically important to actively manage and monitor expenditure allocations over time to ensure that they are consistent with planning and policy priorities.

8.25 Rather than set out hard plans for expenditure allocations over the course of the Plan period one illustrative example is now provided of a policy based approach to gradually changing the composition of expenditures over time. In this regard an example of a relatively challenging reform to the composition of expenditures over time is set out in Tables 5 and 6 and in Figure 8.9. This example of one possible reform to the composition of expenditure reflects moderately different outcomes than the forward estimates presented in the Budget documents. The forward estimates in the Budget documents set out the future ongoing costs of existing policies and programs. In contrast this Plan sets out an example of ongoing change to the composition of expenditures over time in the direction of higher funding for priority areas identified in the planning process. If new spending policies and priorities were implemented over coming years, the nature of the forward estimates would also change.

8.26 The main operational policies driving this illustrative example are:

- a) Allocations for the FY 03 budget are taken as given in line with preliminary decisions of the COM in April 2002.
- b) Most administrative, defence, police and general public service expenditures over the Plan period FY 04 to FY 07 are constrained to annual expenditure growth of 2% per annum, thus approximately maintaining real expenditure levels.

- c) The subsidy on energy is progressively withdrawn during the Plan.
- d) Bulk funding for infrastructure and capital development is provided at relatively high levels and broadly in line with the April COM Budget Meeting and consistent with the Preliminary Forward Estimates (US\$15.5 million in FY 04; US\$17.5 million in FY 05, US\$17.9 million in FY 06; and US\$ 14.6 million in FY 07).
- e) The remaining wedge of resources is made available to education, health, agriculture and water and public works expenditures. These four priority areas are able to grow considerably faster than all other budget areas, at an annual average growth rate of 21% throughout the Plan period.

8.27 In summary in the example presented, the main expenditure composition results that could be achieved over time are:

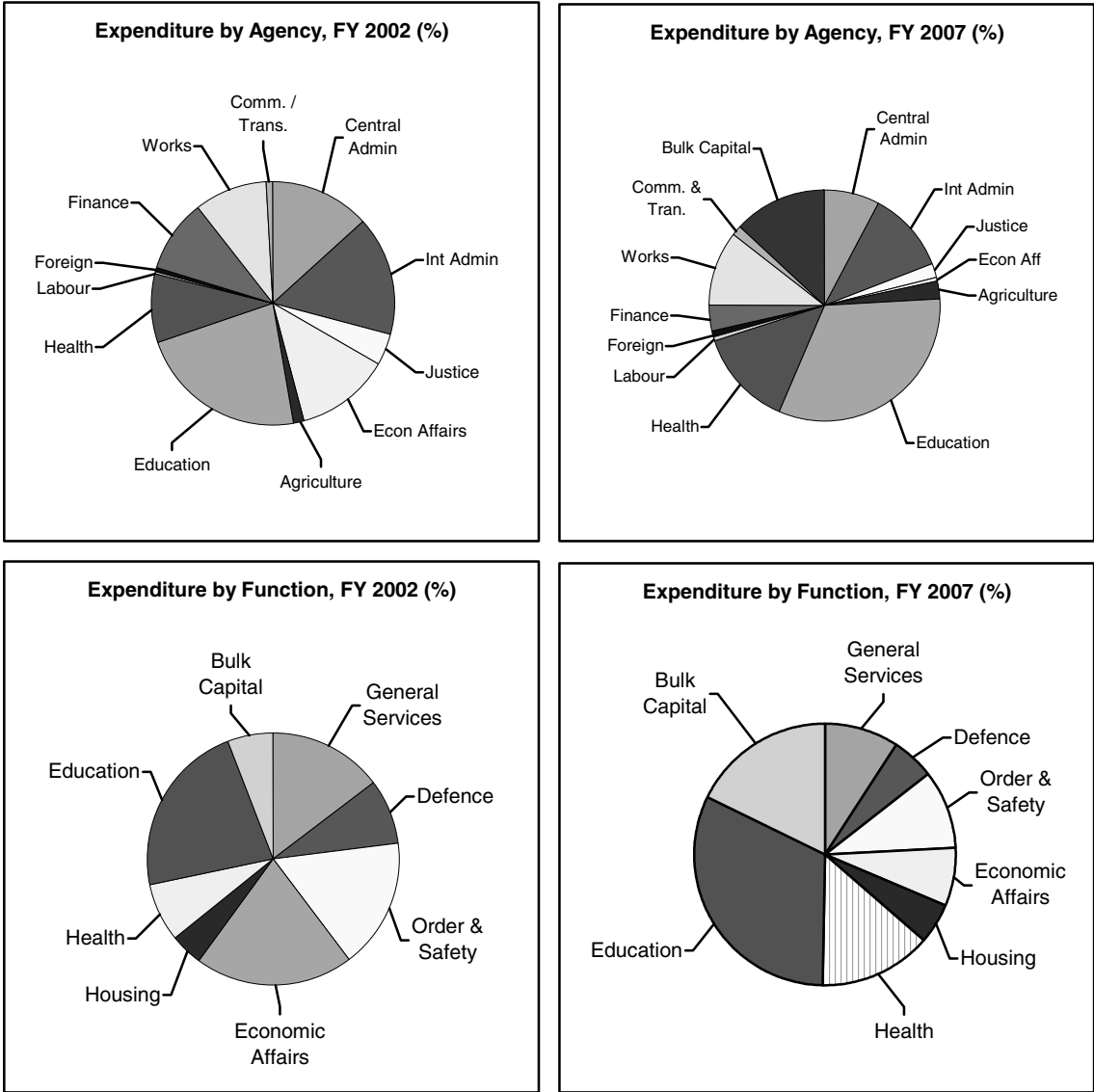
- a) The share of General Public Services expenditure would fall from 14.6% of Total Expenditure in FY 2002 to 9.2% in FY 2007. Major relative declines would occur in the administrative expenditures of the Government.
- b) The share of Defence would decline from 8.4% in FY 2002 to 5.2% in FY 2007.
- c) Outlays on Public Order and Safety would decline from 16.8% of total in FY 2002 to 9.8% of total in FY 2007.
- d) Outlays on Economic Affairs would fall from 20.3% of total in FY 2002 to 7.1% of total in FY 2007. Within this sector the major gainer would be Agriculture while the major downward adjustment would be on subsidies to electricity consumers which would be phased out (these account for the whole decline).
- e) The share of Environment, Housing and Community Development would rise from 4.1% of total in FY 2002 to 5.2% of total in FY 2007 (mainly due to increased funding to water supply).
- f) The share of Health would rise significantly from 7.6% of total in FY 2002 to 13.7% of total in FY 2007.
- g) The share of Education would rise significantly from 22.4% of total in FY 2002 to 32% of total in FY 2007.
- h) In 2002 there were no significant funds available for infrastructure development. Proposed bulk funding for infrastructure would see around 20% of the total CFET budget allocated to infrastructure every year through the Plan period (17.8% in 2007).

8.28 Overall, in this illustrative example the main relative gainers are education, health, infrastructure and agriculture. The main downward adjustments are to central administration and bureaucracy, police, defence and electricity subsidies. However, apart from electricity subsidies (which are completely phased out) all other Agencies maintain the real value of their FY 2003 expenditures, even though they do not grow as fast as the priority areas. The allocation policies in this illustrative example reflect priorities that have been identified and agreed in the planning process and are elaborated on in more detail in the sector and strategy sections of the document. They represent one example of challenging targets to aim for over the course of the Plan.

8.29 The main point in presenting this illustrative example is not to recommend it as the only possible approach to allocating budget resources over the medium term. Indeed current political (not Plan) perceptions are that higher levels of resources should go to defence, foreign affairs and police than are provided for in the example. Rather the purpose of the illustrative example is to draw out some more general pointers for expenditure planning approaches over time. The broader messages are:

- a) The Government if it desires it strongly enough can change the compositional nature of the budget over time to better reflect Government priorities and development needs.
- b) Sectors and Agencies in most countries are able to manage their resources and affairs more effectively where they have reasonable medium term clarity concerning likely levels of available budget resources.
- c) Further institutional, technical and coordination strengthening at both political and public service levels will be needed in East Timor to improve expenditure planning over time, particularly to more closely equate expenditure allocations with policy and planning priorities.

Figure 8.9: CFET Expenditure by Agency and Function, FYs 2002 and 2007 (%)



Financing the Deficit and Aid

8.30 The outlook for combined sources financing over the Plan period is contained in Appendix Table 4. Large fiscal deficits are anticipated over all years of the Plan (-50.2% of GDP in FY 2003; -39.9% of GDP in FY 2004; -22.1% of GDP in FY 2005; -21.7% of GDP in FY 2006; and -16.0% of GDP in FY 2007). All deficits are to be financed with donor grants with no public borrowing planned. Donor support to run the CFET budget is required for FYs 2003, 2004 and 2005, but from then on oil revenues are estimated to be adequate to fund the CFET budget.

8.31 All of the projected combined sources deficits in the years FY 2003 to FY 2007 are assumed to be financed by donor grants. It is anticipated that this will include contributions from: (a) a donor facility to support on budget current and development expenditures under CFET, at least for FYs 03, 04 and 05 and if necessary beyond that; (b) TFET; (c) Bilateral Projects; and (d) UN Assessed Contributions. By FY 2006 all of these financing sources apart from bilateral projects will have wound down to zero. Trends in projected deficit and financing levels over the course of the Plan period are set out in Figures 8.10 and 8.11 below.

Figure 8.10: Combined Sources Deficit (-) as % of GDP, FY 2000 to FY 2007

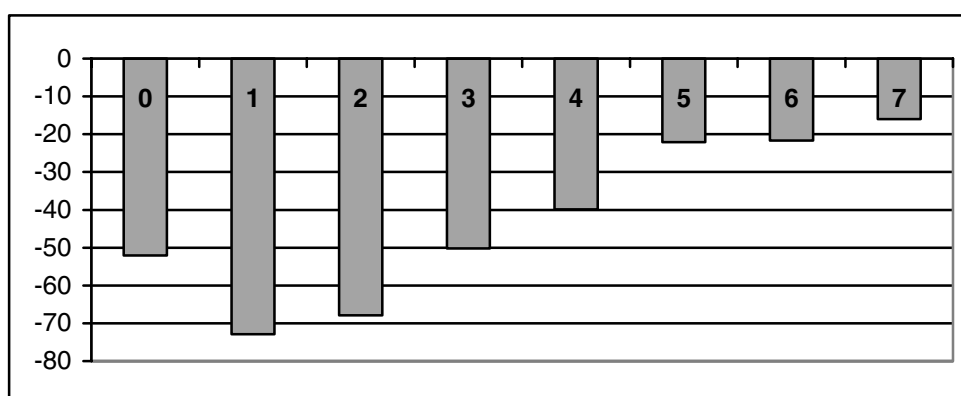
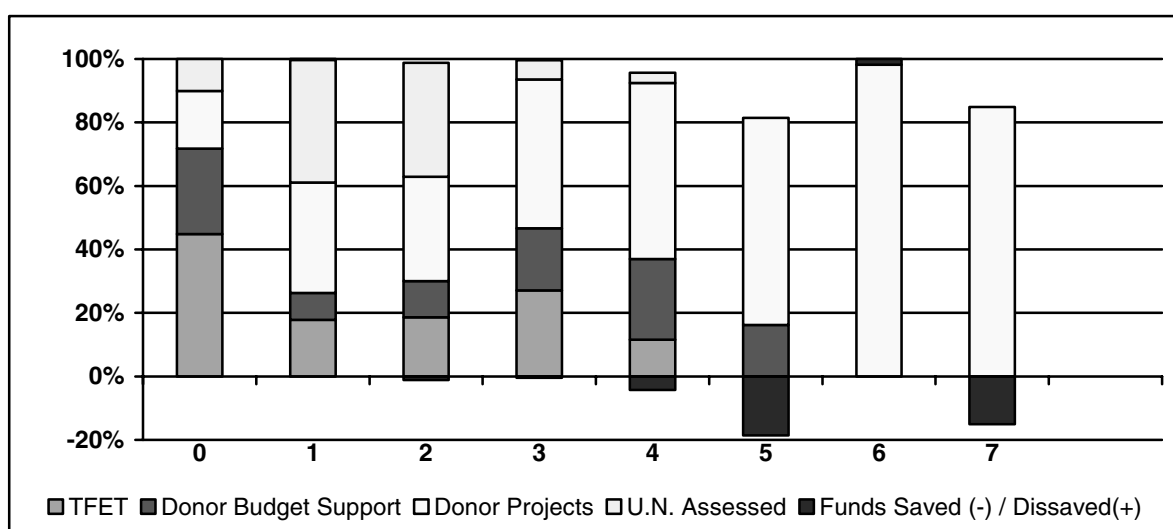


Figure 8.11: Combined Sources Financing Components, FY 2000 to FY 2007 (as % of Total)



BANKING AND FINANCE

8.32 For the immediate future the Government intends to retain the United States Dollar as East Timor's currency. This along with responsible management of the package of macroeconomic policies should ensure price stability. Given dollarisation, there is essentially no scope at this stage for the application of flexible monetary and currency policies by the Government. In these circumstances – and in view of the paramount objective of ensuring a competitive position for East Timor's producers – it will be important to follow closely developments in the real effective exchange rate (which is the exchange rate adjusted for inflation) for East Timor, and to assess its implications for economic growth and external balance.

8.33 In the meantime, there will continue to be a broadening and deepening of the capabilities of the BPA, with a view to preparing it to perform the fully-fledged functions of a central bank. Accordingly, the phased process of institution building that has been developed with support from the IMF will be continued. In particular, further efforts will be made to train East Timorese staff in performing central banking functions, including reserve management, provision of banking services to the government, development of the payments system and supervision of banking institutions in accordance with core Basle principles. Moreover, there will be growing emphasis on developing the economic analysis capability of the Authority, with the creation of an incipient economic and financial research department. In this context, importance will be attached to the further development of banking, financial and balance of payments statistics.

8.34 Other major elements of the new institutional set up are expected to include:

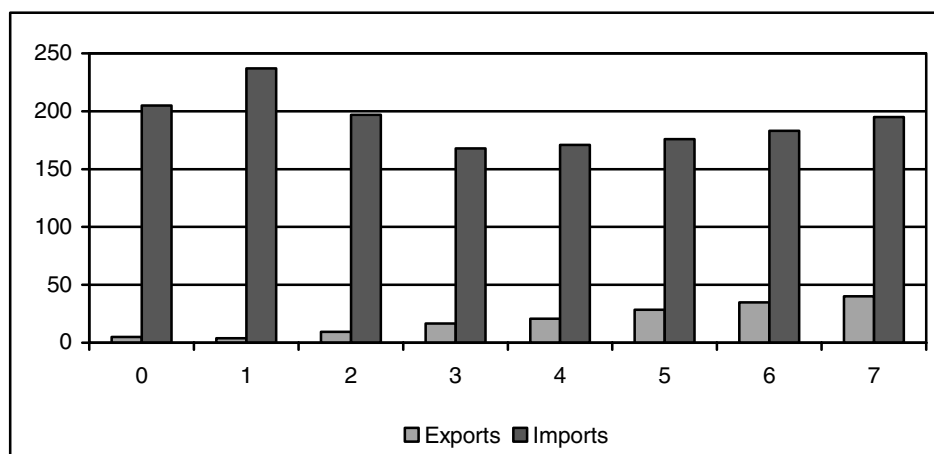
- a) Legislative review and upgrading of laws within the sector (to occur by early 2003).
- b) A rise in the number of licensed commercial banks beyond the current number of two.
- c) Increased diversity in the sector with a number of non-bank financial institutions having commenced operations by the end of the Plan period (leasing; finance companies etc).
- d) Access to branch or agency offices of financial institutions will have broadened to include at least minimum access in all main district centres.
- e) Establishment by the end of the Plan period of at least some institutions relating to:
 - General and life insurance.
 - Micro savings and credit schemes.
 - Private superannuation and related savings schemes.
- f) A significant increase in Bank deposits (demand and time) and lending compared with recent levels.

EXTERNAL/BALANCE OF PAYMENTS

8.35 The external and balance of payments outlook is summarized in Appendix Table 7 and in Figure 8.12 below. Key elements of the external outlook are as follows:

- a) Non oil exports will recover somewhat from recent levels, though at US US\$40 million per year by plan end will remain quite low, with potential for higher levels if agricultural export growth can be stimulated.
- b) New oil revenues from the Bayu Undan field from 2004 will assist the balance of payments through receipts of royalty and taxation payments. As the Timor Sea producers are being treated as non-residents, Trade, Services, Income, Capital and Financial transactions from the project are not recorded. In any event the project is expected to be enclave in nature, with most foreign retention occurring in the form of revenue payments to East Timor.
- c) Activities of UNTAET and the international donor community have had a major influence on the external accounts in recent periods, fuelling a large growth in imports on the Trade Account to be offset by Donor grant financing, with no net impact on the Overall Balance. The impact of these foreign flows is expected to diminish throughout the Plan period. General imports (which are not related to either aid or oil imports) are expected to be relatively modest throughout the period, although still significantly higher than merchandise exports.
- d) As a result of the above trends the estimated current account deficits are moderately high in all years of the Plan period (averaging 12% of GDP), which are to be largely financed by international grant and capital inflows.
- e) In terms of overall balance, there are small negative balances projected for 2002, 2003 and 2004 following which there is a gradual build-up of positive balances to 2007. In the main these positive overall balances are represented by savings of Timor Sea oil revenues, which will be built up in a special offshore savings facility to be introduced.

Figure 8.12: Merchandise Imports and Exports, 2000-2007 (US\$m)



TWO CRITICAL FINANCING ISSUES

8.36 Arrangements for financing expenditure over the Plan period take on importance in East Timor. There are two significant issues for medium term financing, which are:

- a) Proposed management approaches and outlook for oil and gas revenues.
- b) Aid management policy and the preferred forward aid program.

PROPOSED MANAGEMENT APPROACHES AND OUTLOOK FOR OIL AND GAS REVENUES

Introduction

8.37 The short to medium term outlook for oil revenues has been set out at 8.10 above. It depends heavily on the outlook for Bayu Undan which is currently under construction. Apart from this approved petroleum liquids project (with approval on the gas phase still pending), there is one other highly promising site under consideration, but not yet approved for development. This is the Sunrise Troubador project, which if developed would be mainly (about 90%) a dry gas project, also based around either a pipeline to Darwin or a floating manufacturing facility at the well site. Based on the feasibility work undertaken the possible capital costs (extraction only) are around US\$700 million. Gas reserves are estimated at a significant 10 trillion cubic feet, with potential production of 1,970 petajoules of gas and 70 million barrels of condensate. Potential total revenue to East Timor over a 20-year site life has been tentatively estimated at US\$1.0 billion (current values).

8.38 Because no development contracts are yet in place for this potential project and because of engineering, commercial and international diplomacy uncertainties, no direct account has been taken of it in the current national planning exercise. However, it is current Government policy to pursue arrangements whereby these projects will come to full fruition in future years. This will depend on reaching agreement with potential developers on terms and conditions that are satisfactory for both the developers and the people and Government of East Timor.

8.39 The remainder of this section concentrates on the longer-term outlook and management approaches to the Bayu Undan Project. However, while the economic and commercial outlooks for different projects will vary, similar management approaches (as those set out below) are likely to be pursued for all future projects.

Proposed Management Approaches

8.40 Important elements and guiding principles of the management approaches that will be pursued are as follows.

- a) The risks of Dutch Disease are now widely known and Government policy seeks to avoid such effects. Common elements of this disease include: (a) booming conditions in the oil sector can cause real upward movements in currency, price and wage levels, leading to diminished competitiveness and prospects for other sectors of the domestic economy, such as agriculture, industry and tourism; and (b) frequently, Government expenditure rises to levels above the effective absorptive capacity of the economy, leading to wastage in both recurrent and capital expenditures of the government budget.
- b) Once higher oil revenues start to flow (currently expected to reach peak levels around FY 2010), oil revenues will not be taken directly into the budget, but will go initially into an offshore pool of foreign financial savings and investments. These investments will be of a secure nature (Investment Grade AAA only) and will aim to provide a secure stream of interest and dividends income, that can be brought into the budget without diminishing the real capital value of the Fund over time (after it reaches its projected peak level, around twenty years into the Bayu Undan project).

- c) The precise mechanisms to implement the above savings goals are still being developed, partly in consultation with officials from the Norwegian Government Agencies responsible for similar mechanisms for supervising and managing oil revenues in Norway. While it is likely that a Norwegian type model and legislation will be introduced within the next 6 to 12 months it is still too early to be precise on all the fine details. However, important elements of the management approach are likely to be as follows:
- The approach will be backed by strong legislation, which will provide quite limited discretionary powers to Ministers to adjust legislated flows of finances either into or out of the Fund. In the first instance all funds received are likely to be deposited offshore.
 - The legislation is likely to contain principles to apply to the collection and draw down of funds, with close integration with the budget processes. Some flexibility will need to be built into the principles to allow for changing circumstances and particularly during the early years, to allow for some draw down of capital until such time that the fund reaches its peak capital and earnings level. However, all significant matters affecting the flows of funds are expected to require legislative backing.
 - After peak capital levels are achieved, a central principle is likely to be that the real capital value (value adjusted for price and currency movements) of the offshore fund will be at the very least maintained (hopefully it will grow) over time.
 - Thus amounts drawn into the budget will be at levels that are sustainable in terms of maintaining the real capital value of the Fund. At the same time the aim will be to draw down amounts in a consistent and regular fashion each year, to allow medium term management of expenditures and the budget in smooth and predictable ways, without abrupt changes from year to year. Appropriate management of expenditures and the total budget from year to year will be critical for successful management of oil revenues.
 - Offshore investments will be managed by a diversified range of AAA Grade Investment Funds. Regular monitoring of investment performance of individual Managers and the Total Fund will occur by the MoF and the BPA.
 - The Timor Gap Authority (which regulates licensing, production sharing and other matters in joint areas of the Timor Sea) will maintain high standards and will be staffed only with people of high international standing, so as to fulfil properly its licensing and regulatory functions and also to undertake the important role of monitoring collection of tranche 1 and tranche 2 oil payments to East Timor.
 - The Revenue Service will be strengthened to ensure proper administration of the collection of oil revenues, using the highest international standards. Where necessary international technical assistance and the international contracting out of particular tasks will be undertaken. Regular and complete tax audits of oil operators will be a common feature of future tax administration.

Financial Outlook

8.41 Important elements of the financial outlook for Bayu Undan Project (both liquids and gas phases) are as follows:

- a) Total of 370 million barrels of condensate and LPG and 3 trillion cubic feet of gas over the 20-year life of the project.
- b) Estimated total revenue (from all sources) to East Timor of approximately US\$3.2 billion over the course of the project (at current prices).
- c) Recent modelling by both the Government and the IMF under quite conservative assumptions of the build up of the offshore savings fund indicate:
 - That the fund will achieve peak level in excess of US\$1.3 billion (2000/2001 constant prices) in the early 2020s.
 - That beyond this peak the Fund should be able to support regular drawings of around US\$60 to US\$70 million per year (2000/2001 values, but to be adjusted annually to approximately maintain the real value of drawdowns).
 - Provided there is solid growth over time in the Non Oil domestic revenues to around 10 to 12% of GDP, the budget should be able to maintain annual total expenditures of around 25% of GDP (US\$ 97 million in 2001 values), without recourse to CFET debt financing (though capital and technical forms of donor assistance are still sought over the longer term). This total level of expenditure is broadly equivalent to current plan estimates (where total CFET expenditure in 2006 / 07 levels out at around 25% of GDP – Appendix Table 3).
 - In the event that the Bayu Undan phase-2 gas component did not eventuate a somewhat lower level of expenditures would be needed to sustain the real value of the offshore fund in perpetuity.
- d) To the extent that oil prices are significantly above US\$18 a barrel or that Sunrise Troubador and other prospective sites are developed at a later stage, then the situation presented would be even more promising. In these circumstances it is likely that the peak capital size of the Fund would increase sharply beyond the currently projected levels and that there would be scope for either higher annual levels of capital and development expenditures through the budget than are currently planned or for higher levels of savings for future generations, or a combination of both.

AID MANAGEMENT POLICY AND THE PREFERRED FORWARD ODA PROGRAM

CFET Budget Support

8.42 Foreign aid (or ODA) in its various forms has funded the bulk of public expenditures since 1999. This trend is expected to continue for the full period of the Plan, although the largest need will be in the first three years of the Plan. Beyond that it is anticipated that there will be no need for donor budget support, (although there are risks that this situation will change if oil revenues do not reach expectations).

8.43 Other ODA is expected to continue for varying periods throughout the Plan (refer to Figure 8.7). TFET is expected to wind down sharply from FY 2003 and to cease completely in FY 2004. The UN Assessed Contributions are expected to be phased out in FY 2004. It is anticipated that bilateral capital projects and technical assistance will continue over the longer term, and it is hoped that these can be maintained over the medium term to levels of at least US\$ 85 million per year. This is the minimum level needed over a long period of time to sustain the growth and development projections.

8.44 Reaching agreement with donors on the amount of budget support to be provided in FYs 2003 to 2005 (and if necessary beyond) is a matter of major importance for the Government. The processes and terms and conditions of such assistance are also of great importance. At present discussion is still proceeding as to amounts and processes to apply. It is hoped that broad agreement will be reached before the May 2002 Donor Conference, which will be asked to endorse the proposed arrangements.

Aid Policy

8.45 As at April 2002 discussion is occurring in terms of a possible single ODA facility to cover budget support funding in the coming financial years before significant oil revenues arrive. It seems likely this facility will include contributions from a number of participating donors, but will probably be managed and coordinated through one or two donors. The more important policy positions of the Government on the finalization of such a facility (and more generally in relation to aid policy) are as follows:

- a) There is a strong policy preference for grant forms of assistance with no borrowing in the early years of independence.
- b) Significant assistance is needed in the early years in the form of direct budget support to assist the general current operations of government and to finance a small capital development fund. While it is hoped that the need for assistance will not extend beyond FY 05, the Government recognizes the need to be cautious as to the actual levels of oil revenue collections and requests donors to remain flexible in their provision of budget support beyond FY 2005 should developments in the oil sector require it.
- c) Future aid planning makes some provision for longer-term technical assistance in the five years after independence (around three hundred longer term positions). This TA support is specifically meant to cover long term line positions, initially to be filled by expatriates. Beyond these identified positions (and any subsequently identified), the Government's preference is for a much lower proportion of TA than occurred in the UNTAET period (In the period from 1999 to June 2002 it is estimated that TA spending will represent US\$114.2 million out of the total ODA spending of US\$323.1 million, or 35% of the total). It is preferred that the great bulk of future ODA support goes into capital and development projects that have been identified by the Government and agreed with donors.
- d) The Government lacks the capacity to manage a facility with a large and complex conditionality matrix. To the extent that any conditionality matrix at all is required, Government is of the view that it should be simple, containing only a small number of conditions, most of which should relate to total levels of CFET expenditure and agreed targets for the composition and nature of both current and development expenditures.

- e) All future ODA should take close account of Government's Vision, Goals, Guiding Principles, Policies and allocational priorities between sectors as contained in this plan, to assist in the identification and formulation of future programs and projects of assistance. In relation to formulating ODA programs and projects within sectors this should extend to understanding and supporting the various sector chapters of this plan, which set out goals, priorities and policies for future assistance within each of the sectors (along with indicative programs and projects). Appendix Table 9 provides information on the composition of already approved and programmed bilateral ODA over the period, FY 00 to FY 07. In many respects existing and planned bilateral assistance has been favourably consistent with the priorities of the Plan. For example 18% of the total has gone to Agriculture and Fisheries, 14% to Education, 11% to Health and 22% to Infrastructure areas of Water, Public Works, Communications and Transport. On the other hand significant amounts have also been devoted to central administration (around 30% of total bilateral ODA). In some areas overlaps between donors' contributions, particularly in competing forms of TA, have occurred and this needs to be addressed.
- f) As part of institutional strengthening it is proposed during the course of the Plan to centralize all aid coordination and management functions under one roof, possibly in the Ministry of Finance. This should allow for easier integration of the current and development budgets and a closer linking of ODA with the MTF, budget preparation and management.
- g) The UNTAET Regulation 2001/13 makes provision for a Special Funds budget to cover aid in kind and external financing that does not pass through the Consolidated Fund. All Government Ministries and Agencies are required to provide the necessary project and financial information through the budget formulation process. To increase the comprehensiveness of coverage the MoF has introduced a database which aims to include all approved forms of ODA and to track disbursements against financing agreements, mainly using information collected from donors. It is proposed in future years to present more comprehensive information as an annex to the budget documents with regard to all forms of ODA that are not directly on budget. The full support and assistance of donors in building up this information base is sought.

Future ODA Programs and Projects

8.46 Apart from the above general policies, other key elements of the Government's future ODA program and project needs are set out in the sector chapters of this Plan. The preferred programs and projects have been developed through the eight sector working groups involved in the preparation of the Plan. The Government seeks to gain as much future support as possible to fund these new initiatives. This includes support for projects that are to be directly on budget and also projects the bilateral donors administer more directly themselves. The sector chapters provide the details.

APPENDIX: MEDIUM TERM ECONOMIC AND FINANCING OUTLOOK TABLES

Table 1

Constant (2000) Price GDP by Sector, 2000 - 2007, (US\$ Millions; and %)

	2000	2001	2002	2003	2004	2005	2006	2007
	Estimate	Estimate	Outlook	Outlook	Outlook	Outlook	Outlook	Outlook
1. Agriculture, Forestry and Fisheries	83.3	96.0	100.1	103.8	109.4	116.5	124.5	133.0
Annual Growth (%)	-12.5	15.3	4.3	3.7	5.4	6.5	6.8	6.8
As % of GDP	25.9	25.3	26.5	28.1	29.3	30.2	30.7	31.0
2. Mining and Quarrying	3.1	3.2	3.3	3.5	3.6	3.8	4.1	4.3
Annual Growth (%)	0.0	5.5	3.3	3.5	5.1	5.4	6.0	6.0
As % of GDP	1.0	0.9	0.9	0.9	1.0	1.0	1.0	1.0
3. Manufacturing Industry	8.7	9.3	9.5	9.9	10.4	11.0	11.8	12.6
Annual Growth (%)	10.0	6.3	3.0	3.3	5.5	6.2	6.7	6.9
As % of GDP	2.7	2.4	2.5	2.7	2.8	2.9	2.9	2.9
4. Electricity, Gas and Water	2.6	2.9	3.0	3.0	3.1	3.4	3.6	3.9
Annual Growth (%)	13.3	10.1	1.6	0.9	5.3	6.7	7.6	7.3
As % of GDP	0.8	0.8	0.8	0.8	0.8	0.9	0.9	0.9
5. Construction	45.9	50.6	50.4	49.7	51.7	54.9	59.3	63.8
Annual Growth (%)	33.4	10.4	-0.5	-1.3	3.9	6.2	8.1	7.5
As % of GDP	14.3	13.3	13.3	13.5	13.8	14.2	14.6	14.8
6. Trade, Hotels and Restaurants	25.1	29.1	28.0	26.5	27.3	29.0	31.5	33.5
Annual Growth (%)	44.7	15.8	-3.6	-5.4	3.0	6.0	8.7	6.5
As % of GDP	7.8	7.7	7.4	7.2	7.3	7.5	7.8	7.8
7. Transport and Communications	23.2	26.1	25.3	24.2	25.1	26.8	29.1	31.3
Annual Growth (%)	45.8	12.6	-3.2	-4.4	4.0	6.6	8.6	7.5
As % of GDP	7.2	6.9	6.7	6.5	6.7	6.9	7.2	7.3
8. Finance, Rents & Bus. Services	21.1	24.4	23.7	22.4	23.2	24.7	26.6	28.3
Annual Growth (%)	24.5	15.9	-3.1	-5.3	3.5	6.3	8.0	6.3
As % of GDP	6.6	6.4	6.3	6.1	6.2	6.4	6.6	6.6
9. Services	108.2	138.1	134.5	126.5	119.8	116.0	115.3	118.8
Annual Growth (%)	27.0	27.6	-2.6	-6.0	-5.2	-3.2	-0.6	3.1
As % of GDP	33.7	36.4	35.6	34.2	32.1	30.0	28.4	27.7
Total (Constant Price) GDP	321.1	379.8	377.8	369.4	373.7	386.0	405.7	429.4
Annual Real Total Growth (%)	15.4	18.3	-0.5	-2.2	1.2	3.3	5.1	5.9
Total Nominal GDP	321.2	389.3	370.6	345.2	357.4	382.5	417.3	454.9
Annual Nominal Total Growth (%)	18.9	21.2	-4.8	-6.9	3.5	7.0	9.1	9.0

Sources: (a) Ministry of Finance for 2000; (b) I.M.F. for 2001; and © I.M.F. and Planning Commission for 2002 - 2007

Note: Excludes oil and gas production with Oil Companies operating in the Zone of Cooperation treated as non residents pending clarification of their status

Table 2.**Combined Sources Revenues and Grants, FY 00 to FY 07 (US\$ Millions and %)**

	FY00 Actual	FY01 Actual	FY02 Budget Revised	FY03 Budget Prelim.	FY04 Estimate	FY05 Estimate	FY06 Estimate	FY07 Estimate
A. TOTAL REVENUE (B+C)	2.0	28.4	31.4	42.6	53.4	98.8	101.7	126.7
Total Revenue as % of GDP	0.7	8.0	8.3	11.9	15.2	26.7	25.4	29.1
B. DOMESTIC REVENUE (B1+B2+B3)	2.0	15.5	19.4	21.3	20.7	22.4	25.3	27.6
Total Domestic Revenue as % of GDP	0.7	4.4	5.1	6.0	5.9	6.1	6.3	6.3
B1. Direct Taxes (Taxes on Income)	0.0	0.8	4.6	4.3	4.3	4.6	5.0	5.4
Direct Taxes as a % of GDP	0.0	0.2	1.2	1.2	1.2	1.2	1.3	1.2
Individual Income Tax	0.0	0.6	2.3	2.2	2.2	2.4	2.6	2.9
Income and Final Withholding Tax	0.0	0.2	2.3	2.1	2.1	2.2	2.4	2.5
B2. Indirect Taxes (Taxes on Commodities)	2.0	11.4	12.4	14.3	13.7	14.5	15.3	17.0
Indirect Taxes as a % of GDP	0.7	3.2	3.3	4.0	3.9	3.9	3.8	3.9
Sales Tax	0.0	3.0	3.2	4.0	4.0	4.2	4.4	4.9
Excise	0.0	4.0	4.3	5.0	5.0	5.2	5.4	5.9
Import Duties	2.0	2.6	2.9	3.4	2.8	3.1	3.3	3.7
Export Duties	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Service Tax	0.0	1.7	2.0	1.9	1.9	2.0	2.2	2.5
B3. Non Tax Revenue	0.0	3.3	2.4	2.7	2.7	3.3	5.0	5.2
Non Tax Revenues as % of GDP	0.0	0.9	0.6	0.8	0.8	0.9	1.3	1.2
User Fees and Charges	0.0	2.6	1.3	1.4	1.5	1.5	1.6	1.7
Other Non Tax Revenues (Including Interest)	0.0	0.6	1.1	1.3	1.2	1.8	3.4	3.5
C. Timor Sea Oil / Gas Revenue	0.0	12.9	12.0	21.3	32.7	76.4	76.4	99.1
Oil / Gas Revenue as % of GDP	0.0	3.6	3.2	6.0	9.3	20.6	19.1	22.7
First Tranche Petroleum	0.0	3.0	6.0	0.8	6.6	24.2	22.3	29.5
Taxes	0.0	9.9	6.0	20.5	26.1	52.2	54.1	69.6
D. FOREIGN GRANTS	154.2	258.2	260.9	180.7	146.7	106.1	85.0	85.0
Foreign Grants as a % of GDP	52.1	72.7	68.7	50.5	41.8	28.7	21.3	19.5
Trust Fund for East Timor	69.1	46.2	49.2	49.0	17.7	0.0	0.0	0.0
Direct Donor Budget Support	41.6	22.0	30.0	35.7	39.0	21.1	0.0	0.0
Projects Administered by Bilateral Donors	27.9	90.0	86.7	85.0	85.0	85.0	85.0	85.0
U.N. Assessed Contribution	15.6	100.0	95.0	11.0	5.0	0.0	0.0	0.0
F. TOTAL REVENUE AND GRANTS (A+D)	156.2	286.6	292.3	223.3	200.1	204.9	186.7	211.7
Total Revenue and Grants as % of GDP	52.8	80.7	76.9	62.4	57.0	55.4	46.7	48.6

Sources: (a) Ministry of Finance for FY 00 to FY 03; and (b) Planning Commission for FY 04 to FY 07

Notes:

1. First tranche petroleum revenue is currently accumulated in a Special Timor Sea Account. In future all oil revenues may go firstly to an offshore account.

2. General U.N. assessed contributions only include estimates of U.N. funded activities that are likely to directly affect the operations of Government through the CFET budget (This reflects mainly TA and staffing. Non recurring items such as peacekeeping; New York activities etc. are not included here).

Table 3.

Combined Sources Expenditure (Economic Format), FY 00 to FY 07 (US\$ Millions)

	FY00 Actual	FY01 Actual	FY02 Budget Revised	FY03 Budget Prelim.	FY04 Estimate	FY05 Estimate	FY06 Estimate	FY07 Estimate
A. RECURRENT EXPENDITURE (CFET Only)	28.7	29.6	47.0	60.9	68.2	73.7	79.5	85.9
As % of GDP	9.7	8.3	12.4	17.0	19.4	19.9	19.9	19.7
As % of Total Expenditure	18.4	10.3	16.2	27.4	35.2	40.8	42.2	43.7
Wages and Salaries	14.6	13.9	20.7	25.8	27.4	29.6	32.0	34.5
Goods and Services	14.1	15.7	26.3	35.1	40.8	44.1	47.6	51.4
B. CAPITAL & DEVELOPMENT EXPENDITURE	127.5	257.9	242.3	161.3	125.3	107.0	108.8	110.7
As % of GDP	43.1	72.6	63.8	45.1	35.7	28.9	27.2	25.4
As % of Total Expenditure	81.6	89.7	83.8	72.6	64.8	59.2	57.8	56.3
Consolidated Fund for East Timor	14.9	21.7	11.4	16.3	17.6	22.0	23.8	25.7
Trust Fund for East Timor	69.1	46.2	49.2	49.0	17.7	0.0	0.0	0.0
Bilateral Development Projects	27.9	90.0	86.7	85.0	85.0	85.0	85.0	85.0
UNTAET Indirect CFET Budget Support	15.6	100.0	95.0	11.0	5.0	0.0	0.0	0.0
C. TOTAL EXPENDITURE (A+B)	156.2	287.5	289.3	222.2	193.5	180.7	188.3	196.6
As % of GDP	52.8	80.9	76.1	62.1	55.1	48.8	47.1	45.1
Memorandum Items:								
Total CFET Expenditure	43.6	51.3	58.4	77.2	85.8	95.7	103.3	111.6
Growth in CFET Expenditures (%)		17.7	13.8	32.2	11.1	11.5	8.0	8.0

Sources: As per Table 2

Notes:

1. General U.N. assessed contributions only include estimates of UN funded activities that are likely to directly affect the operations of Government through the CFET budget (non recurring items such as peacekeeping; New York activities etc.) are not included here
2. All TFET; Bilateral and UNTAET expenditures recorded as Capital and Development, though significant portions of them are actually recurrent in nature
3. Preliminary estimates for FY 03 are based on total outlays of US\$ 77.2 million, notwithstanding that COM is still considering a range of outlays between US\$ 67.4 million and US\$ 77.2 million. Reasons justifying the use of US\$ 77.2 million are set out at section 7.20 of the text

Table 4.**Combined Sources Financing (Economic Format), FY 00 to FY 07 (US\$ Millions)**

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07
	Actual	Actual	Budget Revised	Budget Prelim.	Estimate	Estimate	Estimate	Estimate
A. TOTAL REVENUE (Excluding Grants)	2.0	28.4	31.4	42.6	53.4	98.8	101.7	126.7
Total Revenue as % of GDP	0.7	8.0	8.3	11.9	15.2	26.7	25.4	29.1
B. MINUS TOTAL EXPENDITURE	156.2	287.5	289.3	222.2	193.5	180.7	188.3	196.6
Total Expenditure as % of GDP	52.8	80.9	76.1	62.1	55.1	48.8	47.1	45.1
C. EQUALS DEFICIT (-) / Surplus (+)	-154.2	-259.1	-257.9	-179.6	-140.1	-81.9	-86.6	-69.9
Total Deficit as % of GDP	-52.1	-72.9	-67.9	-50.2	-39.9	-22.1	-21.7	-16.0
D. FINANCING OF DEFICIT								
Trust Fund for East Timor	69.1	46.2	49.2	49.0	17.7	0.0	0.0	0.0
Direct Donor Budget Support	41.6	22.0	30.0	35.4	39.0	21.1	0.0	0.0
Projects Administered by Bilateral Donors	27.9	90.0	86.7	85.0	85.0	85.0	85.0	85.0
U.N. Assessed Contribution	15.6	100.0	95.0	11.0	5.0	0.0	0.0	0.0
Increase (-) / Decrease (+) in Cash Balances	0.0	0.9	-3.0	-0.8	-6.6	-24.2	1.6	-15.1
TOTAL FINANCING	154.2	259.1	257.9	179.6	140.1	81.9	86.6	69.9
Memorandum Item:								
Cumulative Cash Balance Levels	0.0	-0.9	2.1	3.0	9.9	35.1	34.5	51.1

Sources: As per Tables 2 and 3

Table 5.**Consolidated Fund for East Timor, Total Expenditure by Agency, FY 02 to FY 07
(US\$ 000)**

	FY02 Revised Budget	FY03 Preliminary Budget	FY04 Estimate	FY05 Estimate	FY06 Estimate	FY07 Estimate
1. Government and Administration	7,767	7,903	8,061	8,222	8,387	8,554
1.1 Chief Ministers Office	783	461	470	480	489	499
1.2 Legislative Assembly	851	883	901	919	937	956
1.3 Independent Electoral Commissioner	11	59	60	61	63	64
1.4 Banking and Payments Authority	1,374	1,080	1,102	1,124	1,146	1,169
1.5 ETDF Command	4,214	4,429	4,518	4,608	4,700	4,794
1.6 Office of President	90	404	412	420	429	437
1.7 Other Ministers - Bulk	382	539	550	561	572	583
1.8 Ombudsman	62	48	49	50	51	52
2. Ministry of Internal Administration	9,272	11,769	12,004	12,244	12,489	12,739
2.1 East Timor Police Service	6,707	7,806	7,962	8,121	8,284	8,449
2.2 Internal Administration / Local Administration / Other	2,565	3,963	4,042	4,123	4,206	4,290
3. Ministry of Justice	2,390	2,078	2,120	2,162	2,205	2,249
4. Ministry for Economic Affairs and Planning	7,256	4,565	3,478	3,142	553	564
4.1 Department of Natural and Mineral Resources	115	168	171	175	178	182
4.2 Department of Economic Affairs and Development	325	353	360	367	375	382
4.3 Energy Subsidy	6,816	4,044	2,947	2,600	-	-
5. Ministry for Agriculture and Fisheries	881	1,373	1,716	2,060	2,471	2,966
6. Ministry of Education, Culture and Youth	13,061	16,653	20,816	24,980	29,975	35,970
7. Ministry of Health	5,313	7,079	8,849	10,619	12,742	15,291
8. Labour and Solidarity	234	480	490	499	509	520
9. Ministry of Foreign Affairs and Cooperation	272	671	684	698	712	726
10. Ministry of Finance	5,727	3,782	3,858	3,935	4,013	4,094
10.1 Ministry Operations	3,742	2,247	2,292	2,338	2,385	2,432
10.2 Whole of Government Payments / Contingencies	1,985	1,535	1,566	1,597	1,629	1,662
11. Ministry of Water and Public Works	5,601	5,467	6,834	8,201	9,841	11,809
12. Ministry of Communications and Transport	460	1,388	1,416	1,444	1,473	1,502
13. Bulk Unallocated Funding / Other	146	14,004	15,474	17,495	17,928	14,616
13.1 Recurrent	146	2,112	1,300	1,350	1,400	1,500
13.2 Capital	-	11,892	14,174	16,145	16,528	13,116
14. Total Expenditure (Current + Capital)	58,380	77,212	85,800	95,700	103,300	111,600

Sources: (a) Ministry of Finance for FYs 02 and 03 and; (b) Planning Commission estimates for FYs 04 to 07

Notes:

1. Data for FY 03 based on very preliminary budget data

2. Estimates for FY 04 to FY 07 based on a policy based scenario of the Planning Commission's as set out in Chapter 7 of the Development Plan

Table 6**Consolidated Fund for East Timor, Expenditure, FY 02 to FY 07 (by Functional Classification)
(US\$ 000 and %)**

Function	FY02 Revised Budget	FY03 Preliminary Budget	FY04 Budget	FY05 Budget	FY06 Budget	FY07 Budget
1. General Public Services	8,529	9,484	9,674	9,867	10,064	10,266
As % of Total CFET	14.6	12.3	11.3	10.2	9.7	9.2
Executive and Legislative Organs	3,025	4,268	4,353	4,440	4,529	4,620
Financial and Fiscal Affairs	3,554	3,785	3,861	3,938	4,017	4,097
Foreign Affairs	272	671	684	698	712	726
General Services	1,678	760	775	791	807	823
2. Defence	4,903	5,323	5,429	5,538	5,649	5,762
As % of Total CFET	8.4	6.9	6.3	5.7	5.5	5.2
3. Public Order and Safety	9,812	10,150	10,353	10,560	10,771	10,987
As % of Total CFET	16.8	13.1	12.1	10.9	10.4	9.8
Police Services	6,807	7,806	7,962	8,121	8,284	8,449
Fire Protection Services	470	374	381	389	397	405
Law Courts and Prisons	2,535	1,970	2,009	2,050	2,091	2,132
4. Economic Affairs	11,855	9,865	9,227	9,352	7,309	7,957
As % of Total CFET	20.3	12.8	10.8	9.7	7.1	7.1
General Economic, Commercial & Labour Services	299	319	325	332	339	345
Agriculture, Forestry, Fishing and Hunting	775	1,097	1,371	1,646	1,975	2,370
Fuel and Energy	6,841	4,106	3,000	2,655	64	70
Mining, Manufacturing, Construction	987	437	546	656	787	944
Other Industry	8	306	312	318	325	331
Transport	2,658	2,749	2,804	2,860	2,917	2,976
Communications	287	851	868	885	903	921
5. Environment, Housing and Community Development	2,417	2,743	3,393	4,043	4,823	5,758
As % of Total CFET	4.1	3.6	4.0	4.2	4.7	5.2
Community Development	0	90	92	94	96	97
Water Supply and Sanitation	2,343	2,588	3,235	3,882	4,658	5,590
Environment	74	65	66	68	69	70
6. Health	4,411	7,080	8,850	10,620	12,744	15,293
As % of Total CFET	7.6	9.2	10.3	11.0	12.3	13.7
7. Education, Recreation, Culture, Religion	13,061	16,528	20,660	24,792	29,750	35,700
As % of Total CFET	22.4	21.4	24.1	25.6	28.8	32.0
8. Unallocated (Mainly Capital / Infrastructure)	3,392	16,039	18,214	21,928	22,189	19,878
As % of Total CFET	5.8	20.8	21.2	22.7	21.5	17.8
TOTAL	58,380	77,212	85,800	96,700	103,300	111,600

Sources: As per Table 5**Notes:**

1. Data for FY 03 based on very preliminary budget data
2. Estimates for FY 04 to FY 07 based on a policy based scenario of the Planning Commission's as set out in Chapter 7 of the Development Plan

Table 7**Balance of Payments, 2000 - 2007, US\$ (Millions)**

	2000	2001	2002	2003	2004	2005	2006	2007
	Estimate	Estimate	Outlook	Outlook	Outlook	Outlook	Outlook	Outlook
Trade Balance	-199.9	-233.5	-187.3	-151.4	-150.1	-147.6	-147.7	-155.0
As % of GDP	-62.2	-60.0	-50.5	-43.9	-42.0	-38.6	-35.4	-34.1
Merchandise Exports	4.9	4.0	9.4	16.7	20.7	28.4	34.8	40.0
As % of GDP	1.5	1.0	2.5	4.8	5.8	7.4	8.3	8.8
- Coffee	4.4	2.9	5.2	9.5	11.4	16.4	20.6	24.0
- Other	0.5	1.1	4.2	7.2	9.3	12.0	14.2	16.0
Merchandise Imports	-204.8	-237.5	-196.7	-168.1	-170.8	-176	-182.5	-195
As % of GDP	-63.8	-61.0	-53.1	-48.7	-47.8	-46.0	-43.7	-42.9
- Public	-152.0	-143.0	-99.6	-72.3	-70.1	-66.5	-63.0	-65.0
Of which UNTAET and humanitarian	-112.2	-59.2	-13.2	-8.9	-3.0	0.0	0.0	0.0
- Private	-52.8	-94.5	-97.1	-95.8	-100.7	-109.5	-119.5	-130.0
Services Account (Net)	-57.7	-61.3	-49.9	-38.4	-25.1	-20.6	-19.2	-18
As % of GDP	-18.0	-15.7	-13.5	-11.1	-7.0	-5.4	-4.6	-4.0
Income (Net)	3.0	4.4	1.6	3.0	19.1	29.6	28.5	31.0
As % of GDP	0.9	1.1	0.4	0.9	5.3	7.7	6.8	6.8
Of which Oil Royalties	3.0	4.2	2.3	5.0	20.6	31.0	29.6	32.0
Current Transfers (Net)	307.2	279.7	165.8	131.3	105.1	103.8	105.3	108.0
As % of GDP	95.6	71.8	44.7	38.0	29.4	27.1	25.2	23.7
Of which Oil Tax Revenue	2.5	10.3	16.8	31.1	52.2	70.9	70.9	70.0
Of which UNTAET and humanitarian	232.0	171.9	64.4	43.4	14.5	0.0	0.0	0.0
Current Account Including Official Transfers	52.6	-10.7	-69.8	-55.5	-51.0	-34.8	-33.1	-34.0
As % of GDP	16.4	-2.7	-18.8	-16.1	-14.3	-9.1	-7.9	-7.5
Current Account Excluding Official Transfers	-254.5	-290.0	-235.1	-185.7	-154.1	-136.2	-135.6	-134.2
As % of GDP	-79.2	-74.5	-63.4	-53.8	-43.1	-35.6	-32.5	-29.5
Capital and Financial Account	-4.2	36.0	46.9	29.0	35.8	35.1	49.2	51.0
As % of GDP	-1.3	9.2	12.7	8.4	10.0	9.2	11.8	11.2
Of which Capital Account	49.6	67.0	61.6	45.9	13.8	10.5	10.1	10.0
Of which Financial Account	-53.8	-31.0	-14.7	-16.9	21.9	24.6	39.1	40.0
Errors and Omissions	-32.4	-17.6	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance (Before Financing Support)	16.0	7.7	-22.9	-26.5	-15.2	0.3	16.1	17.0
Gross Reserves (Before Financing Support)	19.0	26.7	3.8	-22.7	-37.9	-37.6	-21.5	-4.5
Timor Sea Offshore Account	0.0	3.0	9.1	10.4	17.6	42.9	42.0	58.5

Source: Planning Commission and IMF

Table 8.**Approved and Programmed Foreign ODA by Country and Type, FY 00 TO FY 07, (US\$ 000)**

	FY00 Actual	FY01 Actual	FY02 Estimate	FY03 Estimate	FY04 Estimate	FY05 Estimate	FY06 Estimate	FY07 Estimate	Total Period Estimate
A. TRUST FUND FOR EAST TIMOR (TFET)									
ADB - Capital	-	10,342	13,104	9,824	8,000	-	-	-	41,270
ADB - TA	-	5,257	4,195	1,641	-	-	-	-	11,093
ADB - Total	-	15,599	17,299	11,465	8,000	-	-	-	52,363
WB - Capital	-	27,167	25,974	33,106	8,487	-	-	-	94,733
WB - TA	-	3,390	5,927	4,430	1,213	-	-	-	14,960
WB - Total	-	30,557	31,901	37,535	9,700	-	-	-	109,693
Total - Capital	-	37,509	39,078	42,929	16,487	-	-	-	136,003
Total - TA	-	8,647	10,122	6,071	1,213	-	-	-	26,053
Total TFET	-	46,156	49,200	49,000	17,700	-	-	-	162,056
B. MULTILATERALS AND BILATERALS (NON TFET)									
ADB - Capital	-	-	-	-	-	-	-	-	-
ADB - TA	-	150	5,023	350	-	-	-	-	5,523
ADB - Total	-	150	5,023	350	-	-	-	-	5,523
Australia - Capital	375	2,835	14,862	9,400	8,040	2,200	-	-	37,712
Australia - TA	2,105	8,587	19,849	15,805	12,226	3,090	-	-	61,662
Australia - Total	2,480	11,422	34,711	25,205	20,266	5,290	-	-	99,374
Canada - Capital	-	260	1,115	835	690	105	-	-	3,005
Canada - TA	680	2,385	2,542	580	250	100	-	-	6,537
Canada - Total	680	2,645	3,657	1,415	940	205	-	-	9,542
ECHO - Capital	5,425	5,980	7,730	-	-	-	-	-	19,135
ECHO - TA	400	315	210	-	-	-	-	-	925
ECHO - Total	5,825	6,295	7,940	-	-	-	-	-	20,060
Japan - Capital	750	18,832	7,311	10,270	5,920	4,810	-	-	47,893
Japan - TA	857	9,995	4,747	3,317	1,140	29	-	-	20,085
Japan - Total	1,607	28,827	12,058	13,587	7,060	4,839	-	-	67,978
Portugal - Capital	6,752	8,731	7,928	5,229	2,090	100	100	700	31,630
Portugal - TA	630	6,923	7,747	6,570	1,480	-	-	-	23,350
Portugal - Total	7,382	15,654	15,675	11,799	3,570	100	100	700	54,980
USAID - Capital	7,850	9,657	5,600	2,300	1,550	-	-	-	26,957
USAID - TA	270	3,207	5,048	698	-	-	-	-	9,223
USAID - Total	8,120	12,864	10,648	2,998	1,550	-	-	-	36,180
Other Bilaterals - Capital	643	8,439	7,658	-	-	-	-	-	16,740
Other Bilaterals - TA	1,134	2,706	3,217	-	-	-	-	-	7,057
Other Bilaterals - Total	1,777	11,145	10,875	-	-	-	-	-	23,797
UNDP Capital	32	1,042	900	-	-	-	-	-	1,974
UNDP TA	-	-	3,762	1,481	886	1,450	1,450	-	9,029
UNDP Total	32	1,042	4,662	1,481	886	1,450	1,450	-	11,003
Other Multilaterals - Capital	-	-	1,584	-	-	-	-	-	1,584
Other Multilaterals - TA	-	-	2,955	100	-	-	-	-	3,055
Other Multilaterals - Total	-	-	4,539	100	-	-	-	-	4,639
GRAND TOTAL - Capital	21,827	55,776	54,688	28,034	18,290	7,215	100	700	186,630
GRAND TOTAL - TA	6,076	34,268	55,100	28,901	15,982	4,669	1,450	-	146,446
GRANDTOTAL - Capital + TA	27,903	90,044	109,788	56,935	34,272	11,884	1,550	700	333,076
C. (TFET + NON TFET)									
GRAND TOTAL - Capital	21,827	93,285	93,766	70,963	34,777	7,215	100	700	322,633
GRAND TOTAL - TA	6,076	42,915	65,222	34,972	17,195	4,669	1,450	-	172,499
GRANDTOTAL - Total	27,903	136,200	158,988	105,935	51,972	11,884	1,550	700	495,132

Source: Ministry of Finance, ODA Database and Planning Commission

Note: Only includes approved and fully programmed projects. Does not include bulk amounts notionally targeted by Donors for future plan years

Table 9.**Total Approved and Programmed Bilateral ODA by Agency, FY 00 to FY 07, (US\$ 000)**

		FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	Total Period	% of
		Actual	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Total
1. Transitional Administration	- Total	738	9,290	21,623	9,833	5,934	-	-	-	47,418	14.2
	- Capital	50	2,017	9,594	4,560	2,050	-	-	-	18,271	5.5
	- TA	688	7,273	12,029	5,273	3,884	-	-	-	29,147	8.8
2. Internal Administration	- Total	2,529	3,258	4,160	-	-	-	-	-	9,947	3.0
	- Capital	1,800	786	300	-	-	-	-	-	2,886	0.9
	- TA	729	2,472	3,860	-	-	-	-	-	7,061	2.1
3. Justice	- Total	695	3,203	2,135	198	-	-	-	-	6,231	1.9
	- Capital	420	2,320	285	-	-	-	-	-	3,025	0.9
	- TA	275	883	1,850	198	-	-	-	-	3,206	1.0
4. Econ. Affairs & Development	- Total	-	7,461	3,336	585	150	100	-	-	11,632	3.5
	- Capital	-	5,840	1,577	325	-	-	-	-	7,742	2.3
	- TA	-	1,621	1,759	260	150	100	-	-	3,890	1.2
5. Agriculture & Fisheries	- Total	4,763	19,073	13,620	8,578	7,236	5,809	1,450	-	60,529	18.2
	- Capital	4,412	17,163	5,247	5,280	6,230	4,330	-	-	42,662	12.8
	- TA	351	1,910	8,373	3,298	1,006	1,479	1,450	-	17,867	5.4
6. Education, Culture, Youth	- Total	2,071	9,184	15,023	13,231	6,526	1,190	-	-	47,225	14.2
	- Capital	1,795	3,272	4,270	1,000	1,000	-	-	-	11,337	3.4
	- TA	276	5,912	10,753	12,231	5,526	1,190	-	-	35,888	10.8
7. Health	- Total	8,962	9,239	7,354	5,270	4,365	500	100	700	36,490	11.0
	- Capital	8,490	8,505	3,566	2,800	2,300	100	100	700	26,561	8.0
	- TA	472	734	3,788	2,470	2,065	400	-	-	9,929	3.0
8. Labour and Solidarity	- Total	3,605	5,610	9,037	4,500	1,851	-	-	-	24,603	7.4
	- Capital	3,605	3,647	4,339	2,029	-	-	-	-	13,620	4.1
	- TA	-	1,963	4,698	2,471	1,851	-	-	-	10,983	3.3
9. Foreign Affairs	- Total	20	80	3,707	-	-	-	-	-	3,807	1.1
	- Capital	-	-	3,629	-	-	-	-	-	3,629	1.1
	- TA	20	80	78	-	-	-	-	-	178	0.1
10. Finance	- Total	315	877	4,460	1,700	1,500	1,500	-	-	10,352	3.1
	- Capital	135	201	2,175	-	-	-	-	-	2,511	0.8
	- TA	180	676	2,285	1,700	1,500	1,500	-	-	7,841	2.4
11. Water, Public Works	- Total	3,605	18,569	21,583	11,720	5,310	1,785	-	-	62,572	18.8
	- Capital	1,120	10,140	19,216	10,720	5,310	1,785	-	-	48,291	14.5
	- TA	2,485	8,429	2,367	1,000	-	-	-	-	14,281	4.3
12. Communications & Transport	- Total	600	4,200	3,750	1,320	1,400	1,000	-	-	12,270	3.7
	- Capital	-	1,885	490	1,320	1,400	1,000	-	-	6,095	1.8
	- TA	600	2,315	3,260	-	-	-	-	-	6,175	1.9
Total All Sectors		27,903	90,044	109,788	56,935	34,272	11,884	1,550	700	333,076	100.0
Total - Capital		21,827	55,776	54,688	28,034	18,290	7,215	100	700	186,630	
Total - TA		6,076	34,268	55,100	28,901	15,982	4,669	1,450	-	146,446	

Source: Ministry of Finance, ODA Database and Planning Commission

Notes: 1. Excludes expenditures under the Trust Fund for East Timor
2. Only includes approved and fully programmed projects. Does not include bulk amounts notionally targeted by Donors for future plan years

Table 10.

Profile of the Forward ODA Program Needed to Finance the Plan, FY 03 TO FY 07 (US\$ Millions)

	FY03 Estimate	FY04 Estimate	FY05 Estimate	FY06 Estimate	FY07 Estimate
<u>A. FORWARD ODA PROGRAM SOUGHT BY THE GOVERNMENT</u>					
Trust Fund for East Timor	49.0	17.7	0.0	0.0	0.0
Direct Donor Budget Support	35.4	39.0	21.1	0.0	0.0
Projects Administered by Bilateral Donors	85.0	85.0	85.0	85.0	85.0
U.N. Assessed Contribution - Recurrent; Capital; and Development	11.0	5.0	0.0	0.0	0.0
TOTAL SOUGHT	180.4	146.7	106.1	85.0	85.0
<u>B. AMOUNTS APPROVED / FIRMLY COMMITTED</u>					
Trust Fund for East Timor	49.0	17.7	0.0	0.0	0.0
Direct Donor Budget Support	0.0	0.0	0.0	0.0	0.0
Projects Administered by Bilateral Donors	56.9	34.3	11.9	1.6	0.7
U.N. Assessed Contribution - Recurrent; Capital; and Development	11.0	5.0	0.0	0.0	0.0
SUB TOTAL	116.9	57.0	11.9	1.6	0.7
<u>C. AMOUNTS NOT YET APPROVED / FIRMLY COMMITTED</u>					
Trust Fund for East Timor	0.0	0.0	0.0	0.0	0.0
Direct Donor Budget Support	35.4	39.0	21.1	0.0	0.0
Projects Administered by Bilateral Donors	28.1	50.7	73.1	83.4	84.3
U.N. Assessed Contribution - Recurrent; Capital; and Development	0.0	0.0	0.0	0.0	0.0
SUB TOTAL	63.5	89.7	94.2	83.4	84.3

Source: As per Tables 4,8 and 9

PART 3
STRATEGIES FOR NATIONAL
DEVELOPMENT:
SECTORAL PLANS

Chapter 9. POLITICAL DEVELOPMENT, FOREIGN
RELATIONS, DEFENCE AND SECURITY

Chapter 10. POVERTY REDUCTION, RURAL AND
REGIONAL DEVELOPMENT

Chapter 11. SOCIAL AND HUMAN DEVELOPMENT:
EDUCATION AND HEALTH

Chapter 12. AGRICULTURE, FISHERIES AND FORESTRY

Chapter 13. NATURAL RESOURCES AND ENVIRONMENT

Chapter 14. INDUSTRY, TRADE AND THE PRIVATE
SECTOR

Chapter 15. INFRASTRUCTURE



9. POLITICAL DEVELOPMENT, FOREIGN RELATIONS, DEFENCE AND SECURITY

“The development of an effective administrative and governance structure and capacity to serve the needs and interests of the people and sovereign State of East Timor is one of the most critical national priorities for the next five years and beyond.”

VISION

- 9.1 East Timor will be a country with:
- a) a solid democratic culture, based on a pluralist, law-based State, where separation and balance of powers is real and naturally developed;
 - b) well structured institutions, open, professional and accountable media, and an organized civil society active in the defence of global interests; and
 - c) a population aware of and participatory in the process of social, political and economic development.

INTRODUCTION

9.2 The sector incorporating Political Development, Foreign Relations, Defence and Security is presented in this Plan as the collective efforts of a number of Ministries and Departments, and encompasses broad areas of governance, protection of liberty and safeguarding of human rights.

9.3 Two essential institutions ensuring the healthy functioning of the nation’s newly won democracy are the National Parliament and the Public Service. The Parliament must ensure that its legislative functions are accomplished in a timely manner, as it has an important role in the country’s democratisation and stabilisation. It also has the responsibility in overseeing and controlling of other powers, always in terms of its legal mandate. State administration is to be undertaken in a professional manner, with effective and efficient performance of its personnel. The administrative apparatus (i.e. number of staff) shall be reduced to the lowest number possible in order to guarantee its sustainability, and so that salaries and other forms of compensation can attract the best national staff to serve the State, without incentives for corruption and/or nepotism.

9.4 East Timor’s freedom has been founded upon the willingness of its population to participate in the protection of their liberty and human rights. The country’s defence and security will be understood in the widest context of social, political and economic development, in the context of poverty reduction and a participatory and responsible citizenship. They will be

provided by professional military and police forces, which will be non-political and subordinated to the power of the democratically constituted civil institutions. In its foreign affairs East Timor will reinforce its position as a country supporting peace and the values of respect, mutual assistance and cooperation. The administration of justice, accessible to all, will combine professionalism and juridical expertise with sensitivity to the culture and values of East Timor. The protection of rights, freedoms, guarantees and legitimate interests of citizens will be ensured by the establishment of an independent institution, also mandated to monitor transparency in both the public administration and the administration of justice in East Timor. This institution will guarantee, through accessible and informal means, that citizens will be able to find expeditious redress to accusations of illegality and/or injustice in the conduct of public authorities.

9.5 Civil society will take part in the political process through political parties that respect the rules of democracy and implement them at the parties' organizational level and through other legal private associations (i.e. professional associations, unions, NGOs, etc.) established to defend the legitimate interests of their members and to take part in the social, political and economic development of the country. The media will be responsible and able to inform, educate and direct national energy towards development and social harmony, guaranteeing the dissemination of educational information on health, human rights, social harmony and national development.

GOALS

9.6 The overarching goals for the sector include:

- a) Fostering a robust multiparty democratic system;
- b) Creating a lean, effective and efficient public service;
- c) Securing the unity, territorial integrity and sovereignty of the nation;
- d) Creating and maintaining durable internal peace, security and stability;
- e) Developing effective professional, non-partisan (non-political) defence and police forces;
- f) Strengthening regional and international political, economic, cultural and scientific cooperation and relations;
- g) Developing and administering an effective, accessible, justice system that is in conformity with positive values and East Timor's national cultural heritage;
- h) Building and maintaining an effective and independent oversight system;
- i) Nurturing a responsible, independent and effective media;
- j) Strengthening an already robust civil society and creating opportunities for its constructive engagement and participation in national life; and
- k) Enhancing the participation of citizens in public and national life.

OBJECTIVES

9.7 Specific objectives of the National Parliament's are to:

- a) Pass relevant, well drafted legislation in a timely manner;
- b) Establish a multiparty system and democratic rules through a productive dialogue;
- c) Provide a counterbalance to the powers of the Presidency and of the government;
- d) Establish and maintain proper, efficient and effective communication between the various branches of the Government in order to ensure respect for the Constitution and constitutionally enacted laws, transparency within the public administration, and the independence and impartiality of the judiciary.

9.8 The Public Administration will:

- a) Create a culture of public service, establishing professionalism in service provision;
- b) Establish a well equipped and decentralized administration with simple and transparent norms in order to move public administration closer to the people;
- c) Create internal mechanisms to control and avoid corruption and nepotism.

9.9 The objectives for the Defence Force and Police of East Timor are:

- a) Guaranteeing national independence, territorial integrity, constitutional order, and the safety of people and their property.
- b) Preventing crime and involving the community in the reduction of crime.
- c) Providing help to the population in case of natural disasters or emergency.

9.10 Foreign Affairs has the following objectives:

- a) Maintaining friendship and cooperation links within the region, in particular with the neighbouring countries, and with the rest of the world;
- b) Maintaining special links of friendship and cooperation with the Community of Portuguese Speaking Nations (CPLP);
- c) Establishing diplomatic and consular representation overseas in order to develop foreign policy and ensure protection of national citizens abroad;
- d) Maintaining good relations with other countries, maximizing support for the social and economic development of East Timor.

9.11 The Courts (in the widest sense of the judicial system, including all three essential elements of judge, prosecutor and defender) shall:

- a) Guarantee access to prompt, transparent and equitable justice for all;
- b) Administer justice of technical quality independently, with respect for citizenship rights, sensitivity to cultural values and popular participation and involvement.

- 9.12 The Ombudsman's Office (in support of Human Rights and Justice) aims to:
- a) Create and establish a culture of respect for human rights and legality;
 - b) Prevent and fight against corruption and nepotism in the administration of the State in order to develop public trust in a fair and just public administration; and
 - c) Establish control mechanisms to ensure the accountability of public servants and public authorities.
- 9.13 The objectives of Civil Society, where organized in political parties, are as follows:
- a) Make people aware of the political ideals and programs to be undertaken;
 - b) Monitor public administration activities in order to identify any errors in policies and programs as well as cases of lack of transparency, nepotism and corruption;
 - c) Monitor parliamentary activities and propose solutions to national problems in accordance with the established political rules.
- 9.14 The objectives of Civil Society, where organized in legal associations, unions and NGOs are as follows:
- a) Defend the legitimate interests of their associates and of the community;
 - b) Promote the participation of the citizens in public life.
- 9.15 The activities of the media should have the following central objectives:
- a) Report with accuracy, impartiality and professionalism the news and issues of national interest, including what happens abroad, and in particular in the countries of the region;
 - b) Report in a manner that promotes social peace, development and the promotion of human rights, particularly concerning women, children and the elderly;
 - c) Follow closely the activities of the State administration and denounce cases of corruption and nepotism.

GUIDING PRINCIPLES

- 9.16 The general guiding principles for the sector are:
- a) Democracy, sovereignty, respect for human rights, equity and social justice;
 - b) Rule of law and equality before the law;
 - c) Transparency and accountability, integrity and public morality;
 - d) Predictability and consistency;
 - e) Efficiency;
 - f) Professionalism;

- g) Sustainability;
- h) Decentralization;
- i) Participation;
- j) Gender and cultural sensitivity; and
- k) Social justice.

9.17 The organs of sovereignty and public administration will respect the following principles:

- a) National sovereignty and State unity;
- b) Respect for the Constitution and for the law, guaranteeing the regular operation of the democratic institutions;
- c) A spirit of public service, professionalism, non-partisanship with respect to political parties, equity and legality;
- d) Moral integrity and professional ethics;
- e) Democratic decentralization of administrative structures ensuring accessibility to services for all citizens;
- f) Transparency and accountability of public agents; and
- g) Government responsibility for ensuring equality for all when facing the law, promoting and guaranteeing protection of human rights and caring for victims.

9.18 In foreign affairs, East Timor is to be guided by principles of:

- a) National independence;
- b) The right of the people to independence, self determination and respect for human rights;
- c) Mutual respect for the sovereignty, territorial integrity, equality and non-interference in the internal affairs of States;
- d) Creation of an international economic order capable of ensuring peace and justice in the relations between different peoples/nations.

9.19 The media will undertake its activities adhering to the following principles:

- a) Freedom to inform and be informed;
- b) Impartiality and quality;
- c) No censorship;
- d) Safeguarding the sources of information.

KEY DEVELOPMENT INDICATORS

9.20 The key development indicators for the sector are as follows:

Parliament

- a) Level of participation of its members in discussions;
- b) Level of the population's awareness of approved legislation.

Public Administration

- a) Level of progress in the design of the organic structures of government and of each of its ministries;
- b) Level of establishment of departments, with the necessary legal and regulatory frameworks;
- c) Enactment of the regulation of the public service, including the formulation of standardised professional career terms of reference, duties and rights, together with a code of conduct and a disciplinary process;
- d) Progress in the areas of recruitment and training in order to meet the public sector's needs for professionalism and for financial sustainability;
- e) Progress in the conducting of studies concerning the reorganisation of sub-national government, with a decentralization of services, promoting effective and competent service provision and an increase of local participation in decision-making.

Security and Defence Forces

- a) Level of progress in recruitment and training of the police forces, armed forces and information services.

Foreign Affairs

- a) Level of progress in recruitment and training of skilled staff;
- b) Progress in the constitution of the first six diplomatic representations and obtaining other forms of representation for the country through the good offices of friendly Embassies.

Public Prosecution and Defence

- a) Progress in recruitment of prosecutors and public defenders and respective supporting skilled staff.

Ombudsman's Office

- a) Progress in the definition of the legal framework for the Office and in the creation of accessible procedures that facilitate the reporting of injustices and human rights violations;
- b) Progress in the recruitment and training of skilled staff;

- c) Progress in the level of awareness, by the East Timorese citizens, of their human rights and their right to good public administration;
- d) Progress in the level of awareness of the existence of services of the Ombudsman as an effective avenue of appeal from the actions or omissions of public administration;
- e) Level of acceptance of the recommendations of the Ombudsman by the respective branches of the public service.

Promotion of Gender Equality

- a) Existence of legislation to protect women from violence;
- b) Accomplishment of targets for the participation of women in the public service, parliament, rural councils, defence and security forces and diplomatic service;
- c) Creation of mechanisms to help decrease school dropout rates for girls.

Media

- a) Progress in the creation of public media;
- b) Approval of press legislation enabling the creation of private means of communication and regulating professional media activities;
- c) Creation of an independent organ that guarantees disciplinary management and observance of ethical behaviour by the media and its professional.

Civil Society

- a) Progress in the constitution of unions and private associations under the law.

PROBLEMS AND CONSTRAINTS

9.21 The principal constraints confronted are as follows:

General constraints:

- a) Human resources;
- b) Financial resources (budget);
- c) Infrastructure (buildings, vehicles, office furniture and supplies, communications and Information Technology (IT));
- d) Problems with multiplicity of languages;
- e) Time pressures;
- f) Limitations in institutional capacity;
- g) Gaps in the body of laws, regulations, procedures and codes.

More specific constraints:

- a) Absence of adequate representation on COM (i.e. Armed Forces);
- b) Unrealistic expectations (e.g. subsidies for producers and consumers, university degrees and Public Sector employment for all students);
- c) Lack of basic social infrastructure (to accommodate spontaneous relocation of population);
- d) Bad habits from previous period (e.g. corruption, nepotism);
- e) Reconciliation problems;
- f) Difficulties with reintegration of ex-FALINTIL and former members of the clandestine resistance network and with assistance to widows and orphans of resistance fighters.

STRATEGIES

9.22 A number of strategies will be adopted to overcome the constraints outlined above:

- a) To clearly define and broadcast the rights and obligations of citizens in general and of public servants, in particular;
- b) To continue the search for more efficient forms of organization of the public administration to improve quality and cost-effectiveness of service provision;
- c) To redistribute available resources, in accordance with new priorities;
- d) To recruit to fill vacancies already provided for in budget;
- e) To train in-house, at the Civil Service Academy, and abroad;
- f) To utilize the temporary solution of foreign staff more effectively, during the period when domestic staff is being trained;
- g) To promote diversification of sources of assistance and develop stronger partnerships with civil society;
- h) To develop appropriate mechanisms to facilitate reintegration of refugees;
- i) To redefine priorities for university education, with a view to preparing graduates in disciplines most useful for the nation's development and improving the quality of university education;
- j) To promote transparency in public life, accountability in public servants and leaders, and equal opportunities for all;
- k) To reconfigure regional administrative divisions and the intermediate levels of government (between the national central administration and the community) to make them more conducive to development and sustainability;

- l) To transform the present international support and sympathy for East Timor into a strong and permanent base to secure the country's political, economic (trade and investment), cultural and national security interests;
- m) To develop an independent oversight capacity, capable of encouraging transparency, and which will allow civil society and citizens to monitor the public service in order to minimise corruption.

POLICIES

9.23 The following policy initiatives of importance will be undertaken by the sector:

General Policies

- a) Creation of incentives to reward effort and excellence in education and in the civil service (i.e. create a merit based public service).
- b) Seek external assistance for buildings and infrastructure.
- c) Selection of bursaries to study abroad in countries where the risk of "brain drain" is minimized.
- d) Development of practical skills training courses (e.g. secretarial, filing, protocol, mechanics, electricians, hospitality services).
- e) Reduction of places in general university courses with limited career prospects.
- f) Provision of translation and interpretation services.
- g) Accelerated training of translators and interpreters.
- h) Provision of language courses in Portuguese and English.
- i) Utilisation of existing facilities and partnerships with non-government entities to provide practical courses in languages, accounting, secretarial, etc. for adults.
- j) Selective utilisation of assistance from donor countries and NGOs.
- k) Development of a policy for payment of university fees and other forms of user charges.

Public Administration and Democratisation Policies

- a) Clear definition and proclamation (broadcasting) of rights and obligations of citizens and of public servants.
- b) Continued search for more efficient ways of organizing the public administration.
- c) Improve quality and cost effectiveness of service provision (i.e. a lean and efficient public administration).
- d) Decentralization and empowerment of communities to manage their local affairs (grass roots democracy).

- e) Gender equality in all aspects of public administration.
- f) Reintroduce Portuguese and introduce Tetun as effective working languages of Parliament and public administration.
- g) Enhance the knowledge of members of Parliament.

Security and Defence Forces

- a) Prioritise needs and requirements of the Armed Forces.
- b) Establish technical and military cooperation agreements with defence branches of CPLP member countries.
- c) Extend support to the veterans of the Resistance.
- d) Establish a Defence Ministry or other liaison office at the COM level.
- e) Elaborate mandate of the Naval Force, including inter-sectoral coordination, and define its development program.
- f) Develop specialized police forces (criminal investigation, immigration/frontier service, rapid response).
- g) Establish selection criteria for the security forces, including factors of reliability and social suitability.
- h) Outsource provision of goods and services to the security services and prisons.

External Relations

- a) Initiate and gradually expand the nation's diplomatic representation in a systematic and planned way.
- b) Transform previous networks of solidarity and support for Timorese resistance in the diaspora into a permanent network of allies for the defence of national interests.
- c) Pursue and strengthen south-south cooperation.
- d) Pursue regional cooperation.
- e) Foster special relationship and cooperation with Portuguese speaking countries.

Justice, Human Rights and Gender Equality

- a) Create an Ombudsman's office to raise the level of awareness of citizens' rights and respect for the law, to defend citizens from any abuse of power by public administration entities and to safeguard against practices of corruption, nepotism and other abuses of power.
- b) Draft the legal framework for the nation.
- c) Reintroduce Portuguese and introduce Tetun as effective working languages for the administration of justice.

- d) Develop the necessary legal capacity to serve the Government by establishing the institutions that are essential for the proper functioning of the legal and judicial system.
- e) Promote reconciliation.
- f) Facilitate access to justice for women and develop the legal means to fight violence and other crimes perpetrated against women.
- g) Ensure equal opportunities for women in recruitment and promotion and provide training in technical and leadership skills.
- h) Promote a free press.

PROGRAMS

9.24 The development of an effective administrative and governance structure and capacity to serve the needs and interests of East Timor and its people is one of the most critical national priorities for the next five years and beyond. After centuries of foreign domination, the country has been left with out the institutional architecture, the human resources capacity or the requisite physical infrastructure and equipment, not only to effectively discharge the challenges of national development, but also to meet the demands of routine governance. After two years of comprehensive effort, political institutions are only nascent; central and regional administrative structures and institutions fledgling; and the operational systems, procedures, and relationships are yet to be developed or clearly defined.

9.25 Given the existing environment, the priority medium term programs will have to be the establishment and strengthening of the organs of state and of public administration, laying the foundations of good governance, creating the avenues for popular and community participation, developing the legal and regulatory framework, building the human resources capacity for policy formulation and execution as well as service delivery, strengthening oversight institutions and fostering the press and civil society. After the previous administration there is also a glaring need to develop a new culture of public service, good governance in public administration and a strong work ethic. The formulation of the above programs is, however, only the initial or preliminary stage. Although there are some mature programs ready for implementation, most will require extensive effort and time for their design and implementation.

Public Administration and Governance

9.26 The core programs in this sector will focus on developing transparent governance, institutional and human resources development, decentralization, and development of a lean efficient and merit based civil service.

Transparent governance

- a) Development of information programs for the general population and for civil servants regarding the activities of Parliament, the functions of each Ministry, the services that citizens have a right to expect from public institutions and the courses of redress available in case of non-compliance.
- b) Introduction of an action program to enhance the skills of Members of Parliament, via technical assistance, specialized courses of study and experience-sharing visits abroad.

- c) Development of a medium and long-term program for the reintroduction of Portuguese and introduction of Tetun as effective working languages of Parliament and government.

Institutional Development

- a) Design and introduce effective administrative regulations, systems, and procedures for all public service institutions.
- b) Develop civil service regulations governing recruitment, working conditions, career paths and a code of conduct.
- c) Develop a training program for the civil service to enhance capacity.

Decentralisation and Participation

- a) Study and introduce an optimal sub-national configuration conducive for development as well as service provision in conjunction with stakeholders.
- b) Study and delineate the levels of administrative hierarchy down to the community that will facilitate cost effective and efficient service delivery and enhance community initiative and participation.
- c) Study options for effective decentralization that clearly defines the roles of central, regional, local and community, and civil society organizations and entities; empowers communities and strengthens transparency and grass roots democracy.

Media Development

9.27 Create public enterprises in radio and TV broadcasting, in accordance with the Constitution, and train media professionals.

Security and Defence Forces

9.28 In the area of defence and security the formation and consolidation of a model professional army to defend the sovereignty and territorial integrity of the nation and, similarly, a police force to maintain internal law and order are the major programs.

Defence program

- a) Development of a model professional army through the continuation of the process of recruitment, training and equipping.
- b) Supporting the process through cooperation agreements with other countries.
- c) Establishment of a Defence Ministry or other liaison office at the level of the COM.
- d) Program to identify the veterans of the Resistance, study their needs, and formulate training and other forms of assistance.

Police and Security Service Programs

- a) Strengthening of the police service by training an additional 520 new recruits at the Police College and by improving the material support to those already deployed.

- b) Establishing new specialized units (criminal investigation, border patrols, rapid response).
- c) Formulating outsourcing modalities and incentives for provisioning the prisons and security services that facilitate participation by local firms.

External Relations

9.29 Diplomacy and external solidarity was one of the most effective pillars of the Resistance. At this new chapter in East Timor's history, the medium term diplomatic programs and external work will be directed at building on this experience, and our extensive solidarity network, to maintain the strong international support and empathy to address our long term national needs and interests. Programs will, therefore, focus on developing the necessary institutional and human resource capacity to chart and implement the policies and programs that will enable us to marshal their extensive external assets and to deal with the ever-evolving global and regional developments.

Capacity Building Program

9.30 The main components of this program are as follows.

- a) Recruitment and training, in country and abroad, to staff Headquarters and Missions.
- b) Construction of a Headquarters building.
- c) Development and implementation of a plan to utilize previous networks of support to Timorese resistance and diaspora organizations, transforming them into a permanent network of allies abroad in defence of Timorese interests.
- d) Elaboration and implementation of a plan to gradually and systematically expand diplomatic representation abroad. Utilisation of various options and modalities to achieve wider representation.

Policy Development Program

- a) Articulate global and regional policies to safeguard and serve the national interest on the bases of the guiding principles and in light of external developments and trends.

Action Program

- a) Develop, in collaboration with other relevant ministries and institutions, action programs relating to the attraction of foreign investment, promotion of exports and foreign trade, and external aid to guide the activities of the ministry. Develop similar action programs regarding political, cultural and defence and security relations.
- b) Develop a program to reinforce south-south cooperation.

Justice, Human Rights and Gender Equality

9.31 The justice system, both in its legal framework and its administration, is of critical importance to society at large and the development process in particular. In this unique situation, where the legal framework is defined by its practical non-existence and where the capacity for the formulation and administration of the body of laws is in its embryonic stage, the issue of prioritization and sequencing becomes of extreme importance. It thus becomes necessary to, on

the one hand, seek a longer time frame to develop the body of laws and the capacity, and, on the other, to put interim arrangements or solutions in place. The elaboration of the following programs of the Ministry of Justice will require extensive time and effort.

Institutional Development Program

- a) Creation of an Ombudsman's office to raise the level of awareness of citizens' rights and respect for the law, to defend citizens from any abuse of power by public administration entities, and to safeguard against practices of corruption, nepotism and other abuses of power.
- b) Creation of a Judicial Training Centre and a Public Defender's office, as independent agencies.
- c) Establishment and implementation of a timetable for setting up functioning registrar and notary services, including modalities to ensure that such services are made available to the population in the interior of the country.

Legislative Program

- a) Formulation of a legislative agenda for the Government indicating the sequence of the desired legislation and the internal and external resources, as well as time required to draft such legislation. This agenda will include, among other laws, National Defence Law, Company Law, Land Law, Investment Law, and Media Law.
- b) Development of the capacity to prepare proposals for legislation, draft legislation and to prepare legal opinions and advices, as required by effective government.

Reconciliation Program

- a) Promotion of reconciliation activities, with the support of the Reception, Truth, and Reconciliation Commission, the Church and civil society.

Rights and Equality Program

- a) Capacity building for women's participation in leadership and decision making through training in order to stimulate skills for decision making, negotiation, politics and other leadership areas.
- b) Ensuring gender balance through recruitment, elimination of constraints and discrimination against women and integration of gender issues in all laws, programs and policies.
- c) Promotion of family-friendly policies that promote appropriate measures to facilitate the family and professional lives of women and support their participation in public life.
- d) Promote legal protection from violence against women through adoption of legislation, access to the judicial system and creation of institutional mechanisms in order that women and girls are able to denounce acts of violence. Promote cooperation between authorities and social support programs and involvement of women in protection services.

- e) Encourage social change regarding violence against women through analysis of causes and consequences, and the development and promotion of education campaigns.
- f) Develop protection services through the creation of refuge centres and support systems for victims of violence and by creating programs for protection, assistance and training for refugee or displaced women to facilitate their reintegration into their communities.

10. POVERTY REDUCTION, RURAL AND REGIONAL DEVELOPMENT

VISION

10.1 That the people of East Timor live in a prosperous society, comfortable in terms of food, shelter and clothing, in safety, and free from illness and ignorance (illiteracy); with an income that is fair and equally distributed; with no discrimination; and with a balanced development of towns and villages and different areas.

INTRODUCTION

10.2 The Poverty Reduction and Rural and Regional Development Working Group was co-chaired by the Minister for Internal Administration and the Secretary of State for Labour and Solidarity. Representatives of all the departments/sections in the Ministry of Internal Administration and the Secretary of State for Labour and Solidarity took part in the Working Group. Also, officials from a number of other Ministries including Agriculture, Education, Health and Finance participated in the Working Group. The output of the Working Group is presented in the following paragraphs.

Poverty Reduction

10.3 Poverty is multidimensional and is experienced in different ways by different people. The usual measure of poverty is the headcount ratio, which is the proportion of people living below the national poverty line. Adapting the methodology used in other countries, the poverty line for East Timor is estimated to be US\$0.55 per person per day in September 2001. It incorporates a food component (2,100 kilocalories) and a non-food component covering, among others, expenditures on education, health, clothing and housing. The data show that more than two-in-five (41 %) East Timorese are below the poverty line.

10.4 Other dimensions of poverty include education, health, water supply, sanitation, infrastructure including roads and electricity, communications, security and empowerment. On education, for example, the adult illiteracy rate in East Timor is high with more than half the East Timorese population unable to read and write. Health indicators show a high mortality for infants and children below five years of age. Death of mothers in childbirth (maternal mortality) is also high. Further dimensions relate to security and empowerment. Security includes security of person, property, food and livelihood (including jobs and vulnerability). Empowerment involves a lack of “voice” and a limited participation of the poor in decision-making on their future and the affairs of their communities on economic, social, cultural and political issues, or a lack of involvement in institutions of society and state. It also involves a lack of freedom to exercise and enjoy basic human rights, essential economic and social rights – to be productive and creative, enjoying self-respect, and contributing to the well being of the community and the nation.



10.5 The incidence of poverty is higher among households headed by those with no schooling (around one-in-two or 49 %), fishers (47 %) and farmers (46 %). Poor households in East Timor are more likely to be large with a low proportion of earners (or a large proportion of children and old people leading to a higher dependency ratio), and have very little land. A large majority (85 %) of the 341,000 poor people live in the rural areas of country.

Rural Development

10.6 More than three-quarters (76 %) of East Timor's population lives in the rural areas. Poverty incidence in the rural areas (46 %) is significantly higher than that in the urban centres (26 %), with Dili and Baucau having the lowest (14 %). The bulk of the country's poor are located in rural areas. Land holdings are small for the majority of the population, with about 24% of households owning less than 0.5 ha each, and a further 60 % between 0.5 and 1.5 ha each. The productivity of land is relatively limited, due to low-input, low-output technologies that emphasise risk minimisation, since crop failure may jeopardise survival of the family. Access to markets is difficult. Buyers may be scarce, and unwilling to pay prices that include profits due to high costs for transport, storage, and processing.

10.7 Access to basic social services in rural areas is significantly lower than that in urban centres. For example, access to both primary and secondary schools in rural areas is far less favourable than in urban centres. A number of the rural sucos do not have a health post and some are not even served by mobile clinics.¹ Most of the qualified medical personnel are concentrated in urban centres, and access to qualified doctors and nurses is virtually non-existent in most rural areas. Access to safe water, sanitation and electricity, while limited overall, is very low in the rural areas. Access to roads and communications is also a major constraint facing rural residents. As a result, many of the income, education and health indicators show a considerable gap between rural and the urban areas.

Regional Development

10.8 The nation is divided into three regions, Eastern, Central and Western,² and 13 districts. Prior to 1999, a Governor headed the East Timor Province, with each of the three regions administered by an Assistant Governor. Bupati administered districts, with Sub-districts led by Camats. After 1999, the Government provided for District Administrators and sub-district Coordinators. However, the roles and responsibilities of these functionaries, as well as the Suco and Aldeia chiefs, are still evolving. The necessary legislation and regulations are expected to be in place in the next two to three years.

10.9 There are significant disparities between the regions and districts in economic and social indicators. For example, poverty incidence is high in the rural areas of the Central and Western regions as compared to the rural Eastern region. Access to public facilities (e.g. schools and health centres) is more difficult in the upland areas/districts, as is access to roads and markets. Although the topography is difficult, the agro-climatic conditions in some areas (e.g. in the

¹ Mobile clinics and health posts are the frontline health delivery facilities that reach down to the villages, while community health centres (CHCs) are often located at sub-district (posto) headquarters and in the small number of hospitals in the urban centres of Dili and Baucau. A few CHCs are equipped with a limited number of beds.

² The Eastern region comprises Baucau, Lautem, Manatuto and Viqueque districts; the Central region comprises Aileu, Ainaro, Liquica and Manufahi as well as Dili districts; and the Western region covers Ambeno (Oecussi), Bobonaro, and Covalima districts. A redefinition of the regions is expected after independence.

Central region) may be favourable for higher value crops (e.g. coffee, fruits and vegetables) and have good proximity to markets.

10.10 The Ambeno (Oecussi), Bobonaro and Suai districts face unique problems. Ambeno is surrounded by Indonesia, and access to the rest of East Timor is either by sea or through Indonesian territory. Given the current state of infrastructure, the costs of linking Ambeno with the rest of East Timor may be prohibitive in the short and medium term. It will require specific economic, trade and social (including language) policies for the district. Similarly, the border districts of Bobonaro and Suai face distinct opportunities and constraints in their relations with the other districts in East Timor and across the border in West Timor.

10.11 Poverty reduction is a crosscutting issue, addressed in the overall development strategy and in each of the sector strategies, programs and projects. As a result, responsibility for poverty reduction is distributed among a wide range of institutions. Similarly, rural and regional development is addressed mainly through macro and sector programs, and several Ministries and Departments are involved in these efforts. For example, the local government functions are under the purview of the Ministry of Internal Administration, while the Secretary of State for Labour and Solidarity is expected to facilitate the delivery of assistance to vulnerable groups, depending on resource availability.

GOALS

10.12 The overall goals of poverty reduction, rural and regional development, as formulated by East Timorese are as follows.

- a) Transform the subsistence economy and achieve a rapid economic growth that is stable and sustainable, utilising to the full the country's resources; create equitable business opportunities and increase rural incomes.
- b) Deliver training and health services, create equal opportunities to obtain work, and establish a social safety net to help victims of disasters.
- c) Create skilled and professional human resources in accordance with the interests and talents of the people in each sector, and ensure an effective utilisation of labour.
- d) Create a society, which is free from internal and external threats, and make the country attractive and safe to citizens and visitors.
- e) Reduce poverty in all its aspects, particularly among women and vulnerable groups.
- f) Promote integrated rural development to reduce poverty, accelerate economic growth, and reduce the gap between rural and urban areas.
- g) Achieve balanced regional development to reduce poverty, improve the lives of East Timorese in all regions, enhance and exploit complementarities between regions and agro-ecological areas, accelerate economic growth, and reduce regional disparities.
- h) Access, maintain, and make available cultural, popular (folkloric) and historic artefacts and government records/materials, for present and future generations of East Timorese.
- i) Promote good governance through: popular participation; responsible and responsive government; a competent, efficient, accountable and transparent civil service;

decentralisation and devolution; a socially responsible private sector; and transparent and accountable civil society organizations.

GUIDING PRINCIPLES

10.13 Promoting rural and regional development within a framework for poverty reduction and economic growth in East Timor will be based on the concept of sustainability, and on the following principles.

- a) Participatory Development
 - Empowerment of rural people, enabling them to participate, contribute ideas, and make and implement decisions regarding their needs in terms of the policies and programs they have chosen.
 - Ensuring the involvement of individuals and communities in all village development activities in rural areas.
- b) Integrated and Equitable Development
 - Development to be undertaken in an integrated manner between the various sectors, so that it spreads evenly from the centre to the districts and to lower levels.
- c) Equality and Non-Discrimination
 - Development to respect equality and human rights without racial, religious, gender or ethnic discrimination, in accordance with the Constitution of East Timor.
- d) Social Solidarity
 - Development to be based on principles of social solidarity among the people, including assistance to vulnerable groups.
 - Development to take place within a framework that can create democratic and social conditions conducive to raising the living standard of the poor, and of vulnerable groups.
- e) Professionalism
 - Poverty reduction to be based on principles of professionalism, such as dedication, honesty, commitment, transparency, creativity, innovation, effectiveness and efficiency.
- f) Environmental Protection
 - Development to be based on a respect for, and a desire to protect the environment, and the use of natural resources in a sustainable way.
- g) Preservation of Culture
 - Development to uplift, rather than erode, the nation's cultural heritage and values.

- h) National unity, peace and hard work
 - Development to promote national unity, peace and reconciliation and the instilling of a strong work ethic

KEY DEVELOPMENT INDICATORS

10.14 The key development indicators identified by the Working Group on Poverty Reduction and Rural and Regional Development overlap to a large extent with those presented in Chapter 2 on Vision, Goals, Principles and Indicators (Annex 1), with a detailed breakdown by gender, rural and urban areas, regions and districts, and income groups (poor and non-poor) wherever appropriate and feasible. They cover the standard indicators including GDP per capita, ratio of income of the richest 20 % to the poorest 20 %, Gini coefficient of inequality in income distribution, labour force and employment, poverty incidence, access to and use of education and health services and safe water and sanitation, housing, electricity and communications. They also include security and empowerment.

PROBLEMS AND CONSTRAINTS

10.15 The problems and constraints for poverty reduction and rural and regional development are grouped under the broad headings of resource constraints, labour, social and gender areas, capacity, infrastructure, rural-urban and regional disparities, civil service, private sector, legal framework and governance.

Resource Constraints

- a) Shortage of animals.
- b) No means to lift and/or pump water for irrigation.
- c) Inadequate agro-processing facilities.
- d) Lack of capital.
- e) Lack of, or limited markets.
- f) Lack of economic opportunities.
- g) Limited economic support services.
- h) Lack of growth centres.
- i) Lack of opportunities for remunerative work.
- j) Shortage of labour during critical periods.
- k) Discrimination in access to work opportunities.
- l) Lack of information on employment and unemployment, and on labour issues such as workplace safety.

Social Aspects

- a) Lack of social accountability.
- b) Informal institutions weakened during the occupation and violence, with no formal social institutions set up during the transition period.
- c) Lack of awareness of rights and responsibilities (civic education).
- d) Lack of willingness to take initiatives and break the cycle of dependence.
- e) Political and social divisions.
- f) Political disturbances.
- g) Social turmoil.
- h) Lack of, or weak social cohesion and solidarity.

Gender aspects

- a) Discrimination against girls and women.
- b) High unemployment rate, especially among women.
- c) Low wages especially for women.
- d) Lack of professional skills among women, especially young women.
- e) Lack of training facilities for women.

Capacity

- a) Lack of teachers and trainers.
- b) Limited capacity within Government, private sector and civil society organisations including NGOs.
- c) Limited capabilities or skills among people in general, and poor people in particular (e.g. literacy) in the villages.
- d) Lack of knowledge of industry.
- e) Lack of skills to start and operate businesses.
- f) Illiteracy, including inability to manage money.
- g) Inadequate number of personnel.
- h) Limited capacity of existing personnel.
- i) Traditional low-input, low-output technologies.

Infrastructure

- a) Lack of appropriate and essential facilities, equipment and supplies, including medicines.
- b) Inadequate number of public facilities, such as schools and health centres.
- c) Inadequate, and limited access to infrastructure.
- d) Poor maintenance of existing infrastructure.
- e) Access to other parts of the country difficult and/or costly.

Rural-urban and regional disparities

- a) Limited access to relatively lower quality social services (including education, health, water supply, sanitation, and housing in rural areas, as compared with urban centres.
- b) Regional disparities in educational achievement and opportunities (e.g. Baucau has the largest number of schools in the country whilst some of the other districts have very few schools).
- c) Civil service with very limited presence in regional areas.
- d) Lack of articulation of values and principles on the “service” role of civil service.
- e) Limited capacity within civil service.
- f) Limited number of civil servants.

Private sector

- a) Lack of policies and programs to develop entrepreneurship and support for private enterprise development.
- b) Lack of competition in the private sector.
- c) Legal framework
- d) Lack of legislation and regulations in areas such as immigration and labour.
- e) Lack of national support and advocacy on behalf of susceptible groups in legal difficulties. Outmoded laws.
- f) Inadequate capacity (number of personnel, skills, institutions, facilities and equipment) in the judiciary, legal professions and the police force.
- g) High cost (financially and in time) of justice.
- h) Lack of well-defined property rights, especially for land.

Governance

- a) Lack of coordination and cooperation between government and non-government institutions.

- b) Vested interests aiming to grab much of the public resources.
- c) Uncertainty regarding security and the nature of government and/or governance among the population.
- d) Crime.
- e) Lack of institutional mechanisms for coordination in different districts and/or regions.
- f) Lack of targeted support to meet the needs of children and the disabled.
- g) Lack of plans for district development, based on comparative advantages.
- h) Lack of criteria for allocation of resources to districts.
- i) Lack of capacity at district level to account for funds allocated.
- j) Lack of transparency.
- k) Inadequate accountability mechanisms.
- l) Long colonial past with highly centralised decision-making in government.
- m) Lack of understanding of the Portuguese language among many administrators.
- n) Legacy of bribery and corruption
- o) Political favouritism in civil service recruitment.
- p) Political influence in allocation of funds.
- q) Corruption.

STRATEGIES AND POLICIES INCLUDING PROGRAMS AND PROJECTS

10.16 The proposed strategies are outlined below, together with suggested programs, projects, policies and legislation for the achievement of each strategy necessary for the attainment of the stated goals. Several proposed programs overlap with those proposed by other Working Groups, particularly in areas such as agriculture. The annual action plans of Ministries must take account of the activities of other Ministries and agencies of Government.

POVERTY REDUCTION

10.17 The overall strategy for poverty reduction is presented in Chapter 4. As poverty reduction is an overarching goal, it is mainstreamed into the sector chapters. A sample of these are enumerated in the following.

CREATING ECONOMIC OPPORTUNITIES

10.18 The strategies for creating economic opportunities are included mostly in the sector chapters, especially on Agriculture, Fisheries and Forestry and Industry, Trade and the Private Sector. The specific strategies formulated by the Poverty Reduction and Rural and Regional Development Working Group include the following:

- a) Transformation of the non-farm subsistence economy through small-scale, home and cottage industries and other business activities that generate income for the poor.
- b) Provision of skills training and guidance to increase the ability of the poor in managing small businesses so that they become self-reliant.
- c) Increased production in the rural areas through the application of appropriate farming techniques and promotion of agro-industries.
- d) Identification and development of potential markets for products inside and outside the country

10.19 The policies that are conducive to promoting the above include those on micro finance, and policy or guidelines on small-scale, cottage and village industries. For example, the latter may include exemption from licensing, taxes and other restrictions; while enforcing the observation of hygiene, health and environmental regulations. The types of programs and projects visualised are listed in the following:

- a) small-scale industries promotion program
- b) household and cottage industries promotion program
- c) hawkers and vendors (petty trade) program
- d) micro credit or micro finance programs and projects
- e) training programs for small-scale, home and cottage industries
- f) project to strengthen technical and vocational education.
- g) bee keeping and honey production (apiculture) project
- h) production of tais, bags and baskets project
- i) production of small tools including agricultural implements project
- j) production of packaged food such as peanuts and shrimp/fish crackers project

10.20 The performance indicators are:

- a) number of new small and micro enterprises established and operating by gender of owner/operator
- b) increase in non-farm income of poor and low-income households
- c) number of borrowers under micro credit schemes by gender
- d) average amount of loan per borrower in micro credit schemes total and by gender
- e) number of training programs conducted
- f) number of trainees by gender
- g) number of trainees graduating from technical and vocational education training programs and number employed by gender

10.21 In addition, the Working Group proposed other training for farmers and fishers in such areas as improved crop husbandry, irrigation management, livestock raising and veterinary care and fishing and aquaculture. The policies, programs and projects overlap with those in other sectors. In operational terms, most of the activities are covered in other sectors including Industry, Trade and the Private Sector and Agriculture, Fisheries and Forestry.

PROVIDING SOCIAL SERVICES

10.22 The strategies, programs and projects on provision of education and health services proposed by the Poverty Reduction and Rural and Regional Development mirror those presented in Chapter 10 on Social and Human Development: Education and Health, while those on water supply and sanitation and housing are covered in the relevant sections of Chapter 15 on Infrastructure.³ The specific additions proposed include programs to increase the skills of the people in general and the poor in particular; and to create networks between the Government and non-government institutions that are active in the delivery of education and training services to society.

ENHANCING SECURITY INCLUDING DISASTER PREPAREDNESS AND SAFETY NETS

Security

10.23 The country has been emerging from the 1999 violence and turmoil. There is still lingering insecurity, mistrust and friction from the occupation and resistance movement. Also, political social divisions and some uncertainty about the scope of government security after independence prevail. The Plan proposes the creation and strengthening of family and community consciousness to increase the sense of solidarity, and create safe and peaceful conditions. The specific interventions under the strategy include programs and projects for:

- a) intelligence gathering and pre-emptive actions to prevent and combat crime.
- b) involving communities in monitoring potential risks.
- c) investigating and solving crimes as soon as possible.
- d) strengthening community solidarity through the creation of a system of protecting people, which is participatory and responsible.
- e) supporting people to be active in guarding the security and public order in residential areas in all areas (rural and urban) of the country.
- f) strengthening the capacity of the community to withstand and overcome disturbances and challenges (e.g. through provision of financial resources, equipment and training to communities/areas prone to such disturbances).
- g) establishing an early warning system with the involvement of the people to identify potential security and social disturbances and evolve measures to prevent them.
- h) organising campaigns on civic education and social solidarity

³ For example, the Poverty Reduction and Rural and Regional Development Working Group identified health programs such as rehabilitation and expansion of health facilities, health personnel training, supply of health equipment and essential medicines, immunization, and amelioration of vitamin and micronutrient deficiencies among children and pregnant and lactating women. However, these programs are an integral part of the Plan interventions proposed under the Health Sector in Chapter 11.

- i) mobilising traditional institutions and leaders to promote social cohesion
- j) instilling family values through schools and other means.

10.24 Many of these activities fall under the purview of the Ministry of Internal Administration, especially the Department of Local Administration and Police and Security Forces. The performance indicators include: (i) reduction in number of crimes reported, (ii) number of crimes solved and average time taken to solve the crimes, (iii) number of neighbourhood watch committees established, (iv) number of communities trained and supported including average amount of support provided, (v) number of early warning groups established, (vi) number of people reached by civic education campaigns by gender, (vii) number of leaders contacted and trained in promoting social cohesion, (viii) number of courses conducted in schools on family values and civic education and number of students covered, and (ix) number of people and communities organised to participate in community safety and peacekeeping by the police.

Disaster preparedness

10.25 It is recognised that in the medium term the resources and capacity at the Government's disposal are extremely limited to provide direct assistance to vulnerable groups. Therefore, much of the focus in the Plan is on preventative measures and strengthening the self-reliance of society to care and share and cope with disasters and other contingencies. The programs and projects include the following:

- a) setting up early warning systems to gather and disseminate information on floods, droughts, landslides, etc. These could be simple systems at the village, posto and district levels under a national centre.
- b) compiling information on how communities have coped with disasters in the past (e.g. through the National Archives) and examine whether similar practices could be adopted.
- c) creating a network to strengthen the preparedness of society in facing and coping with disasters.
- d) organizing communities prone to disasters to help themselves through setting up community food banks, stocks of other materials, etc.
- e) encouraging religious organizations and other voluntary groups including NGOs to set up mechanisms to monitor and assist.
- f) establishing a national disaster prevention and preparedness group (including representatives from local and international organizations) to plan and coordinate the activities.
- g) making provision in the government budget for assistance to victims of disasters.
- h) providing support to victims of disasters including emergency aid and support for rehabilitation/reconstruction of houses.
- i) recruiting and training SATGAS who will deal with disasters.

10.26 The disaster preparedness functions mentioned above are the responsibility of the Ministry of Internal Administration. The performance indicators include: (i) early warning system established, (ii) number of food banks and other community storage established to cope

with disasters, (iii) number of religious groups and NGOs mobilised to participate, (iv) national disaster prevention and preparedness group established, (v) amount of money allocated in Government budget for disaster preparedness, (vi) number of disaster victims helped and average amount per victim, and (viii) number of SATGAS recruited and trained.

Vulnerable groups

10.27 The strategies comprise the (i) provision of assistance to vulnerable groups such as women in difficult circumstances (e.g. widows and victims of violence), the elderly (old people), veterans of the resistance movement, refugees, destitute (very poor) families and prisoners to recover and lead satisfying lives as full members of society, (ii) establishment of a special facility for the service of children and the disabled, (iii) organisation of coordination, consultation and joint work between NGOs and the church in the framework of providing services to vulnerable groups, and (iv) formation of a working group to advocate on behalf of vulnerable groups who are facing legal problems.

10.28 The proposed programs and projects include the following:

- a) a campaign to stop violence against women and children.
- b) counselling and assisting female victims of violence who are socially and economically vulnerable.
- c) supporting the elderly with essentials such as food and clothing and organizing recreation groups.
- d) providing assistance to veterans in the form of training, credit and other support services.
- e) supporting refugees and displaced people by returning them to their original places of residence, providing food, clothing, shelter in the transition, facilitating reconciliation, and providing the means to re-establish their lives and livelihoods.
- f) social service programs for children.
- g) helping the disabled (physically challenged).
- h) assisting the school system to provide school supplies and equipment for neglected children.
- i) scholarship/bursary programs for orphans and children from poor families that demonstrate good academic potential.
- j) training programs in computers and sewing for the disabled.
- k) providing economic support to the disabled.
- l) improving the situation of destitute people through provision of food and other basic necessities and housing materials.
- m) supporting prisoners and former prisoners including training and skills development, counselling and resocialization.

- n) establishing a mechanism (working group) to provide legal advice and support to the vulnerable groups in need of such advice.
- o) setting up a consultation and coordination mechanism and organize joint programs between government, church, NGOs and other groups on provision of services to vulnerable groups.

10.29 Many of the activities proposed above are expected to be undertaken by the Social Affairs Department in the Secretary of State for Labour and Solidarity, while the rest will be implemented by other Ministries/Departments (e.g. Education and Justice). However, the Government budget situation is not adequate to provide any significant resources to fund the activities in the next two to three years. Accordingly, it is proposed to include the activities in the annual action plans as budget resources become available.

Empowering the people

10.30 The country had experienced for almost a quarter century, the lack of awareness and interest on the part of civil servants in involving people in the development of the country. It also created an attitude among the people not to take initiative and to depend on the government. It is important to break this cycle of dependence. The development strategies include: (i) strengthening and sustaining the political will in the government to support policies and endeavors for poverty reduction, (ii) liberating society from all social and cultural impediments that constrain development, (iii) strengthen formal and non-formal local social institutions, and (iv) promoting popular participation, especially of the poor and other vulnerable groups in economic, social and political processes.

10.31 The programs and projects proposed to translate the above strategies into action include the following:

- a) organise advocacy groups (e.g. NGOs) to promote and sustain government commitment to poverty reduction.
- b) organise citizens groups to watch and monitor how public resources are being allocated and spent, with particular attention to poverty reduction.
- c) inform people of the successes and failures of government interventions, especially on poverty reduction programs.
- d) promote the strengthening of informal social institutions such as community mutual-help groups, farmers groups, irrigation/water user groups, fishers groups and women's groups, through facilitation and organization.
- e) establish and strengthen formal social institutions such as cooperatives, savings and loan associations and marketing groups (e.g. coffee marketing), and religious and interest groups (e.g. labour unions).
- f) introduce programs to facilitate the formation of the poor into groups, provide training and help undertake economic, social and advocacy activities to advance the welfare of the groups.
- g) formulate and implement legislation to allow the formation, registration and functioning of various groups within the law and without violating the rights of other groups or citizens.

- h) discourage social and cultural practices such as spending beyond one's means, or bride price, through civic education with the involvement of community leaders and prominent persons. Consider introduction of legal measures to curb harmful practices.
- i) undertake community animation and confidence building programs using participatory approaches such as that adopted in the Participatory Potential Assessment.

10.32 The responsibility for implementation of the above activities will be spread across various Ministries/Departments. Some of the programs and projects are already included in the Sector Plans, while others would need to be incorporated in the annual plans.

Gender dimensions

10.33 The strategies include:

- a) the creation of equal opportunities to obtain work including the conditions that have a positive effect on the working conditions and income of women workers in the formal and non-formal sectors, through a:
 - program to create an enabling environment for employment of women in remunerative jobs (including incentives to employers).
 - program of child care (day care) centres for working women with children.
 - policy favouring employment of women.
 - policy and guidelines on workplace facilities for women (e.g. child care centres, separate washrooms and recreation areas).
 - law against discrimination against women in employment and wages.
 - law against harassment of women in the workplace.
- b) provision of training to women in general and young women in particular in a number of skills/fields (e.g. management, enterprise development and information technology) at the national, regional and local levels to facilitate their participation in economic activities, including
 - professional training programs for women in such areas as management, enterprise development and information technology at the national and regional levels.
 - establishing and strengthening professional training facilities for women at different levels.
 - training programs for women at the suco and aldeia levels suited to the local circumstances (e.g. availability of raw materials and supplies and support services such as electricity and credit) and markets for the products and services they produce.

- c) establishment and strengthening of a network of businesswomen through policies to support private enterprise, women's organizations, cooperatives and groups, to enable women to help themselves and other groups. These include a:
- project to establish network(s) of businesswomen.
 - project to establish and/or strengthen women's groups.
 - program to establish and/or strengthen women's cooperatives.
 - project to support East Timorese women's groups to establish contacts and networks with similar groups in other countries in the Asia-Pacific region, and in other parts of the world.

10.34 The above activities will be mainstreamed into the programs and projects of relevant Ministries. The performance indicators, which may be monitored by the relevant Ministries as well as the Office of Promotion and Equality, include the following:

- a) increase in number of women employed in formal private sector.
- b) institution of policy favouring employment of women.
- c) new workplace facilities for women (e.g. child care centres, separate washrooms and recreation areas).
- d) enactment of law against discrimination against women in employment and wages.
- e) enactment of law against harassment of women in the workplace.
- f) number of professional training programs for women and number of women trained in each discipline.
- g) number of training programs for women at the suco and aldeia levels and number of women trained.
- h) number of networks of businesswomen established and number of members.
- i) number of women's groups established and/or strengthened and number of members.
- j) number of women's cooperatives established strengthened and number of members covered.

RURAL DEVELOPMENT

10.35 **Goal:** Promote integrated rural development to reduce poverty, accelerate economic growth and reduce the gap between the rural and urban areas.

10.36 The strategies include the following:

- a) Empower the rural people through education and organizational skills training.
- b) Strengthen the economic base of the communities and enhance productivity.

- c) Improve access to infrastructure and markets.
- d) Improve the protection and sustainable use of natural resources (e.g. land, water, forests, fisheries and minerals, but excluding oil and gas) and the environment in the communities.
- e) Reduce the gap between urban centres and rural areas in economic opportunities, provision of social services and infrastructure (including communications).
- f) Promote development of urban areas and other growth centres.

10.37 The policies, programs and projects proposed for rural development are:

- a) Integrated community education, training, information and communications program.
- b) Program to strengthen the autonomy and self-reliance of village communities.
- c) Policy on local government/governance at the suco and aldeia levels.
- d) Integrated community economic development program.
- e) Integrated community services development program covering such areas as health, education, water supply, sanitation, agricultural extension and veterinary services.
- f) Integrated community infrastructure development program.
- g) Programs for community management of infrastructure maintenance.
- h) Programs for community protection and the use of public resources, such as forests and fisheries.
- i) Policy/legislation on community management and the use (sharing of benefits) of public resources, such as forestry and fisheries.
- j) Law prohibiting the delineation and privatisation of community and common property resources.
- k) Laws regulating the management and use of natural resources and protection of the environment.
- l) Programs to encourage dispersal of investments to areas close to urban centres, and to areas appropriate for resource endowments and products (e.g. coffee processing).
- m) Programs to improve the quality and quantity of social services in rural areas, with a particular focus on the poor, women and other vulnerable groups.
- n) Programs to improve the rural infrastructure (including farm to market roads, and rural electrification) and communications.
- o) Dili development program.
- p) Urban centres development programs.
- q) Programs to develop markets and growth centres in highlands.
- r) Programs to develop markets and growth centres in lowlands.

- s) Policy on urban development and city/municipal governance (government).
- t) Policy on rural-urban migration.
- u) Policies on markets and growth centres.

10.38 The above policies, laws, programs and projects are either implicitly or explicitly incorporated in the relevant sectors including Agriculture and Infrastructure. The importance of integration of the various development interventions to ensure complementarities (avoid duplication) and enhance the impacts is emphasised. Relevant performance indicators for the activities have been formulated and presented in the sector chapters.

REGIONAL DEVELOPMENT

10.39 **Goal:** Achieve balanced regional development to reduce poverty, improve the lives of East Timorese in all regions, enhance and exploit complementarities between regions and agro-ecological areas, accelerate economic growth, and reduce regional disparities.

10.40 The strategies formulated by the Working Group to achieve the above goal include the following:

- a) reduce imbalances in education, organisational skills and institutional mechanisms for development between the regions/districts.
- b) strengthen the economic base of the districts, taking into account their resource endowments (land, agro-climatic conditions, people and their skills, etc.), enhance productivity, and enhance complementarities between districts/regions.
- c) improve access to infrastructure and markets in regions/districts that are relatively disadvantaged.
- d) allocate central (national) government resources to district(s) based on population, land area, present level of development and other specific problems which the district faces to ensure equitable sharing and promote balanced development of all districts.
- e) develop districts and areas with specific problems – i.e., Ambeno (Oecussi), Bobonaro and Covalima districts, and Atauro and Jaco Islands.

10.41 The policies, programs and project proposed are:

- a) programs to strengthen and expand education and skills training opportunities in relatively disadvantaged regions and districts.
- b) program to strengthen the organisational skills of government, private sector and civil society organisations in regions/districts that are relatively disadvantaged.
- c) program to create and/or strengthen institutional mechanisms for coordination of development activities in regions and districts that are relatively disadvantaged.
- d) formulation and implementation of district and/or regional economic development programs, with particular attention to agro-ecological and human resource areas.
- e) program to adapt appropriate technologies for improving productivity.

- f) tailor-made training and extension programs to enhance the skills of people (e.g. farmers and small entrepreneurs in agro-industries, marble/mineral extraction).
- g) programs of economic support services including rural electrification, input supply, marketing, etc.
- h) integrated infrastructure development program in relatively disadvantaged districts.
- i) strengthen the capacity of district administrations in finance and management.
- j) devise policies to raise additional resources from both internal and external sources.
- k) devise criteria for allocation of resources among districts, taking into account their current state of development.
- l) law on local government, specifying the roles and responsibilities of district and lower level government administrations.
- m) program to develop Ambeno district, including land and sea transport linking it with the rest of the country.
- n) program to develop Bobonaro district.
- o) program to develop Covalima district.
- p) program to develop Atauro Island.
- q) program to protect and develop Jaco Island for eco-tourism and bio-diversity research.
- r) policy on border trade and the flow of people between Ambeno district and West Timor.
- s) policy on border trade and the flow of people between Bobonaro and Covalima districts and West Timor.
- t) policy on development of Atauro Island.
- u) policy on conservation, protection and use of bio-diversity in Jaco Island.

10.42 Many of the activities proposed above require clarifications on the coverage/boundaries of the regions and the roles and responsibilities of local government entities and personnel at the district, sub-district and lower levels. The Ministry of Internal Administration will be an important actor in helping to clarify these and formulating the local government code or law. Also, the Ministry would have to coordinate many of the activities. The promotion of regional development may be spearheaded by different line Ministries such as Agriculture depending on the resource base and comparative advantage of the districts/regions.

CIVIL SERVICE

10.43 **Goal:** Strengthen the capacity of civil service at the national and local levels and enhance its efficiency, transparency and accountability.

10.44 The civil service is staffed mostly with people with minimal experience in government and governance. It is much smaller than that prior to 1999. Strengthening the capacity of the civil service is a priority. The policies, laws, programs and projects include the following:

- a) program to strengthen the capacity of civil service including in administration/management, finance and budgeting
- b) training of trainers program
- c) training programs with adequate representation of different groups such as women and language groups)
- d) curriculum and training materials development projects
- e) external training program(s)
- f) monitoring and follow-up of trainees project
- g) supply of equipment and facilities programs
- h) civil service recruitment policy (e.g. to ensure adequate representation of women, social and language groups and regions/districts transparent, fair and merit-based manner)
- i) civil service reward, promotion and career development policy
- j) civil service separation and disciplinary action policies
- k) civil service code of conduct, rules and regulations
- l) civil service law
- m) orientation and training programs to instil the values and principles of serving the people within the civil service
- n) program to evaluate civil service performance
- o) program for the formulation and promulgation of civil service rules and regulations promoting transparency and accountability
- p) program to establish and operate accountability systems and mechanisms within the civil service
- q) program to establish and operate citizen watchdog mechanisms
- r) policy on public access to, and disclosure of government information
- s) policy on role and accountability of civil service
- t) policy on citizen/community mechanisms to monitor the civil service

10.45 The policies, laws, programs and projects will be implemented by the relevant entities under the Ministry of Internal Administration in cooperation with other Ministries and Departments. Also, citizen participation in monitoring the performance of civil servants in service delivery and in seeking accountability is important.

Immigration Service

10.46 Create an Immigration Service, which is professional and efficient, providing a quality service for citizens and visitors.

- a) program for recruitment of additional staff
- b) training programs, including (English) language training
- c) program to provide office facilities (including buildings), and equipment
- d) program of technical advice and services
- e) program to monitor visitors and immigrants
- f) program to establish a database on visitors and immigrants
- g) policy on immigration, including visa and other entry requirements
- h) policy on immigrants' rights to work, start businesses, and engage in other activities

National Archives

10.47 The objective is to access, preserve and make available cultural, popular (folkloric) and historic artefacts and government records/materials for present and future generations of East Timorese. The National Archive will acquire, preserve and make available to the public oral, written, film, tape, photographic and other materials through the its facilities.

10.48 Many of the artefacts have been lost or destroyed during the 1975-1999 occupation and during the 1999 paramilitary violence. There are no records or knowledge of East Timorese materials taken to other countries including Portugal, other Portuguese-speaking countries and Indonesia. Further, the information on what is available in East Timor is limited. The programs and projects include the following:

- a) cultural and historical materials collection program
- b) cultural and historical materials and heritage buildings/architecture preservation program
- c) cultural and historical display and dissemination programs
- d) research programs (library and field projects, including archaeological projects)
- e) training programs
- f) buildings/facilities and equipment supply projects
- g) program for accession and preservation of government records
- h) policy on culture and heritage
- i) policy on the retrieval and repatriation of East Timorese cultural, historic and heritage materials from other countries
- j) policy on accession and preservation of government records

10.49 The National Archive under the Ministry of Internal Administration will implement the activities, subject to availability of adequate resources.

Labour

10.50 The objectives include the improvement in the utilization of labour with equitable reward (wage) system and workplace safety; establishing and maintaining a labour market database, introduction of manpower planning, and dissemination of the information to all interested parties. The strategies include improving the functioning of the labour market through employment exchanges, business (employer) consultation forums, and the media, establishing and maintaining a labour market database, introducing manpower planning, and disseminating the information to all interested parties;

- a) program for promotion of formation of labour groups/unions to protect workers' rights
- b) program for promotion of occupational safety and environmental health
- c) project for promotion of job security
- d) program for promotion of retirement pension schemes
- e) program for promotion of disability insurance
- f) program for promotion of mediation/arbitration in labour disputes.
- g) minimum wage policy
- h) working hours policy
- i) policies on leave and other workers' rights
- j) labour law that incorporates internationally accepted (ILO) labour standards and practices.
- k) program to establish labour market database
- l) manpower planning program
- m) program to strengthen staff capacities
- n) program to set up labour market monitoring and information collection offices in districts
- o) program of dissemination of labour market information and manpower plan
- p) policy requiring employers to provide information on employment, wages, working hours, etc., by occupation (skill level)
- q) program to establish and operate employment exchanges to match jobseekers with potential employers
- r) program to establish business (employer) consultation forums
- s) policy on advertisement of vacancies in the media

t) regulation on supply of information on job vacancies to employment exchanges

10.51 The above activities will be implemented by the Secretary of State for Labour and Solidarity in cooperation with other Ministries. The activities will be prioritised and implemented in phases to respond to emerging needs and demands, subject to availability of resources.

11. SOCIAL AND HUMAN DEVELOPMENT: EDUCATION AND HEALTH

“Meeting East Timor’s basic needs in health and education is vital for the nation’s development, in reducing poverty, promoting economic growth, and in improving the livelihoods of its population.”

VISION

11.1 Our vision is that by 2020, the East Timorese people will be well educated, healthy, highly productive, democratic, self-reliant, espousing the values of nationalism, non-discrimination and equity within a global context.

BACKGROUND AND STATUS

11.2 Meeting East Timor’s basic needs in health and education is vital for the nation’s development, in reducing poverty, promoting economic growth, and in improving the livelihoods of its population. Education and Health are the largest sectors, in terms of expenditure, both in 2001-2 and for the foreseeable future. This expenditure reflects the wishes of the population, as expressed in the recent Countrywide Consultation, in which 70% of the population prioritised education as one of the three most important sectors to be developed for the country’s future, followed by health, prioritised by 49%. The PPA completed in January, 2002, produced similar results. These views are captured in the vision presented in this document. In meeting its people’s needs in health and education, however, both government and civil society organisations face formidable challenges.

Education

11.3 East Timor has an illiteracy rate of 50-60%. 46% of the current population have never attended school. Almost two-thirds of the female population is illiterate. The primary enrolment rate is low, as are school retention rates. Approximately 20% of children enrolled in primary schools rarely attend classes. There is a substantial shortage of trained teachers, and teaching quality is low. In the 2000-01 school year, for example, of the 2,091 secondary school teachers, only 106 had formal secondary school training. The curriculum introduced during the Indonesian occupation is viewed by East Timorese students and teachers as outmoded and irrelevant.

11.4 During the UNTAET period, some increases have occurred in primary school enrolment, particularly for girls, but there have been declines in secondary school attendance. Tertiary provision and skills training remain grossly inadequate. The current teacher-student ration in the primary sector is 1:62.

11.5 During the period before oil revenues begin to have an impact, key challenges to be addressed are:

- a) A rapid expansion in primary school enrolment, particularly for children from poor households.



- b) A reduction in the high drop-out rate at primary level.
- c) An improvement in teaching quality through the provision of appropriate training.
- d) The design and introduction of literacy manuals, and the implementation of campaigns to address the low literacy level within the population.
- e) A specification of the respective roles to be played by the government, church, NGOs and local communities in the management of education.
- f) The development of strategies for the furtherance of the Portuguese language at all education levels, and amongst the adult population.

Health

11.6 The heavy burden of disease in East Timor is due largely to the prevalence of communicable diseases such as malaria, tuberculosis, respiratory tract and childhood infections. The current TB rate is 900 per 100,000. Life expectancy ranges from 50-58, and is combined with high infant mortality rates of 78-149 per 1,000 live births, and under 5 mortality rates of 124-201 per 1,000 live births. Women bear an unacceptable burden of maternal mortality and morbidity, with maternal mortality rates at 350-800 per 100,000 live births. Only 30% of births have any skilled birth attendance. Approximately 3-4% of children aged 6 months to 5 years are acutely malnourished, whilst one in five is chronically malnourished. 45% of children under 5 are underweight.

11.7 During the Indonesian occupation, the health system delivered poor quality services, and was widely mistrusted by the population. During the paramilitary rampage, most health facilities were destroyed, and there was a total collapse of the health system.

11.8 During the UNTAET period, access to basic services has been restored, a TB program has been implemented, immunisation services have been developed for women and children, and basic health packages have been designed. Health centres have been rehabilitated and re-equipped. A plan has been devised for human resource development, capacity-building, and health training.

11.9 The main challenges to be addressed by the health sector are to design and implement policies, programs and projects addressing:

- g) high rates of maternal and infant mortality
- h) a high proportion of illness and death due to preventable communicable diseases
- i) the prevalence of malnutrition, iodine and vitamin A deficiency
- j) the lack of access to safe drinking water and sanitary facilities for a majority of the population
- k) poor reproductive health
- l) the prevalence throughout the country of post-conflict mental health problems and trauma
- m) poor and inequitable access to health services

- n) inadequate management support systems
- o) an inadequate referral system
- p) poor knowledge of HIV/AIDS among the population.

11.10 In both the health and education sectors, a major challenge is to set clearly-defined, specific priorities in line with available expenditure. A medium term framework has been developed, selecting priority areas that can ensure most successfully the delivery of services to a population with continuing high levels of poverty.

Gender

11.11 Women play a vital role in East Timorese society. They manage community resources, households, and constitute a crucial part of the labour force, particularly in agriculture. Yet they are not adequately represented in positions of power throughout the country. Gender inequalities are addressed in many of the objectives, strategies and policies in the national plan. There are particular gender concerns in human development – notably in relation to women’s levels of literacy, training, and health needs. These issues are covered in the particular projects and programs outlined for the health and education sectors.

GOALS

11.12 The goals for the education and health sectors are to:

- a) improve the education and health status of the people of East Timor;
- b) contribute to the improvement of the economic, social and cultural well being of individuals, families and communities in East Timor; and
- c) promote gender equality and empower women in East Timor.

GUIDING PRINCIPLES

11.13 Several principles serve to guide development in education and health, with the following of particular importance.

- a) **Human Rights:** Human development programs will respect all internationally recognized human rights and fundamental freedoms consistent with the East Timor Constitution, including the right to development.
- b) **Cultural, Religious and Gender Sensitivity:** Human development in East Timor will respect its people’s cultural and religious diversity and enhance equality among men and women, by promoting the values of tolerance, dialogue and peaceful resolution of differences.
- c) **Quality and Relevance:** The implementation of human development programs in East Timor shall promote high standards and ensure that the choices are oriented to the country’s needs.

- d) **Sustainability:** To achieve long-lasting human development, human and natural resources shall be managed taking into account financial capacity, appropriate and existing technology.
- e) **Equity and Accessibility:** The provision of education, health and other basic needs shall be fair, affordable and within everyone's reach.
- f) **Social Solidarity:** Human development programs will promote the values of community participation, self-help and shared responsibility between government and all actors in civil society.
- g) **Ethics and Efficiency in Public Service:** Public service will be guided by the values of courtesy, efficiency, productivity, honesty and high ethical standards in order to achieve full transparency, accountability and public satisfaction.
- h) **Legality:** Given the special circumstances of East Timor as a new nation, human development will take place within a responsive legal framework and with respect for the rule of law.
- i) **Creativity and Innovation:** Human development will aim to harness people's natural creativity and reward innovation.
- j) **Protection of the Environment:** Human development programs will take into account the impact on the environment and promote environmental protection for future generations.

KEY DEVELOPMENT INDICATORS

11.14 The key development indicators for the sectors and for particular components of each area are as follows.

Education

- a) Literacy rate
- b) Net enrolment ratio in primary and secondary schools
- c) Primary education completion rate
- d) School attendance
- e) School participation by age
- f) School participation rates of richest and poorest quintiles of the population
- g) Household expenditure on education at primary and secondary levels
- h) Levels of educational attainment

Health

- a) Life expectancy at birth
- b) Infant mortality rate

- c) Under 5 mortality rate
- d) Maternal mortality rate

Labour

- a) Labour force participation rate
- b) Unemployment rate

Economic, Social and Culture

- a) GDPper capita
- b) % of households below the poverty line
- c) Income distribution index
- d) % of displaced families with access to education and health services
- e) % of orphans and widows with access to education and health services
- f) % of disabled with access to education and health services
- g) % of families with access to radio/television/telephone
- h) Number of cultural and civic society associations
- i) Voter participation rate
- j) Number of street children
- k) Number of orphanages
- l) Crime rate
- m) Suicide rate
- n) Number of libraries/Number of people visiting libraries
- o) Number of people in receipt of social security
- p) Rate of youth participation in social/cultural organizations

Gender Equality

- a) Ratio of boys/girls at all education levels
- b) Ratio of literate females, urban/rural
- c) Percentage of women employed on completion of studies
- d) Incidence of domestic violence
- e) Female access to health services

- f) Proportion of females holding decision-making positions, in both public and private sectors.

PROBLEMS AND CONSTRAINTS

PROBLEMS AND CONSTRAINTS COMMON TO BOTH SECTORS

11.15 Both the education and health sectors face a number of difficulties, some of which are common to both sectors, and some of which apply to each sector separately. The common problems and constraints are as follows:

Literacy

- a) High levels of illiteracy, particularly amongst women
- b) Female education plays an important role in health since women make many of the decisions about the health of the family. Better-educated people know more about healthy behaviour and make better choices about childbearing, food distribution and nutrition, personal hygiene and seeking health care. The literacy rate among the adult population is generally low with women lagging behind (54% for men and 40% for women).

Culture

- a) Lack of awareness of education and health problems, particularly for women. There is also a general lack of understanding of education and health benefits.
- b) Cultural inhibitions - many people do not seek appropriate health care until it is very late (due to a preference for traditional practitioners).
- c) Girls experience discrimination in access to education due to traditional practices, such as early pregnancy and marriage, demanding household work and the failure of educational materials to address gender issues.

Poverty

- a) Income levels are related to people's standard of living, access to food, education and health care – the essential elements of health. About 41% of the East Timorese population lives below the poverty line. Poor people are more likely to become ill, remain ill, and discontinue their education.

Poor nutrition

There is a high prevalence of malnutrition, iodine and vitamin A deficiency. Malnutrition is prevalent among infants and pre-school children, as well as pregnant and lactating women. Available information indicates that 3-4% of children aged six months to five years are acutely malnourished, while one in five is chronically malnourished. Vitamin A deficiency, iodine deficiency disorder and anaemia are significant problems in children and mothers.

Unequal distribution of food and health care in the family favours boys. This is similarly the case in the areas of education opportunity and health care.

Lack of adequate food, directly affecting health, and indirectly, the ability to learn.

Limited knowledge of nutritional practices.

Infrastructure

- a) Inadequate infrastructure, lack of available transport, and poor physical facilities result in geographical and social isolation of villages and households.

Quality of services

- a) General lack of availability of inputs and materials
- b) Low public confidence in both the health and education systems

Resource constraints

- a) Inadequate financial resources
- b) Inadequate human resources in number and skills

Legal Framework

- a) Lack of comprehensive legal framework
- b) Inadequate management and support systems

Gender related issues

- a) Low level of awareness of gender issues at all levels and sectors

SECTOR SPECIFIC PROBLEMS AND CONSTRAINTS

11.16 A number of problems and constraints are experienced in both the education and health sectors separately, including the following.

Education

- a) Community
 - Lack of involvement in school management
 - Household and farming needs limiting school attendance – particularly for girls.
 - High number of illiterate people
- b) Pre-School
 - Insufficient number of pre-schools (currently, there are 43 pre-schools)
 - Lack of budgetary support from the Government
 - Lack of support from both the community and NGOs
- c) All School Levels (Primary School to University)

- Most six year old children do not enter the 1st grade of primary school
 - Students do not complete the six grades in six years
 - Lack of support for special school provision
- d) Insufficient Number of Schools
- e) Low Quality
- Lack of specialized teachers
 - Lack of appropriate study material
 - Lack of qualified labour force
 - Lack of adequate study material
 - Very limited access by students to libraries
- f) Low Effectiveness and Efficiency of Educational Management
- Lack of strategic planning for documenting and replicating existing good practice (as, for example, in existing pre-school provision and women's literacy circles organised outside the formal sector by NGOs)
- g) Sport
- Lack of sports activities in schools and within society in general
 - Government has not yet defined its policy regarding Youth and Sports
 - No sports managers or relevant technical and human resource capacity
 - Insufficient and inadequate sports equipment
- h) Curriculum
- The current curriculum is too abstract and arduous
 - The curriculum context does not reflect the values and reality of East Timor
- i) Youth
- The qualifications held by unemployed youth are not relevant to the current labour market
 - There are insufficient youth activities
- j) Culture
- Lack of experience in articulating cultural values, and in assessing how these values can be expressed most effectively and appropriately

- Very few readily accessible museums, libraries and organized historical documentation centres

k) Language Provision

- Difficulties in standardising Tetun and reintroducing Portuguese as a language of instruction in a relatively short period of time

Health

a) Major Public Health Problems

- High maternal and infant mortality.
 - East Timor has one of the highest rates of maternal mortality in the region with estimates ranging to over 800 deaths per 100,000 live births. This is unacceptably high. The infant mortality rate is estimated by the Ministry of Health to be 70 - 95 per 1,000 live births, the most common causes being infections, prematurity and birth trauma.
- A high proportion of illness and death due to preventable communicable diseases such as malaria, tuberculosis, childhood respiratory infections, measles, typhoid, and diarrhoeal diseases.
- A high prevalence of malnutrition, iodine deficiency and vitamin A deficiency.
 - As noted above, this is a problem for both education and health sectors. Specifically, for the health sector, malnourished people are more likely to get sick and to die from their illnesses.
- Low access to safe water and sanitation.
 - Unhygienic conditions increase people's chances of getting sick and making their illnesses worse. A majority of the population do not have access to safe water and sanitary facilities. They depend on contaminated or unprotected sources of water. Existing systems for solid and liquid waste disposal are inadequate.
- Poor reproductive health is a major cause of maternal mortality.
 - A complex interplay of social, economic, environmental and cultural factors, and limited availability of health care services contribute to poor reproductive health within the population. There is an increasing incidence of teenage pregnancies with short periods of time between each pregnancy.
- High prevalence of communicable diseases and a rising incidence of non-communicable diseases.
- Poor knowledge of HIV/AIDS among the population.
 - HIV/AIDS is a global problem that has potential to have devastating effects on the people of East Timor as they become exposed to the rest of the world. Current knowledge and awareness about HIV/AIDS is low.

- Lack of education on oral health.
 - Prevalence of post-conflict mental health problems and trauma.
 - Currently, mental health services are inadequate. Major mental problems observed in post-conflict East Timor include psychosis, acute schizophrenia, suicidal depression and severe trauma-related reactions.
 - An increase in environmental degradation, occupational and environmental health problems in recent years.
- b) Problems Related to the Performance of the Health System
- Poor and inequitable access to health services.
 - Much of the population living in the rural areas, does not have easy access to the health system – due both to geographical inaccessibility and to inadequate provision of infrastructure and transport facilities. Average walking time to the nearest health facility is 70 minutes.
 - Inadequate management support systems.
 - The absence of a regulatory framework – health regulations do not deal with public health issues, such as environmental and occupational hazards.
 - Inadequate referral system.
 - This results in delayed treatment and inappropriate utilisation of health services.

OBJECTIVES

11.17 The following objectives address the various problems identified in health and education.

Education

- a) Increase the population's awareness and understanding of basic educational needs, and particularly:
 - Reduce the number of illiterate people within the adult population, with an emphasis particularly on women;
 - Encourage community and NGO participation, particularly in relation to the implementation of pre-school education;
 - Strengthen the community ownership of education through inclusion of parent, community, student and teacher groups, involving them in the development of appropriate quality educational provision in local areas.
- b) Increase access to education and develop means for ensuring the retention of children within the school system, at all levels; improve the drop-out rate.
- c) Rationalize educational provision in relation to the varying needs of different areas.

- d) Improve educational provision, particularly through the provision of professional training, notably for girls and women, adults, and groups with special needs.
- e) Increase the efficiency of school organization and management.
- f) Encourage sports education in schools.
- g) Develop a curriculum appropriate to East Timor's contemporary needs, encouraging the development of cultural identity, and stressing the importance of the values of democracy, self-sufficiency, national unity and non-discrimination. Develop programs for unemployed youth, and for school drop-outs, providing qualifications enabling them to re-enter the labour market.
- h) Develop extra-curricular occupational programs.
- i) Develop forms of culture and art, emphasizing the national identity of East Timor.
- j) Re-introduce and develop Portuguese and Tetun as the official languages of East Timor.

Health

- a) Reduce levels of maternal and infant mortality.
- b) Reduce the incidence of illness and death due to preventable communicable and non-communicable diseases, including HIV/AIDS.
- c) Improve the nutritional status of mothers and children.
- d) Improve reproductive health in East Timor.
- e) Ensure that all people have access to health services.
- f) Ensure the delivery of a minimum health care package at all levels of service.
- g) Collaborate with all stakeholders in the health sector to achieve national goals for health.
- h) Ensure that sufficient and adequate health professional training is undertaken to meet national requirements.
- i) Regulate the employment of all health professionals to ensure minimum standards of professional practice.
- j) Provide sufficient referral and tertiary health care services, including laboratory support services, to ensure that referral cases are treated effectively.
- k) Improve the organization and management systems in the health sector.
- l) Increase women's access both to health information, and to quality health services.
- m) Increase the availability of mental and dental health services.
- n) Contribute to the improvement of occupational and environmental health in East Timor.

POLICIES

11.18 Based on these objectives the following basic policies will be formulated.

Education

- a) Promote mandatory education for all children of school age.
- b) Develop primary education for all as the main goal and priority in allocation of government resources.
- c) Create incentive partnerships with the private sector, NGOs, parents' associations and the community, to support education at all levels, in pre-school, secondary school, vocational training and non formal education, as well as in university education.
- d) Establish a minimum qualification for teachers, such as a university degree. Develop additional relevant specialisations for secondary school, vocational training, as well as for university teachers and assistants;
- e) Mainstream gender concerns in all educational programs and monitor the impact of these programs on women's education, through the development and use of gender-sensitive indicators.
- f) Work with relevant sectors/organisations to advocate an improved status for women, promoting equal rights for men and women in access to education.
- g) Have as a key policy objective to increase women's access to information on educational provision.

Health

- a) Emphasise preventive and promotive health care, provided closest to the community, with the additional aim of limiting expenditure on hospital care.
- b) Adopt primary health care policies enabling increased accessibility and coverage of health care.
- c) Adopt a policy of integrating the health care system with other sectors.
- d) Target groups to achieve the greatest health impact (e.g. emphasizing mother and child health care).
- e) Develop health staffing policies appropriate to the needs of the country.
- f) Promote access and utilization of basic health services by vulnerable groups.
- g) Adopt Integrated Management of Childhood Illness (IMCI).
- h) Mainstream gender health concerns in all programs and monitor their impact on women's health, through gender-sensitive indicators.
- i) Work with relevant sectors/organisations to advocate an improved status for women, promoting equal rights for men and women in access to health.

- j) Have as a key objective to increase women's access to health information and quality health services.

STRATEGIES

11.19 These policies will be realised through the following strategies.

OVERALL STRATEGIES

Education

11.20 In the short term – over a 2-3 year period – strategies will aim to consolidate the efforts and achievements of reconstruction. This will be done through rationalising educational provision in relation to the needs of different areas of the country, and by developing human resources within the educational sector as a whole. Institutional capacity will be strengthened within the ministry, to promote reforms and to plan and develop educational programs.

11.21 In the longer term – over a 5-10 year period – strategies will aim to promote reforms in key areas of the sector, as well as developing measures for institutional strengthening to achieve the provision of universal primary school education. Curricula will be designed and implemented, promoting high quality teaching relevant to the needs of East Timor. Institutional capacity will be strengthened, with the aim of an efficient management of the overall educational system.

Health

11.22 To meet our goal, strategies will emphasise the importance of primary health care, focusing on prevention and the targeting of underserved areas. Primary health care is a system of essential health care, based on practical, scientifically sound and socially acceptable methods and technology made universally accessible to individuals and families in the community through their full participation and at a cost that the community and country can afford to maintain at each stage of its development, in a spirit of self-reliance and self-determination. It forms an integral part both of the country's health system, of which it is the central function and main focus, and of the overall social and economic development of the community. It is the first contact point with the national health system for individuals, the family and community, bringing health care as close as possible to where people live and work. It forms the first step in a continuing health care process.

Gender

11.23 Women in East Timor have been suffering from both a national culture of violence, and from the results of mass displacement. Both of these increase the feminization of poverty. There are no laws either ensuring the protection of women's fundamental rights or addressing the social and cultural obstacles favouring men's access to opportunities. The goal of promoting gender equality and empowering women must entail changes in attitudes, government social institutions and private sector practices. Our overall strategy is focused on mainstreaming gender and gender equality in all areas, and at all levels of education and health, assessing the implications for women and men of any planned action in order to ensure that institutions, policies and programs respond to the needs and interests of women as well as men and distribute benefits equitably between women and men.

The root cause of gender inequality in human development lies in the social structures, institutions, values and beliefs which create and perpetuate women's subordination. Solutions should not aim merely to integrate women in the development process but must also reshape the human development agenda, reflecting gender concerns. Consequently, gender objectives in education and health must emphasize the need for gender awareness campaigns at all levels, in order to deal with the stereotypes that are obstacles to a full participation of girls in the educational process, particularly after secondary school, as well as for the need for formal and vocational training as an instrument of empowerment. In relation to health status, the objectives of our strategy centre on information and educational campaigns on women's right to health, involving all key stakeholders, to ensure that women, due to their specific vulnerability – particularly in reproductive health - are not exposed to continued health hazards and risks.

SPECIFIC STRATEGIES

Education

11.25 The strategies that are specific to education are the following.

- a) Educational campaigns, focusing on three areas:
 - Promotion of the importance of basic education (defined not simply in relation to reading, writing and numeracy, but encompassing a broad range of thinking, conceptualizing, analyzing, participating and learning skills);
 - Literacy programs: addressing the range of relevant skills required to enable poor and vulnerable groups to develop basic learning skills and knowledge of issues relevant to their daily lives and to their plans for the future.
 - Nation-wide campaigns on pre-schooling and primary education, raising the importance of girls' access to education.
- b) Improving enrolment and attendance
 - Educating teachers, community leaders and parents on the importance of their responsibilities in securing enrolment and attendance in school of children of school age.
 - Improving health at schools by providing school snacks as a way of reducing absenteeism and drop out rates.
- c) Rationalising educational provision, by building new schools, increasing school size, and closing redundant schools.
- d) Improving teaching capacity, through:
 - The training of teachers, in Portuguese/Tetun language.
 - Increasing the availability of textbooks and other teaching materials; school facilities must be adequate and sufficient for all levels, including special schools.
 - Establishing performance management programs and national examinations.
- e) Setting up career plans for teachers and school deans.

- Developing programs for institutional strengthening.
 - Setting up scholarship programs for school managers and administrators.
 - Developing training programs in basic education planning and management for the different levels of school managers at central, districts and schools offices.
- f) Providing equipment for sporting facilities and organizing sport competitions.
- g) Developing relevant curriculum and education programs.
- Developing an appropriate curriculum at all levels, which promotes practical activities, interaction between teachers and students, relevancy of content to contemporary East Timorese reality, and takes into account questions of human rights and gender.
 - Developing contemporary programs for education, introducing new learning techniques.
 - Developing and/or improving the quality of text books, other materials, and learning processes, stressing the importance of eliminating stereotypes associated with gender, and adopting a relevant curriculum.
- h) Developing appropriate vocational training and distance learning programs.
- i) Developing East Timorese concepts of literacy and basic education through conferences, training programs, and professional development.
- j) Developing extra-curricular activities, social and cultural events for East Timorese youth.
- k) Designing workshops, conferences, and seminars promoting East Timorese cultural values.
- l) Developing Tetun and reintroducing Portuguese as the official languages of instruction.
- m) Assisting policy development through inputs into government by international experts, and via conferences, materials, and other documented international experience.

Health

- a) Targeting mother and child health by:
- Increasing immunization coverage of all children under five
 - Growth monitoring
 - Adopting Integrated Management of Childhood Illness (IMCI) and providing training at Community Health Center level
 - Providing antenatal services close to the community

- Upgrading midwifery skills
 - Training Traditional Birth Attendants (TBAs)
- b) Emphasising health promotion through health education focusing on major health problems and targeting community schools, youth groups, and risk groups through health promotion campaigns, training, curriculum integration, media, environmental health education
- c) Prevention and control of communicable diseases through:
- Disease surveillance
 - Capacity building, including training
 - Developing a system of timely detection and control of epidemics/disease outbreaks
- d) Improving nutritional status of mothers and children through:
- Micronutrient supplementation
 - Promotion of exclusive breast feeding
 - Growth monitoring
 - Health education on good nutrition
- e) Improving management of human resources by:
- Developing a comprehensive human resources development plan
 - Training an adequate number of health personnel based on national needs
 - Establishing regulatory mechanisms for medical practice and professional ethics
 - Developing incentive systems for motivating health personnel
 - Optimizing the use of available human resources through appropriate skill mix and productivity improvement
- f) HIV/AIDS prevention through:
- Providing Information, Education and Communication (IEC) targeting vulnerable groups and individuals
 - Establishing voluntary counseling and testing
 - Encouraging community participation and working with social, religious and women's organizations
 - Developing the capacity of health workers and community groups
 - Developing the legal and policy framework

- Developing support services
 - Advocacy work with key stakeholders, such as churches and women's organisations
- g) Promoting reproductive health through:
- The creation of awareness on STI and other reproductive health problems
 - Sex education in schools, media and health facilities, and youth centres
 - Promoting the benefits of family planning
 - Early detection, diagnosis and treatment of breast cancer, cervical cancer, STI/HIV
- h) Improving access to, and utilization of health services particularly by vulnerable groups through:
- The construction of new facilities
 - Rehabilitation of existing facilities
 - Provision of additional services in facilities to ensure all priority interventions are available
 - Involvement of NGO health providers in the overall plan to increase coverage of primary health care
 - Fostering active participation of the community
 - Reducing the cost of seeking health care by the poor, children under 5, pregnant women, the elderly and the disabled.
 - Health promotion and education to influence health-seeking behaviour, alleviating social-cultural barriers
- i) Developing and implementing a rational secondary and tertiary hospital development plan
- j) Improving management systems of health services by:
- Strengthening the planning and policy development capacity of the Ministry of Health
 - Improving financial resource allocation to increase efficiency
- k) Adopting a multi-sector approach in dealing with health problems, in order to ensure contributions by other sectors concerned with health status improvement
- l) Improving access to information and provision of health services through:
- Expanding coverage of women's health care services

- Working with other partners to promote women's health and education
 - Monitoring the impact of health programs on women's health
- m) Developing national mental and oral health programs that address prevention, promotion and appropriate treatment at district level
- n) Improving occupational and environmental health through:
- Collaboration with the Departments of Labor, Environment and Infrastructure to develop regulations, strategies and plans to combat occupational and environmental health hazards
 - Environmental and occupational health education programs, designed by the Ministry of Health

PROGRAMS AND PROJECTS

Education

11.26 Based on the objectives, policies and strategies, and addressing the problems and constraints outlined above, the following programs and projects will be implemented by the Ministry of Education over the five-year NDP period.

Program 1: Expand Access and Improve Internal Efficiency

11.27 While one of the major accomplishments of the Transitional Administration has been the tremendous increase in enrolment at all educational levels, it is estimated that almost 25% of all children of school age are still out of school. Moreover, there is a significant misalignment of age by grade due to the late start for most first graders, and a high drop-out and repetition rate which renders the system very inefficient. The key program thrust for the next five years is therefore to expand access particularly in basic education, and to improve the internal efficiency of schools. Some of the projects to be implemented are as follows.

- a) Information Campaign on the Importance of Schooling
- b) School Drop-out Prevention
- c) School Location Planning
- d) Multi-grade Schools
- e) School Health and Nutrition
- f) Community-Based Pre-School Development

Program 2: Improve the Quality of Education

11.28 One of the main issues in East Timor is the poor quality of education, largely brought about by the low qualifications of teachers and headmasters. A key program thrust in the next five years is therefore an improvement in quality, particularly in primary and secondary education. This thrust will also respond to the requirements for effectively bridging the transition in the language of instruction (from Indonesian to Portuguese/Tetun), as well as developing the curriculum and teaching materials, responding to the goal of creating an East Timorese national

identity, in addition to the emphasis on mathematics and the sciences. The key projects for implementation under this program are the following.

- a) Curriculum Review and Development
- b) Textbooks and Teaching Materials Development
- c) Language of Instruction Development (Tetun and Portuguese)
- d) Teacher and Headmaster Training
- e) Rehabilitation and Capacity Building of the Institute for Continuing Education
- f) School Supervision and Improvement
- g) Fundamental School Quality (TFET2)
- h) Project to Redefine Technical-Vocational Education.
- i) National Examinations and Supervision Improvement
- j) Teachers' Career Development and Welfare
- k) International Cooperation and Linkages
- l) 100 Schools Project (UNICEF-assisted)

Program 3: Build Internal Management Capacity and Improve Services Delivery

11.29 The educational system faces tremendous challenges and opportunities which require a capable and effective service delivery system. Due to a general lack of experienced educational managers, sector management capacity can pose a major constraint. There is also a need to develop physical facilities (such as for logistics) in order to ensure that critical inputs for the schools system are adequate. Building the internal capacity to formulate policies and plans, and to identify, prepare and implement responsive projects, as well as facilities development, will therefore be an important program thrust. Some of the projects identified to respond to this need are as follows.

- a) Training for Educational Managers
- b) Project to Build Capacity for Policy Formulation, Planning and Project Development
- c) Warehousing Expansion and Logistics Development.

Program 4: Non-Formal Education and Adult Literacy

11.30 A number of surveys have confirmed that adult illiteracy is a major problem that will pose severe constraints to productivity, growth and family health and welfare. The non-formal education and adult literacy program is designed to directly address this problem. Some of the specific interventions are as follows.

- a) Literacy Campaign
- b) Literacy Project for Young Illiterate Women
- c) Community Reading Centers Project

- d) Distance Learning Project.

Program 5: Develop Tertiary Education

11.31 The University's five-year plan envisages the improvement of tertiary education as an indispensable and solid nation-building effort in East Timor. It sets out to pursue key parameters of small size, high quality and gradual financial and government autonomy and has the following projects.

- a) Institutional Strengthening
- b) Staff Development
- c) Curriculum Development

Program 6: Promote East Timorese Culture and the Arts

11.32 To meet the needs of a newly emerging nation, the promotion of East Timor's culture will be a priority program in the next five years. The thrust of this program will be initially to structure the state's response to this need by identifying and establishing cultural institutions and developing their institutional capacity to perform their mandate. The initial projects identified for this purpose are as follows.

- a) Institutional Capacity Building for Culture Project
- b) Cultural Renewal and Promotion Project
- c) Survey and Documentation of Traditional Culture/Arts Project

Program 7: Promote Youth Welfare

11.33 As a consequence of the demographic structure of the population, East Timor's population has a large proportion of young people (45% under 15 years old). When combined with the reality of early drop-out from school of young people, the country has a large proportion of youth who are relatively under-employed, unskilled and often barely literate. An important program thrust of the education plan is therefore to provide youth welfare services and programs to respond to their needs. Some of the initial projects identified for implementation in the next five years are as follows.

- a) Structuring and Institutional Support to Youth Sector Development
- b) Project to Train Unskilled Youth

Program 8: Promote Physical Education and School Sports

11.34 Physical education and sports is an important ingredient for the development of the whole individual, and therefore a necessary component of the education plan. In view of the relatively underdeveloped state of this component of the curriculum, the program thrust in the next five years is to create awareness of its importance, structure the ministry to provide an adequate response to its requirements, and undertake basic refurbishment of sports facilities and train teachers and coaches. Some of the projects identified to implement the program are as follows.

- a) Structuring and Capacity-Building of Sports Institutions Project
- b) Information Campaign Project on the Importance of Physical Education and Sports

- c) Teachers/Coaches Training Project
- d) Rehabilitation of Sports Facilities Project.

Program Priorities

11.35 In its expenditure for the financial year, 2002/03, the Ministry of Education has prioritised funding on programs 1 and 2, on improving the quality of education, expanding access, and improving internal efficiency. The focus within these funding areas will be on primary education, followed by junior and senior secondary education, respectively. Following these, the next priority areas for funding are from program area 4, for continuing and non-formal education, with the emphasis on improving levels of adult literacy. Details are provided in the Summary of Expenditures for the Education Ministry, contained in the 2002/03 Budget Submission, accompanying the Plan.

Health

11.36 The Ministry of Health will implement the following programs and projects.

Program 1: Child Health

- a) Child Health
- b) Expanded Program of Immunisation
- c) Nutrition
- d) Growth Monitoring
- e) Micronutrients distribution
- f) Food Supplementation
- g) Breast Feeding
- h) Health Education on Good Nutrition

Program 2: Maternal Health

- a) Ante-Natal Care
- b) Safe Motherhood

Program 3: Reproductive Health

Program 4: Health Promotion

- a) School Health Program
- b) Media and Public Health Campaigns

Program 5: Communicable Diseases Control, including:

- a) TB
- b) STD/HIV/AIDS
- c) Malaria Control

- d) Disease Surveillance and Response
- e) Diarrhoeal diseases
- f) Leprosy

Program 6: Environmental and Occupational Health

- a) Environmental Health Promotion
- b) Occupational Health and Safety

Program 7: Specialised Services Programs

- a) Integrated Mental Health
- b) National Oral Health
- c) Hospital Services
- d) Ambulance Service
- e) Disaster Preparedness

Program 8: Medical Supplies Program

- a) Essential Drugs Program

Program 9: Laboratory Services

- a) Central Laboratory Services
- b) National Blood Transfusion Service

Program 10: Health Facilities Rehabilitation and Development

Program 11: District Health Services

Program 12: Health Sector and Management Programs

Program 13: Health Policy and Planning Development

- a) Health Policy and Regulation
 - Establishment of Regulatory Mechanisms
 - Health Policy Framework
 - Strategic Planning
 - Inter-Sectoral Co-ordination.
- b) Human Resources Development
 - Training and Scholarship Program
 - Strengthening of Training Institutions

- Establishment of National Institute of Health Sciences
- c) Health Information System
 - Establishment of National Health Information System

Program 14: Support to Administration and Finance functions

- a) Administration
- b) Finance
- c) Logistics

The Second Health Sector Rehabilitation and Development Project

11.37 Within the program areas listed above, the Ministry of Health currently is focusing on the Second Health Sector Rehabilitation and Development Project, that is, on the project as set up in the second phase of TFET. The objectives of this project are to assist the Ministry of Health in rehabilitating and developing a cost-effective and financially sustainable health system in East Timor, responsive to the immediate basic health needs of the population and, within a well integrated and sustainable health policy framework, to prepare the health system to meet future needs.

11.38 The project has three main components and sixteen sub-projects, for which the Ministry is requesting funding. These components are as follows.

Component 1: Support to ongoing Health Service Delivery

11.39 This component will support the delivery of health services, including selected high priority activities (immunization, tuberculosis treatment, nutrition, and health promotion) and basic services (including maternal and child health), in accordance with district health plans, medical supply systems, logistical systems, and essential hospital care, through the provision of technical assistance to the Ministry of Health. The project will also support the provision of pharmaceuticals to health facilities, including hospitals.

Component 2: Improvement of the Range and Quality of Health Services, and the Development and implementation of Health Support Systems

11.40 This component will support the improvement of the quality of basic health services provided at the district level, including the enhancement of health promotion activities, environmental health, communicable diseases surveillance and reproductive health, through the provision of technical assistance to the Ministry of Health and the provision of training to health services staff. It will also include the rehabilitation, construction and equipping of hospitals, and the improvement of communication systems and transport between health facilities and hospitals. The project will further support the establishment of an autonomous medical supply entity, and the provision of technical assistance for management.

Component 3: Development and implementation of Health Sector Policy and Management Systems

11.41 This component will support the development of health sector policy, health management systems and capacity building through technical assistance for health studies, the development of a strategic plan for human resources, the provision of fellowships, and the development of administrative and financial systems.

11.42 Details of the funding required for financing the development of these projects in 2002-3 are provided in the summary of expenditures for the Ministry of Health, contained in the Budget Submission accompanying the Plan.

PERFORMANCE INDICATORS

11.43 The performance indicators for the education and health sectors are summarised in the following tables.

Table 11.1: Performance Indicators for Education

Objectives	Performance indicator
1. To raise the population's interest and knowledge of basic educational needs a) Reduce the number of illiterate people within the adult population, with an emphasis on women; b) Enforce community and NGO participation, particularly regarding implementation of pre-school education;	Number of population participating in educational campaigns. Number of illiterate people (including women) reduced Number of children enrolling in pre-schools increased Number of pre-school facilities increased
2. a) Increase the access to education as well as school retention of children of both sexes within school ages; b) Improve drop-out rates at all educational levels and in all social and sex groups	Number of student drop-outs, including girls, reduced Number of children repeating school years reduced
3. Rationalize the school network	Teacher/students ratio
4. Improve the educational process at all levels, from pre-school to university, focusing also on professional training for all, including girls and women, adults, and groups with special needs.	Number of teachers using Portuguese language increased Course results improved Ratio of success
5. Increase the efficiency of schools and the educational system.	Punctuality of teachers increased Educational managers in districts and central offices trained Reduction in the number of international assistants. Relationship between school and first employment
6. Compulsory sports education in schools.	Intensive sports programs established in schools
7. Develop a curriculum appropriate to contemporary needs, reflecting indigenous culture and the values of democracy, self-sufficiency, nationalism and non-discrimination.	Quality assurance for delivery of curriculum
8. Improve youth qualifications, particularly for those who have left school early, and for the unemployed, through professional training	Number of unemployed youth finding employment Duration in occupation
9. Develop extra-curricular occupational programs;	Level of youth participation in social and cultural activities increased
10. Develop culture and the arts, based on the national identity of East Timor	Number of documents and cultural data available increased
11. Developing Tetun and Portuguese as the national & official languages	Number of students speaking Tetun and Portuguese increased.

Table 11.2: Performance Indicators for Health

Objectives	Performance indicator
1. To reduce maternal and infant mortality	MMR (reduced Maternal Mortality Rate) IMR (reduced Infant Mortality Rate) % of births attended by trained health worker % of children under 12 months with DPT3 vaccination % of pregnant women receiving tetanus vaccination
2. To reduce the incidence of illness and death due to preventable communicable diseases	% population with preventable communicable diseases Number of people infected with HIV % of TB cases treated successfully
3. To improve the nutritional status of mothers and children	% of children with low birth weight % of pregnant women with anemia % of children below weight for age measurement % of target population receiving micronutrients supplements
4. To improve reproductive health in East Timor	Total fertility rate Contraceptive prevalence Incidence of STIs Incidence of teenage pregnancies % of women receiving screening tests
5. To ensure that all people have access to health services	% of population in patient admission Number of outpatient visits per capita % of population within a 2 hours walk to health facility % of population utilizing outpatient and in-patient services
6. To ensure the delivery of a minimum health care package at all levels of service	% of health facilities that adequately deliver a minimum package of health services
7. To collaborate with all stakeholders in the health sector to achieve the national goals for health.	Number of inter-sectoral activities/programs Mechanisms and forums established Number of joint plans with other stakeholders
8. To ensure that sufficient health professional training is undertaken to meet national requirements and regulate the employment of all health professionals to ensure minimum standards of professional practice.	Number of health workers trained in specific areas Regulatory bodies established % of health facilities with adequate staff
9. To provide sufficient referral and tertiary health care services, including laboratory support services, to ensure that referral cases are treated effectively	Referral system developed Number of referral facilities with adequately providing referral services
10. To improve the organization and	% of policies, regulations, guidelines and

management system in the health sector	protocols developed
11. To increase women's access to information and to quality health services	% of women with access to information and quality health services Number of women utilising services
12. To increase the availability of mental and dental health services	Number of mental and dental health workers trained Number of districts providing mental and dental services
13. Environmental and occupational health	% of the population with access to safe water % of the population with access to sanitation Incidence of occupational health hazards Number of strategies, plans and regulations developed with other sectors

Gender Mainstreaming

The indicators presented in the table below will be used to monitor gender mainstreaming on education and health policies, programs and projects as well as assist in the measuring of gender needs assessment. These indicators are complementary to those presented by the Health and Education sectors.

Table 11.3: Gender Mainstreaming Performance Indicators in Education

Objectives	Performance indicator
1. To raise the population's interest in, and knowledge of basic educational needs a) Reduce the number of illiterate people within the adult population, with the emphasis on women; b) Enforce community and NGO's participation, particularly in the implementation of pre-school education;	Targeted community information promoting the benefits of female education % of women participants in educational campaigns Ratio of literate females to males Frequency of use of local role models and women's groups advocating female education
2. a) Increase educational access for all school-age children. b) Improve retention rates at all educational levels, for girls and boys, and in all social groups	Ratio of girls to boys in primary and secondary education Sex disaggregated data on participation and retention rates
3. Rationalise the school network	% of female teachers Distance from facilities
4. Improve the educational process at all levels from pre-school to university, focusing also on professional training for all, including girls and women, adults, and groups with special needs.	Level of enrolment at all grades by gender Sex disaggregated data on levels of educational attainment in subject areas Frequency of school attendance and retention at all grades by sex

5. Increase the efficiency of schools and the educational system.	Type and number of education schedules Relationship between school and first employment disaggregated data by sex
6. Compulsory sports education in schools.	Separate and adequate dressing rooms and toilet facilities for girls and boys Types of sports
7. Develop a curriculum appropriate to contemporary needs, reflecting indigenous culture, democracy, self-sufficiency, nationalism and non-discrimination.	Extent of gender stereotyping (in curricula and education material) Number of workshops for teachers on non-discrimination
8. Improve youth qualifications, particularly for those who have left school early, and for the unemployed, through professional training	Sex disaggregated employment profile Number and type of enrolment profile on non-formal education courses

Table 11.4: Gender Mainstreaming Performance Indicators in Health

Objectives	Performance indicator
1. To reduce maternal and infant mortality	HIV prevalence rate in 15-35 year old pregnant women % of reported cases of domestic violence against pregnant women
4. To improve reproductive health in East Timor	Inclusion of men in health education activities, in particular reproductive health % of male beneficiaries of reproductive health care
8. To ensure that sufficient health professional training is undertaken to meet national requirements, and regulate the employment of all health professionals to ensure minimum standards of professional practice.	Sex disaggregated data on the numbers and training levels of male and female health workers
11. To increase women's access to information, and to quality health services	% of women with access to information and quality health services (IEC Programs) % of female health workers available for consultation with women. Number of women utilising services
12. To increase the availability of mental and dental health services	Number of female health workers specifically trained in mental health, particularly on gender based violence

12. AGRICULTURE, FISHERIES AND FORESTRY

“In the medium-term the agricultural sector, more than most, provides opportunities for economic growth, exports, employment and improvements in social welfare throughout East Timor.”

VISION

12.1 By 2020 East Timor will have sustainable, competitive and prosperous agricultural, fisheries and forestry industries that support improved living standards for the nation’s people.

INTRODUCTION

12.2 The agriculture sector comprises crop and livestock activities, fisheries and forestry. The sector is pre-eminent in East Timor, with the majority of the population deriving their livelihood from agricultural activities.

12.3 Prior to the violence that followed the September 1999 Independence Referendum, agriculture and its support industries employed more than 85% of the workforce, contributed 40% of GDP, and earned 90% of foreign exchange, mostly from coffee exports. Exports included coffee and live cattle, along with illegal exports of sandalwood. The key position of agriculture in the economy means that there remains a strong imperative to rebuild the sector for reasons of food security, employment and income generating opportunities. In the medium-term the agricultural sector, more than most, provides opportunities for economic growth, exports, employment and improvements in social welfare throughout East Timor.

12.4 The Ministry of Agriculture and Fisheries (MAF) is the Government agency with prime responsibility for the sector and its development. The private sector and NGOs are also very important to the future development of the sector and will provide many of the support services plus the commercial services required by agriculture, fisheries and forestry. Donor support for the sector was strong in the post-1999 period and the continuation of such support is critical in the medium-term.

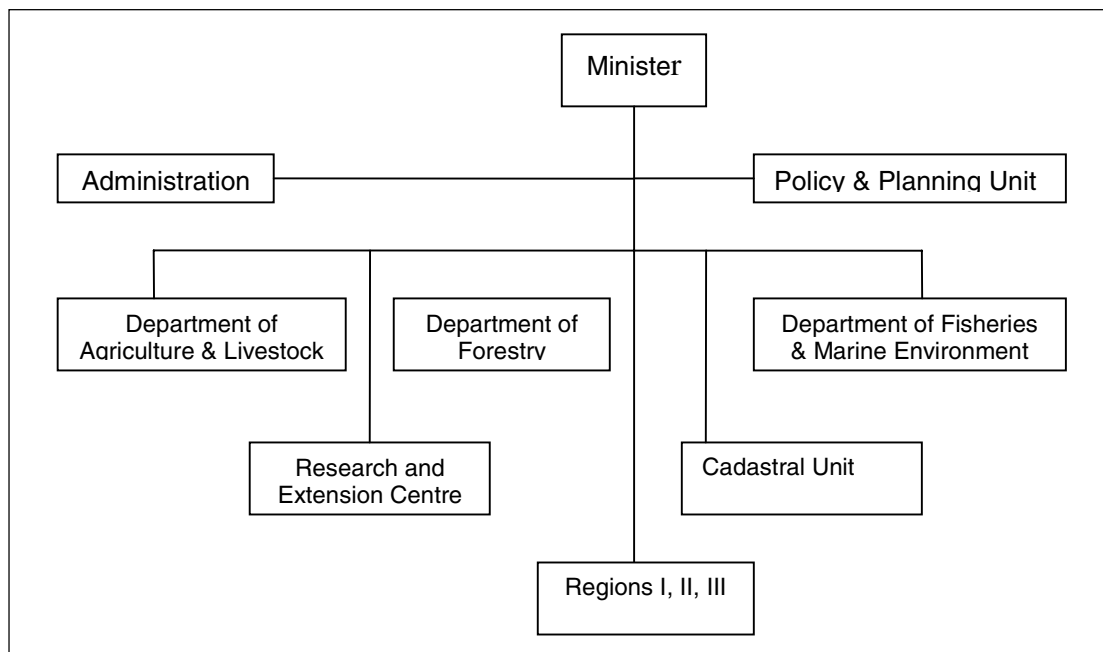
12.5 The structure of MAF is as shown in Figure 12.1, with the development programs and other activities implemented and administered predominantly on a Departmental basis. The activities and responsibilities of each Department or other functional area are as follows.

- a) **Administration:** includes Finance and Budget Support Services, Agricultural Planning, Bilateral and Multilateral Coordination, and Administration and Operational Support Services.
- b) **Policy and Planning Unit:** the agricultural sector’s role as a key economic and social sector in the nation demands that the Ministry is able to formulate appropriate policies for the sector. MAF needs



- c) also to be capable of planning programs and projects that support the development of agriculture. At the time of preparing the Plan this Unit had been proposed but neither staff nor financial resources were available for implementation. This is an important Unit that requires initial support from a donor agency.
- d) **Department of Agriculture and Livestock:** includes the Divisions of Crop Production, Horticulture, Livestock, Irrigation and Water Management.
- e) **Department of Forestry:** includes Programs of Reforestation and Forest Rehabilitation, Forest Protection and Resources Management, and Forest Production and Utilisation.
- f) **Department of Fisheries and Marine Environment:** includes Programs of Fisheries and Marine Environment Management, Fisheries Industry Development, and Aquaculture.
- g) **Research and Extension Centre:** includes Programs of Geographic Information System (GIS), Information and Extension, and Research Laboratory.
- h) A separate Cadastral Unit.
- i) Three Regional Offices.

Figure 12.1: Structure of the Ministry of Agriculture and Fisheries



Poverty and the Agriculture Sector

12.6 Data from the poverty assessment undertaken in 2001 showed that agriculture is the main source of income in 94% of sucos, that 97% of sucos have farms, and that 57% have some irrigation. It was also found that the crops produced were predominantly used for self-consumption (subsistence), with less than 20% of sucos selling most of their rice or maize. Consequently, it appears that there is little surplus agricultural production in the nation. The cash

income of farm families in 2002 is generated mainly by the sale of chickens, pigs, eggs and some vegetables.

12.7 Analyses of poverty data indicate that food insecurity is faced by 18.6% of the population, or more than 154,000 people in East Timor. Furthermore, preliminary results from the Countrywide Consultation point to concern about food shortages and the need to increase both the quantity and quality of food crops.

12.8 The PA also serves to indicate that 41% of the population suffers from poverty, with those in rural areas more likely to be experiencing poverty. Agricultural policy and strategies, therefore, need to recognise the likelihood of seasonal food shortages and accord suitable priority to programs to overcome those shortages. Based on concern about food shortages, the medium-term development policy could focus on a goal of reducing poverty and food insecurity. The policy instruments to do so, however, require careful consideration. Strategies such as education and training, complemented with applied research and field demonstrations will improve farmer knowledge of adaptive technology. These are key platforms in the MAF's development programs. In addition, better access to inputs, along with improved access to markets via improved infrastructure will increase productivity in the medium to long term. Ultimately, economic growth provides the best solution to poverty, so that sustainable productivity improvements in agriculture, supporting increased employment and incomes, provides the best way forward.

12.9 Agriculture, particularly coffee, was responsible for more than 90% of export income during the Indonesian administration. Since 1999, however, the world price of coffee has slumped to historic lows, while inadequate quality control and poor crop husbandry typify the local industry. This serves also to highlight the narrow base of agricultural production for exports, although domestic production of food crops is well diversified. At present, East Timor has little or no comparative advantage in relation to the export of agricultural commodities. Current wage levels and the use of the US dollar as the medium of exchange render East Timor internationally uncompetitive on price alone. While MAF has an important role in this respect, so too do other arms of Government, such as the MoF.

12.10 The private sector has a vital role to play in the development of agriculture – including fisheries and forestry – in areas such as infrastructure development, transport, storage, manufacturing and processing, marketing, contract services, and the supply of inputs.

12.11 The production of agricultural produce in East Timor is indicated by reference to Table 12.1. As shown in the table, there appear to be inconsistencies in the data reported. The Poverty Assessment was, however, based on an extremely robust sample that provided data considered to be very reliable. It is these data that are considered to be most credible.

Table 12.1: Crop Production in 1997 and 2001

Commodity	Production (tons 1997) Indonesia	Yield (tons/ha 1997)	Production (tons 2001) MAF	Yield (tons/ha 2001)	Production (tons 2001) TLSS	Yield (tons/ha 2001)
Food Crops						
Rice	40,286	2.7	38,340	2.9	54,302	1.54
Maize	106,600	1.8	113,527	2.0	68,959	0.57
Peanuts	3,200	1.0	3,301	1.1	1,677	0.51
Soybeans	1,200	0.8			821	0.39
Cassava	66,500	4.0	68,237	4.2	55,349	0.61
Sweet Potato	16,200	3.9	43,976	4.1	31,663	0.47
Tree Crops						
Coffee dry bean	9,700	0.2	9,491	0.405	14,984	0.52
Coconuts	9,900	0.2	8,040	0.702	2,137	1.01
Candlenut	690	0.2	1,063	0.472	n.a.	n.a.
Cocoa	42	0.08			n.a.	n.a.
Cloves	12	0.05			n.a.	n.a.

Sources: Indonesian Central Bureau of Statistics, Livestock Service of East Timor, UNTAET, MAF's estimates. The 2001 TLSS.

MISSION

12.12 MAF's Mission is to efficiently deliver services to agricultural, fishing and forestry communities in East Timor, services that support improved productivity, income earning potential and exports and that, therefore, support improved social welfare in the rural areas of the nation, taking account of MAF's human, capital and financial resources.

GOALS

12.13 The goals of MAF are to:

- a) achieve food security and improve food self-sufficiency;
- b) diversify agricultural production and increase export earnings by the sector;
- c) develop agriculture predominantly on the basis of an integrated farming systems approach;
- d) facilitate agro-industrial development leading to increased processing and value-adding in-country;
- e) improve the quality of agricultural commodities produced in the nation;
- f) manage agriculture, fisheries and forestry resources in a way that supports sustainable production; and
- g) increase rural incomes, generate employment in rural areas and, consequently, reduce poverty and improve the welfare of rural communities.

GUIDING PRINCIPLES

12.14 The key guiding principles for development of the agriculture, fisheries and forestry sectors are as follows.

Sustainability

Agricultural, fisheries and forestry production activities will use natural, social and financial resources in a sustainable manner. This will be based on the well-known definition of sustainability from the 1983 World Conservation and Environmental Development Conference, which states:

“sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

Efficiency

Agricultural, fisheries and forestry resources will be used in a manner that prevents waste, ensures they are employed in a cost-effective way, and maximises community benefits from their use⁴.

Equity

All farmers and fishers will have the same access to the services provided by MAF and other Government agencies, while the benefits of development will be distributed fairly across the nation and between generations.

Self-reliance

Government will encourage private sector initiatives and provide a conducive policy environment and support services to make agriculture and fisheries profitable and globally competitive.

Values

The values of East Timorese will be considered in development programs, which will take account of, and respect, cultural values and traditional practices such as farmers working together in crop production (*serbisu hamutuk*).

Participatory Development

Decision-making by MAF will be undertaken in consultation with major stakeholders in the sector.

KEY DEVELOPMENT INDICATORS

12.15 The key development indicators for the agricultural sector are as follows.

- a) Increased food production, rural incomes and per capita nutritional intakes. The increase in food production is possibly the most critical indicator. It will be

⁴ Efficiency has two aspects: allocative efficiency, requiring that the net benefits to the community from the use of resources are maximised; and productive efficiency, requiring that the technically most efficient (and least wasteful) mix of resources is used in production.

measured by both the overall amount of food production and food production per household.⁵

- b) Increased total area (hectares) planted to new crop varieties.
- c) Higher incomes and employment among farmers adopting a farming systems approach.
- d) Increased foreign exchange earnings from exports of quality agricultural and fisheries products.
- e) Higher proportion of irrigated land relative to total arable land
- f) Higher crop yields and productivity due to intensification, adoption of new varieties, farmer training, and improved genetic stock in livestock, aquaculture and fisheries.
- g) Increased number of Agricultural Service Centres, along with production and post-production infrastructure.
- h) Quality standard improvements in agriculture and fisheries products.
- i) Increased number of livestock volunteer workers, water user associations and other farmers' associations.
- j) New protected areas through improved resources management and development, terrestrial and marine parks, law enforcement and information dissemination.
- k) Enhanced forestry and fisheries products' utilisation.
- l) Increased production and quality of fishery products due to training, improved harvest and post-harvest fish handling and infrastructure development.

PROBLEMS AND CONSTRAINTS

12.16 The critical problems and constraints faced by MAF and the nation in relation to development of the agriculture sector include the following.

Capacity

MAF currently faces a lack of institutional and personnel capacity to undertake the wide range of tasks with which they are confronted, including the implementation, management and monitoring of donor-funded activities. The planned increase in staff numbers in 2002/03, along with capacity building for staff will address these issues to a partial extent.

Management and Entrepreneurial Skills

Farmers and fishers in East Timor are typified by low levels of management skills and entrepreneurial ability. This is a capacity constraint in the private sector component of the sector.

⁵ These two indicators relate food security at national level to food security at household level. The former measures the gross increase in food production while the latter measures the equitable distribution of increases in food production.

Data and Information

As stated in the Introduction, doubts remain about the veracity of the data which MAF has at its disposal. This imposes a constraint on planning and development in the sector. Results of the 2001 Poverty Assessment will be helpful in this context, but further, regular data collection will be important to policy and program development.

Financial Resources

MAF, like other Ministries, faces severe budgetary constraints for staffing, other recurrent costs and capital equipment. Therefore, it will continue to rely on donor support in the medium term to establish both a stock of needed capital equipment and a cadre of suitably trained staff.

Poor Transport, Communication, Marketing and Processing Infrastructure

Many sucos and aldeias cannot be reached by vehicles, and the majority have little or no communication facilities other than transistor radio. This imposes constraints both on development programs and extension activities, while also hindering the marketing of produce by isolated communities. Furthermore, value-adding is constrained by a lack of processing facilities.

Low Productivity

Agriculture in East Timor is typified by low productivity with, for example, average rice yields around 1.5 tons per hectare (compared, say, to the Philippines where average yields are around 4 tons per hectare). Low productivity results from farmers' shortage of cash, low input systems, inadequate knowledge of alternative production systems the continued use of traditional cultivation techniques, zero or minimal fertiliser use, and high seeding rates to guard against losses. Farm practices are also typified by risk-averse behaviour as farmers attempt to guarantee food for their families, which is rational under existing farming circumstances. Increasing productivity through introducing appropriate changes to production systems comprises one of the biggest challenges for MAF and its Department of Agriculture and Livestock.

Poor Quality Produce

The quality of agricultural commodities produced in East Timor is generally quite poor. This reduces farm incomes and competitiveness in both domestic and international markets.

State of Irrigation Schemes

Irrigation schemes were extensively damaged in 1999, although many were already in a poor state, due to lack of maintenance and weak structure. Water shortages and poor management are typical and, amongst other things, result in irrigated rice normally grown only as one crop per year.

Land Tenure

Lack of clarity about land tenure presents a constraint on commercial agricultural development, as well as on various support services that require access to land to become established. The current situation relating to land tenure remains to be ascertained in accordance with the Constitution of the country, but is currently typified by great uncertainty. There is no proper land registry, no recording or verification of land transactions, no transparent system for allocating or governing foreign interests in land use, and no framework in which to determine competing claims to land.

Comparative Advantage and Diversity

The principal export in past years from East Timor has been coffee. The current state of the international coffee market means, however, that the industry is currently non-viable. East Timor coffee formerly had a reputation as a quality product, but this reputation has been damaged in recent years by poor post-harvest handling and processing and the subsequent placement of an inferior product onto the international market. Furthermore, husbandry of the crop, in general, is poor to non-existent, leading to reduced productivity and quality. The present use of the US\$ means also that East Timorese exports are expensive on world markets – the nation has virtually no comparative advantages in international trade at the present time. Finally, the parlous state of the coffee industry shows the need to diversify the export base; reliance on only one or a small number of exports brings with it both price and production risks.

Fisheries Legislation and Management

East Timor is yet to develop and implement a Fisheries Act and to formulate the approaches to the management of various fisheries through fisheries management plans. A precautionary approach has been taken to the allocation of fishing rights because fish stocks are poorly understood. There is an urgent need to address these matters so that the nation can develop its fisheries in a manner that is economically, biologically and socially sustainable.

Forest Degradation

The forests of East Timor are in a very poor state, with previous logging activity, firewood collection, shifting agriculture and defoliation by the Indonesian military each contributing to the current status of forests. There is much to be done in terms of reforestation, the declaration and management of protected areas, and watershed protection. Reforestation is both long-term and expensive with domestic funding unlikely to be able to make a significant contribution to needed efforts.

Forestry Legislation

There is currently no forestry legislation, although UNTAET Regulation #2000/19 is designed to protect various natural areas, while UNTAET Regulation #2000/17 deals with the prohibition of logging and timber exports. There is, however, a need to develop appropriate legislation and further regulations as soon as practicable.

Quarantine

There is currently a lack of regulation and services for quarantine in East Timor. This is important to the whole nation, but of particular importance as it develops new agricultural industries, particularly those with an export focus.

STRATEGIC POLICY DIRECTIONS

12.17 The overall strategic policy directions for MAF in the next five years are designed to overcome these problems and constraints. They include the following.

- a) Establish effective and efficient technical support services to assist farm communities to increase food (particularly rice and maize), livestock and vegetable production.
- b) Introduce and develop new and adaptable technologies such as new cultivars and other inputs to enhance farm productivity. Such technologies will be complemented

with adaptive field experiments, field demonstrations and extensive training for farmers.

- c) Promote and develop diversification of agriculture through identification of potential niche markets for East Timor farm commodities in the region and in Europe and North America. This might include creating incentives to produce crops such as tropical fruits for both the domestic and export markets.
- d) Maintain and improve the existing irrigation systems for rice, along with other crops including horticulture and legumes.
- e) Promote the development of a sustainable fishing industry targeting both domestic and export markets. Such development will be supported by an appropriate regulatory framework, encouragement for local and foreign investment through appropriate fiscal arrangements, and protection of the nation's marine resources.
- f) Create services to assist farmers to develop and improve animal production (cattle, buffalo, goats and poultry). A regulatory framework that enforces appropriate sanitation standards in abattoirs and processing plants will be formulated.
- g) Develop and implement an extensive vaccination and sanitation campaign to prevent disease and improve animal production.
- h) Rehabilitate and improve infrastructure, including irrigation systems, silos, roads and markets. Such activities will be undertaken in conjunction with the Departments of Public Works and Transport.
- i) Promote crop rotation as critical in crop production systems to maximise profitable use of agricultural land, thereby increasing farm incomes and also improving soil structure.
- j) Increase coffee production through the systematic renovation of coffee plantations by pruning, or replacement of old trees with new *Arabica* plants and, where appropriate, by expanding the area of plantings. Simultaneously, niche markets will be sought in Asia, Europe and North America.
- k) Promote, develop and improve production from tree crops such as candlenut and coconut for both domestic and export markets.
- l) Develop and expand the reforestation program to increase forest cover and the production of commercially valuable trees for the timber industry.

PROGRAMS AND PROJECTS

12.18 The development programs and projects of the Ministry are presented under the three core departments of Crops and Livestock, Forestry and Fisheries and Marine Environment. Programs for the GIS and Cadastre Units of the Ministry are shown separately.

DEPARTMENT OF AGRICULTURE AND LIVESTOCK

Mission Statement

The mission of the Department of Agriculture and Livestock (DAL) is to improve the well-being of farm families through encouraging them to adopt profitable, productive and sustainable farming practices in relation to both crops and livestock.

12.19 The overarching goal of the DAL is a highly developed crops and livestock industry within farming communities typified by progressive and self-reliant farmers who are adopting profitable, productive, and sustainable farming systems practices. DAL will undertake a farming systems development approach that strongly recognises existing resource limitations, knowledge, skill and indigenous technologies. It will undertake its development activities in a manner that is specific to each agricultural ecosystem (upland, irrigated lowland, rain fed lowland, sloping lands, and cool-elevated lands). The focus will be on integrating crops and livestock production, along with adaptation and promotion of proven, profitable and sustainable farming systems technologies featuring efficient use of soil and irrigation water.

12.20 DAL consists of four divisions: Crop Production Division, Division of Horticulture, Livestock Division; and Division of Irrigation and Water Management.

Problems, Goals and Policies

12.21 The key problems confronted by the DAL are the following.

- a) Low productivity, production and value of food crops, cash crops and livestock.
- b) Poor animal husbandry and animal health.
- c) Irrigation schemes are, overall, in a state of disrepair and road access in rural areas is deficient.
- d) Transport and marketing infrastructure to serve post-harvest distribution is limited or non-existent.
- e) The coffee industry is in urgent need of revitalisation.
- f) Lack of know-how about improved agricultural techniques and best practices.

12.22 Consideration of these problems means that three goals are of particular importance to the DAL. These are to:

- a) increase the productivity of the crop and livestock sectors, focusing initially on rice, maize, fruit and vegetables, coffee and chickens;
- b) make more intensive use of agricultural land; and
- c) improve the quality of agricultural produce.

12.23 The three principal policy options for achieving these goals are to:

- a) increase information provision and training for farmers;
- b) ensure the availability of better inputs such as seed and livestock medicines; and
- c) rehabilitate irrigation schemes and coffee plantings.

12.24 To put these policies into practice the Department, through its Divisions, will implement the various programs described below. The projects to be implemented under each program, with the actual or proposed sources of funding and the current status of individual projects are as shown in Tables 12.24 – 12.28.

Crop Production Division

Program 1: Enhancement of Food Crops Production

Program 2: Enhancement of Horticultural Crop Production

Program 3: Enhancement of Industrial Crops Production

Program 4: Support to Farmers' Associations

Program 5: Crop Protection

Program 1: Enhancement of Food Crops Production

12.25 The goal of this program is to increase the productivity, overall production and quality of important food crops grown in East Timor. The program will be focused on food crops, mainly rice and maize, which are grown by 23% and 81%, respectively, of East Timorese households. The current low yields and productivity of these two crops results from the use of poor seeds and varieties that grow poorly under the existing soil and climatic conditions; and inadequate application of improved practices that are already tested and continue to be used by other farmers in Asia. Program activities will include on-farm demonstrations of certified seed use; improved production practices, cropping systems and crop diversification; and variety testing and seed multiplication of newly selected varieties of rice and maize, as well as *Phaseolus*, mungbean, soybean, cowpea, sweet potato, peanut, and cassava. The performance targets, after five years of the program, are as shown in Table 12.2.

Table 12.2: Performance Targets, Enhancement of Food Crops Production: 2002-2007

Performance Targets (at the end of 5 years)	Measurement
50% reduction in number of months with insufficient food supply among rural households	National poverty/nutrition surveys
Stabilisation of deficit in rice supply	National poverty/nutrition surveys and MAF data
Development of 3 model rice villages	MAF monitoring records
Release of new food crop varieties: <ul style="list-style-type: none"> - 2 varieties of new irrigated lowland rice - 3 new varieties of maize - 1 new variety of mungbean, soybean & cowpea - 3 new varieties of peanut - 3 new varieties of sweet potato and seed pieces distributed to 5,000 households 	MAF monitoring records

Program 2: Enhancement of Horticultural Crop Production

12.26 The goal of this program is to increase the production and quality of fruit crops grown by East Timorese for both food and cash. This program does not include the ‘industrial’ crops such as coffee. A large number of households in East Timor are dependent on the production of horticultural crops, from the relatively dry lowland areas in the north, to the humid and cool elevated lands in the mountainous region, through to the relatively humid lowlands in the south. The recent household poverty assessment showed that richer farmers tend to grow proportionally more fruit trees than poorer farmers, indicating that development of horticultural production might have an impact on poverty alleviation. Initial activities include improvement of the germplasm of suitable fruit crops, training selected farmers in commercial nursery operation, conducting on-farm demonstrations about improved cultural practices, and seed or seedling multiplication of the best performing newly recommended varieties. Performance targets are shown in Table 12.3.

Table 12.3: Performance Targets, Enhancement of Horticultural Crops Production

Performance Targets (for FY02/03)	Measurement
Two plant nurseries (1 in the highlands and 1 in the lowlands) for selected varieties of fruit crops to use as sources of seeds or planting materials for propagation and training of plant nursery operators. Identification of plants.	Crop Production Division records

Program 3: Enhancement of Industrial Crops Production

12.27 The goal of this program is to enhance and develop industrial crops that will contribute to income earning opportunities and employment in rural areas, and to export earnings for the nation. The program will focus on crops that involve value-adding activities and support: (a) the development of industrial crops such as coffee, candlenut, coconut, sugarcane, Manila hemp, and vanilla; (b) germplasm collection, identification, and evaluation; (c) seed or seedling multiplication; (d) on-farm demonstration of best practices in orchard management; (e) processing of value-added products; and (f) training of farmers in nursery and planting operations.

12.28 An estimated 25,000 farm families derive a substantial portion of their income from coffee, while another 15,000 obtain a small portion of their income from the crop. Consequently, about 40,000 families earn at least some cash income from coffee, meaning that around 200,000 people (given that the average family size is five persons) or a quarter of the population rely on the crop for at least a portion of their livelihood. Seasonal off-farm labour is also employed in the transport and processing of coffee. While not the only activity, coffee production will be an important component of the program because the crop is already grown and well understood. Furthermore, coffee is – at least for the present – heavily supported by aid donors and the MAF program will complement donor activities. Donor support includes:

- a) USAID: NCBA Timor Economic Rehabilitation and Development Project (TERADP);
- b) Portugal: Replanting of Coffee Fields and Research on Coffee Production;

- c) Portugal: Integrated Rehabilitation and Construction of Coffee Processing Facilities;
- d) USAID: Abaca Pilot in Liquica (under Economic Recovery Program: Agriculture).

Table 12.4: Performance Targets, Enhancement of Industrial Crops Production:

Performance Targets (for FY02/03)	Measurement
3 batches of farmers trained in the production of high quality processed coffee	Crop Production Division records
5 demonstration sites on proper rehabilitation of coffee orchards	Crop Production Division records
2 nurseries of selected varieties established	Crop Production Division records

Program 4: Support to Farmers' Associations

12.29 The goal of this program is to facilitate the marketing of agricultural inputs and products, through private commercial agricultural associations owned by farmers. This program is being supported by the TFET-funded Agricultural Rehabilitation Program I (ARPI) and ARP II projects, and is helping establish three Agriculture Service Centres (ASCs) in Bobonaro, Viqueque, and Aileu, each serving 3,500-4,000 farmers. The total beneficiary population is close to 10,000 farmers. The ASCs will facilitate: (a) marketing and trading of agricultural products (including rice in Bobonaro, candlenuts and copra in Viqueque, and coffee in Aileu); (b) sales of agricultural inputs (such as seeds, fertilisers, pesticides, and farm tools); and (c) transport of agricultural products from farm sites to markets. Apart from staff time, all project costs are met under TFET funding; MAF staff will play a counterpart role and support the in-field activities of the program. Performance targets are shown in Table 12.5.

Table 12.5: Performance Targets, Support to Farmers' Associations

Performance Targets	Measurement
Three Agriculture Service Centres established and operational	ARP II monitoring records
Agriculture inputs and transportation available, and marketing network re-established for nearly 10,000 farmers	ARP II monitoring records

Program 5: Crop Protection

12.30 The goal of the Crop Protection Program is to support the improvement of food supply at the household level by controlling common pests and diseases (including weeds) that lead to loss of yields in the field and during storage of crops. Essential functions include monitoring common pests and diseases, and informing farmers about how to act in a timely fashion to control common pests, particularly rats, and reduce their impact. The program will also administer and operate the plant quarantine program that will prevent entry of new pests and diseases into East Timor, and regulate the importation and use of pesticides by farmers. Given that this is an integrated program, no projects are specified.

Table 12.6: Performance Targets, Crop Protection

Performance Targets	Measurement
13 groups of farmers trained on proper use of pesticides, preparation of pesticide sprays and proper disposal of pesticide containers.	Crop Production Division records
Regulation on importation and sale of pesticides; plant quarantine regulation drafted	Crop Production Division records
Regular radio program on pest management, proper use of pesticides and information on hazardous and toxic agricultural chemicals produced. Trials on eradication of Siam Weed	Crop Production Division records

Livestock Division

Program 1: Development of Livestock Production

Program 2: Prevention and Eradication of Livestock Diseases

Program 1: Development of Livestock Production

12.31 The goals of this program are to increase food production, animal protein consumption, and income through provision of support to farmers in establishing small chicken hatcheries, increasing cattle production, and improving the marketing of chickens and cattle. Assistance will be provided to approximately 1,000 chicken owners and 500 livestock owners, with a particular focus on women in the case of chicken production.

Table 12.7: Performance Targets, Development of Livestock Production

Performance Targets	Measurement
30% increase in total meat and egg production from current levels	Consumption and nutrition records
20% increase in cattle population (no. head)	Livestock Division records

Program 2: Prevention and Eradication of Livestock Diseases

12.32 The goal of this program is to improve the animal health and productivity of livestock in East Timor, leading to increased farmers' incomes. MAF will support the TFET-funded ARP II project in the carrying out of: (a) essential vaccination campaigns for cattle, buffaloes, pigs and chickens; and (b) help develop a system of private Village Livestock Workers (VLW) to provide assistance to local farmers in basic veterinary services. The target beneficiaries include all the households owning cattle, buffaloes, pigs and chickens in East Timor, in addition to 200 sucos where VLWs will be trained. Donor support for this program is currently available under the TFET Second Agriculture Rehabilitation Project (ARP II). The continuation of this program is an imperative for livestock production in East Timor and the wider region. Activities such as

vaccination for Newcastle Disease in chickens will make a significant contribution to poverty reduction, nutrition and income earning opportunities.

Table 12.8: Performance Targets, Development of Livestock Production

Performance Targets	Measurement
80% of target adult population of buffaloes and cattle (approx. 150,000), and 270,000 pigs vaccinated	Livestock Division Records
500,000 doses of Newcastle Disease vaccine distributed to communities	Livestock Division Records

Irrigation Division

Program 1: Rehabilitation of Existing Irrigation Schemes

Program 2: Establishment of Rural Water Harvesting Systems

Program 3: Maintenance and Repair Work

Program 4: Sector Management Recovery and Development

Program 1: Rehabilitation of Existing Irrigation Schemes

12.33 The goal of this program is to increase agricultural production in lowland areas and stimulate off-farm employment through the rehabilitation of community irrigation schemes, agricultural access roads, and selected irrigation schemes that have suffered light-to-medium damaged but have been assessed as viable from an economic, social, and environmental perspective. CFET resources will be used to cover minor operating costs and MAF staff inputs for the supervision of these works, which will be funded by TFET-ARP II and the UNOPS/UNDP Urgent Rehabilitation II Project. The target beneficiaries are estimated at 18,500 rural households. Increased rice production from the rehabilitation of the larger irrigation schemes is estimated to benefit about 2,200 farming families. Donor support includes:

- a) TFET Second Agriculture Rehabilitation Project;
- b) UNDP/UNOPS Urgent Rehabilitation II; and
- c) CIDA – Rehabilitation of Water Irrigation Channel in Iliomar.

Table 12.9: Performance Targets, Rehabilitation of Existing Irrigation Schemes

Performance Targets	Measurement
Rice yield increasing from 1.5 to 2.0 MT/ha at the end of the first year, 2-4 MT at the end of 3 years, and increasing to more than 4.0 MT/ha after five years	Irrigation Division monitoring records and field surveys

Program 2: Establishment of Rural Water Harvesting Systems

12.34 The goal of this proposed new program is to improve the reliability of irrigation water supplies for upland communities, which are particularly vulnerable to water shortages during the dry season. The program will be piloted in two communities during FY02/03, using a limited CFET budget of \$5,000 for the construction of vaults and tanks in vegetable areas in the highlands of East Timor. Based on lessons learned from this pilot, the program will be expanded into a specific project in FY03/04.

Table 12.10: Performance Targets, Establishment of Rural Water Harvesting Systems

Performance Targets	Measurement
Construction of small irrigation water tanks and vaults in 2 pilot communities	Irrigation Division monitoring records

Program 3: Maintenance and Repair Work

12.35 The goal of this program is to provide essential maintenance and repair for irrigation schemes rehabilitated in previous years under donor-funded projects. The costs of annual operation and maintenance of irrigation schemes are estimated at about 10% of the capital investment. While most of the schemes rehabilitated in the past have been community tertiary canals, meaning that operation and maintenance costs are borne by the community, there is a need to allocate modest CFET funding (US\$45,000) to essential maintenance and repair. The targeted beneficiaries would be communities in a 7,700 ha area previously rehabilitated under ARP I.

Table 11.11: Performance Targets, Maintenance and Repair Work

Performance Targets	Measurement
Maintenance and repair work covering 2,100 hectares	Irrigation Division monitoring records

Program 4: Sector Management Recovery and Development

12.36 Under this program, the MAF Irrigation Division will complete two essential policy studies, one on Water Users Associations, and a second on broader Water Management Policy. These studies will develop the Government's policy towards operation and maintenance of irrigation schemes, such as the share of communities' responsibilities for the schemes, and the incentives and policies influencing the use of water, one of East Timor's most critical natural resources. MAF staff will contribute to the formulation of these essential policies. Donor support for technical aspects is provided under:

- a) TFET: Second Agriculture Rehabilitation Project

Table 12.12: Performance Targets, Sector Management Recovery and Development

Performance Targets	Measurement
Two draft policy documents on Water Users Associations and broader Water Management Policy	Irrigation Division monitoring records

DEPARTMENT OF FISHERIES AND MARINE ENVIRONMENT

Mission Statement

The mission of the Department of Fisheries and Marine Environment (FME) is to lead sustainable development of the fishing and aquaculture industries in East Timor and ensure they play a significant role in national food security and income generation.

12.37 The overarching goal of the FME is to lead the development of the nation's aquatic resources in a sustainable fashion, while providing opportunities for coastal communities to benefit from such development. Current and planned development is based on the *Strategic Plan for the Fisheries of East Timor*. The Strategic Plan addresses major issues facing the fishing industry, including: (1) the declaration of fishing boundaries between East Timor, Australia and Indonesia; (2) the licensing of offshore commercial operations; and (3) the definition of East Timor's various fisheries. The FME will focus on: (a) training for capacity building; (b) development of appropriate administrative protocols to ensure coordination of all fisheries programs and activities; (c) maximising the value of the catch by improving fish handling, transport, storage, processing and marketing; and (d) upgrading the database of fishing capacity held at FME. The FME will also work with Legal Affairs and other Government departments to ensure that a fishing zone for East Timor is defined, declared and ratified as soon as practicable.

Problems, Goals and Policies

12.38 The key problems confronted by the Department are the following.

- a) No Fisheries Act and legislation
- b) No fisheries management plans
- c) No international maritime boundaries
- d) Lack of staff skills
- e) Lack of fisheries data
- f) Underdeveloped fresh water and marine and brackishwater aquaculture sector
- g) No fisheries monitoring capability or activities at present
- h) Facilities destroyed in September, 1999
- i) Lack of shore-based industry
- j) Under-developed harvest sector

12.39 Based on these problems, the goals of the FME are to:

- a) establish and implement a Fisheries Act and accompanying legislation;
- b) establish a profitable private sector-based fishing industry that maximises sustainable economic returns to East Timor;
- c) establish a viable aquaculture industry;
- d) provide sustainable marine recreational activities for the recreational fishing, charter fishing and dive tour sectors;
- e) assert jurisdiction and control over the living marine resources in the seas of East Timor;
- f) develop the capacity of the staff of the FME;
- g) sustain and enhance the aquatic resources of East Timor and their supporting ecosystems; and
- h) operate an efficient and accountable FME.

12.40 The policy options for achieving these goals include the following:

- a) develop appropriate legislation, regulations and management instruments for sustainable development of fisheries in East Timor;
- b) develop each fishery via a step-wise, precautionary approach;
- c) develop fisheries-specific management and development plans consistent with the principles of ecologically sustainable development (ESD);
- d) establish a responsive extension system that works closely with commercial, private and subsistence fishers;
- e) provide a regulatory system that promotes community-based management for reef and coastal fisheries, including the development of local by-laws that protect the interests and user-rights of the community;
- f) rehabilitate the former government run Ikan Mas hatcheries, and supply assistance, technical advice, and fish fry to local fish farmers on a cost-recovery basis; and
- g) provide staff training across the full spectrum of fisheries-related disciplines, including socio-economics and sustainable fishing practices, thereby upgrading staff skills to meet the needs of a modern fisheries sector.

12.41 To put these policies into practice the FME will implement the programs described below. The projects to be implemented under each program, with the actual or proposed sources of funding and the current status of individual projects are as shown in Table 12.26.

Program 1: Fisheries and Marine Environment Management

Program 2: Fisheries Industry Development

Program 3: Aquaculture

Program 1: Fisheries and Marine Environment Management

12.42 The goals of this program are: (a) the creation of a policy and legislative environment, backed up by appropriate stock assessments, monitoring and data that supports sustainable development of East Timor's fisheries; and (b) co-management of fisheries resources, involving coastal communities, the Department and other stakeholders. CFET funds will be used predominantly for staff inputs, with staff working mostly on programs that are supported by donors. The support from donors is received under:

- a) AusAID: Fisheries Management Planning
- b) AusAID: Survey of Nearshore Fish Stocks – Dili Harbor
- c) TFET: Second Agriculture Rehabilitation Project

Table 12.13: Performance Targets, Fisheries and Marine Environment Management

Performance Targets (at the end of 5 years)	Measurement
50% overall increase in production	Records of catches at landing sites
25% increase in industry employment	National employment surveys

Program 2: Fisheries Industry Development

12.43 The goal of this program is to facilitate the development of the fisheries sector in East Timor so that it contributes to economic growth, incomes, employment and export earnings. The program builds on the initiatives in Program 1 by supporting the growth of a commercial fishing industry based on the legislation, regulations, management protocols and marine boundaries promulgated under that Program.

Table 12.14: Performance Targets, Fisheries Industry Development

Performance Targets (at the end of 5 years)	Measurement
Quantum of facilities re-established	Monitoring of rehabilitation
Increase in annual revenues from leasing of services at the fishery port	Income realised by the Government from the port & its operations

Program 3: Aquaculture

12.44 The overarching goal of this program is to develop and expand a local aquaculture industry, both freshwater and marine, to enhance food security and add to local and export incomes. The program is comprised of one project at the current time, with a principal goal to make fish fry available so that the aquaculture industry can redevelop in East Timor and become an important provider of food, incomes and employment. Prior to the 1999 violence five fish hatcheries were owned and managed by the East Timor Fisheries Authority. These hatcheries supplied fish fry to both small and large fish farmers. Without at least one freshwater fish hatchery and one marine/brackishwater hatchery, East Timor runs the risk of losing potential investment and employment opportunities. Revenue from fish farming would not be realised and

food security issues heightened. Ultimately, the aim is that the management and operation of such facilities will be taken over by the private sector with FME providing research and other professional inputs, but not taking any commercial risks.

Table 12.15: Performance Targets, Aquaculture

Performance Targets	Measurement
Expansion in the aquaculture industry	Annual aquaculture production
Number of privatised hatcheries	Number of hatcheries in the nation

DEPARTMENT OF FORESTRY

Mission Statement

The mission of the Department of Forestry (DoF) is to ensure the sustainable management of East Timor's forest resources through effective planning, capacity building, community participation and the formulation of appropriate policies and legislation.

11.45 The overarching goal of the DoF is to develop appropriate policies, legislation and management strategies as the basis for the formulation and implementation of forestry management plans to facilitate the sustainable management of forest resources in East Timor. DoF will work with other stakeholders, including rural communities who are reliant on forest resources, in its management and development programs. The Department will, therefore, encourage the participation of rural communities and other stakeholders in all aspects of sustainable forest resources management in the nation.

Problems, Goals and Policies

12.46 The key problems confronted by DoF are the following.

- a) No forestry legislation and minimal regulation
- b) Inability to police those regulations that do exist
- c) No forestry management strategies yet in place
- d) Lack of staff capacity and skills
- e) Lack of forestry data
- f) Collection of firewood and lack of action on watershed protection

12.47 Consequently, the goals of the DoF are to:

- a) collect and analyse information on forestry resources in East Timor, to be used as the basis of planning and decision making;
- b) develop essential forestry policies, legislation and management strategies;
- c) prepare a Forestry Master Management Plan and develop and implement Action Plans based on that Plan;

- d) build the capacity of the national staff to implement forestry programs;
- e) promote reforestation and sustainable land management practices in East Timor for erosion control, soil rehabilitation, watershed protection and subsistence use;
- f) provide effective and efficient management programs for sustainable forestry, with emphasis on forest lands, their resources, and protected natural areas; and
- g) develop strategies that could encourage the participation of rural communities and other stakeholders in planning and decision making related to forest resources management.

12.48 The policy options for achieving these goals include the following:

- a) develop appropriate legislation, regulations and management instruments for sustainable development of forestry in East Timor;
- b) develop forestry management and development plans consistent with the principles of ecologically sustainable development (ESD);
- c) promote and support community-based management of forest resources and water source areas;
- d) support staff training across the full spectrum of forestry-related activities;
- e) establish the protocols and facilities for the collection, collation and analysis of forestry data; and
- f) support the development of a number of protected natural areas throughout East Timor.

12.49 The Department will implement the various programs described below in response to the needs summarised above. The projects to be implemented under each program, with the actual or proposed sources of funding and the current status of individual projects are as shown in Table 12.24.

Program 1. Reforestation and Forest Rehabilitation

Program 2. Forest Protection and Forest Resources Management

Program 3. Forest Production and Utilisation

Program 1: Reforestation and Forest Rehabilitation

12.50 The aims in this program are to: (a) reforest degraded areas in East Timor with valuable local timber species, in particular sandalwood; (b) restore the ecological balance of degraded areas and arrest the environmental problems resulting from their degraded condition (while promoting the development of forest resources in those areas); and (c) encourage community participation in the rehabilitation of East Timor's degraded forest areas. Reforestation is an immediate response to widespread upland degradation. An estimated 85% of upland areas are denuded and devastated due to forest fires and non-environmental friendly upland management (including widespread collection of firewood). In line with this, Agro-forestry techniques are considered an alternative to slash and burn cultivation, as farmers are able to produce forest trees, fruit trees, and cash crops, including livestock. Aside from the uplands, mangrove areas

have been exploited for fuel wood and other products. Mangroves play a major role as coastal habitats and hence are a priority for rehabilitation. Donor support for this program comprises:

- a) TFET: Second Agriculture Rehabilitation Project (Pilot Participatory Development and Natural Resources Management)
- b) Portugal: Reforestation and Alternative Cash Crops
- c) CIDA: Tree Nursery, Reforestation and Agroforestry in Selo
- d) CIDA/CARE: Community-based Natural Resources Management in Covalima and Dili

Table 12.16: Performance Targets, Reforestation and Forest Rehabilitation

Performance Targets	Measurement
No. of hectares of reforested upland and rehabilitated mangrove areas	Forestry Division monitoring records
No. of partnerships between NGOs and MAF staff	Forestry Division monitoring records
No. of Participatory Action Plans for Natural Resource Management	Forestry Division monitoring records

12.51 This program is focused on the protection and conservation of the forest resources of East Timor, through: (a) increased public awareness; (b) development of a framework for management of watershed areas; and (c) protection and conservation of the biodiversity and socio-cultural significance of important natural sites. The program will cover projects in the areas of watershed management, protected natural areas (PNA), and public information, building upon the existing watershed management activities started by MAF in FY01/02. Target beneficiaries include the communities within the targeted watershed and protected areas, farmers wishing to use resources of the protected area and East Timor in general through the protection of its biodiversity and cultural heritage. The expected outcomes of the program include a greater understanding amongst communities of regulations on protected areas, involvement in community-based Integrated Management Planning, and raised public awareness. Donor support will be provided under:

- a) AusAID: Agriculture and Fisheries Community Watershed Project
- b) TFET: Second Agriculture Rehabilitation Project (Pilot Participatory Development and NRM component)

Table 12.17: Performance Information, Forest Protection and Forest Resources Management

Performance Targets	Measurement
No. of Watershed Management Plan Development proposals prepared	Forestry Division monitoring records
No. of PNA boundary maps prepared	Forestry Division monitoring records

Program 3: Forest Production and Utilisation

12.52 The goal of this program is to develop and promote the sustainable use of timber and non-timber forest products in East Timor. It includes the undertaking of a forestry inventory on key production areas, dissemination and discussion of a revised Forestry Policy and Strategy, public hearings in support of draft directives on tree crops and non-timber forest products, and enforcement of forest laws. The effective conservation of natural resources relies largely on communities' wise use of those resources and their awareness and participation in resource management. This program will rely heavily on public information and consultation.

Table 12.18: Performance Information, Forest Production and Utilisation

Performance Targets	Measurement
No. of directives and workshop proceedings reflecting issues and solutions proposed by the communities	Forestry Division monitoring records

RESEARCH AND EXTENSION CENTRE

12.53 The Research and Extension Centre is a “service centre” to the technical Departments of the Ministry of Agriculture and Fisheries and, consequently, no particular mission or problems, goals and policies are laid out for the Centre as it is structured to respond to the needs of the other areas of MAF.

12.54 The goal of the Research and Extension Centre is to provide support in the derivation and dissemination of important technical, management and other information to clients of MAF through its Departments. The Centre will combine the crucial functions of information and GIS systems with a small laboratory for soil, plant and pest analyses. CFET funding will be allocated to MAF staff inputs to the programs supported by the centre, operating costs for the equipment held by the Geographic Information System (GIS) program, and a small amount of capital expenditures for the purchase of essential laboratory equipment and communications equipment for the GIS program.

12.55 The Research and Extension Centre will have three essential programs:

Program 1. Research and Laboratory

Program 2. Information and Extension

Program 3. Geographic Information System (GIS)

Program 1: Research and Laboratory

12.56 The goal of this program is to improve household and food security of farm families through the provision of basic diagnostic laboratory services for soil quality, pests and diseases. Technical advice for optimising crop yields through effective soil and fertiliser management and protection of crops and livestock against pests and diseases are some of the services that are often provided by the public sector. This program will reduce risks by facilitating quick responses to inquires about soil quality, pests and diseases, along with location-specific fertiliser recommendations.

Table 12.19: Performance Information, Research and Laboratory

Performance Targets	Measurement
Recommended fertilisation to improve soil nutrient limitations in problem soils & screening for adaptability of crops in 3 agro-ecological sites, plus a schedule of optimal planting times	Research and Extension Centre monitoring records
Data on soil physical and chemical characteristics analysed for a minimum of 50 farmers in 13 Districts	Research and Extension Centre monitoring records
Insect pests problems identified and recommendations provided to 30% of farmer-clients	Research and Extension Centre monitoring records
Weed species identified and proper control measures recommended	Research and Extension Centre monitoring records
Information materials on common pests and diseases produced	Research and Extension Centre monitoring records

Program 2: Information and Extension

12.57 The goal of this program is to provide essential agricultural information and transfer of knowledge and skills to farmers. The program will help develop information programs addressing specific needs of farmers (such as market and climatic conditions, timing of vaccination campaigns, technical advice), disseminated through appropriate channels, such as radio, community centres, Churches, markets, pamphlets, and mobile audio-visual units. The results of the recent poverty assessment indicated that access to better information is associated with higher income amongst farmers. In addition to information dissemination, this program would help link MAF with international networks of the Consultative Group for International Agriculture Research (CGIAR) through the internet. In a country with isolated communities and limited Government resources, establishing electronic linkages with international centres of excellence will become increasingly important. Such links would enable East Timorese staff, for example, to contact international experts via the Internet to diagnose new plants or animal diseases, or identify new crop varieties. Donor support for this program comprises:

- a) TFET Second Agriculture Rehabilitation Project

Table 12.20: Performance Information, Information and Extension

Performance Targets (for 5 years)	Measurement
4 printed information documents on rice, 2 on maize, 2 on root crops, 2 on beans; weekly 5-minute radio reports on improved farming practices.	Research and Extension Centre monitoring records
Weekly agriculture radio program on agricultural projects and technology	Research and Extension Centre monitoring records
CGIAR links established and operational	Research and Extension Centre monitoring records

Program 3: Geographic Information System

12.58 The goal of this program is to support MAF in the planning and delivery of geographic information and high quality maps on current land use, land use potential, agricultural production and production trends, and socio-economic information, as a basis for natural resource management and decision making. The GIS program aims to: (a) develop a cost recovery GIS interpretation and mapping service for non-MAF users; (b) expand and provide assistance with database development and mapping for land suitability based on available soils information; (c) produce thematic maps of land capability for agricultural expansion; (d) expand the GIS network to other Ministry departments and integrate the individual units' databases; and (e) train staff in database access, data entry, accessibility, desktop mapping, and evaluation of data reliability. Donor support for this program comprises:

- a) AusAID Agriculture/Forestry Landuse Mapping and GIS project

Table 12.21: Performance Information, Geographic Information System

Performance Targets	Measurement
Train 3 MAF staff in database structure, data entry, accessibility, and evaluation of data reliability	GIS program monitoring records
Develop and institute a cost recovery system	GIS program monitoring records
Expand and provide assistance with database and mapping for land suitability	GIS program monitoring records
Produce thematic maps of land capability	GIS program monitoring records
Integrate individual Departmental databases	GIS program monitoring records

CADASTRAL UNIT

12.59 The Cadastral Unit is responsible for: (a) maintaining the National Geodesian System, cartographic projections, elevation data, support to hydrographic work and delineation of the territory; (b) acquisition and processing of aerial photographs, analysis of quality of national cartography, certification of professionals in the areas of topography and cartography, and standardisation of maps; (c) maintaining the National Building Register, including production of identification cards for building registration, establishment of norms and technical specifications,

issuance of licenses, inspection of licensed buildings, and enforcement of regulations related to building codes; (d) processing of geographic information, including satellite imagery, and support to planning; and (e) maintenance of the national Global Position System stations, including provision of topographic and geographic information to the general public.

12.60 The Cadastral Unit has one essential program: Geography and Cadastre

Program 1: Geography and Cadastre

12.61 The objectives of the Geography and Cadastre program are to maintain the National Geodesic System, maintain cartographic coverage, implement the National Building, Rural and Urban Cadastres, issue licenses, maintain geo-reference information, and generally cooperate with other institutions to assist them in the areas of geodesic, cartography and cadastre services. The Geography and Cadastre program proposes the following activities: (1) capacity building and training; (2) developing an inventory of the previous geodetic points provided by Portugal and Indonesia; (3) data collection; and (4) Sub-village administration survey.

Table 12.22: Performance Information, Geography and Cadastre

Performance Targets	Measurement
Geography: maintenance, provide geodetic points throughout the country & finalise border demarcation between Indonesia & East Timor; Sub-village administration survey	a. Orde 0:6 geodetic points b. Orde 1:25 geodetic points c. Orde 2:50 geodetic points d. Orde 3:100 geodetic points Approx. 250 km for 6 districts: Lautem, Baucau, Viqueque, Manatuto, Dili & Liquica
Cadastre: survey the land parcels in Dili for tax and/or certification	2,500 land parcels in first step
Mapping & GIS: produce basic topographic maps	250-500 maps at different scales (1:5000, 1:100000, 1:25000, etc.)

POLICY AND PLANNING UNIT

12.62 The Policy and Planning Unit is a planned new initiative of MAF. Because agricultural development is so critical to the development of East Timor and the well-being of the nation's people, and because human and financial resources are scarce, MAF needs to be able to carefully plan, implement and monitor those programs and projects for which it is responsible. Skills in areas such as benefit-cost analysis, used to prioritise projects, and in monitoring and evaluation of budgets and projects will be amongst the required planning expertise.

Furthermore, policy development is extremely important in the sector. Agriculture, fisheries and forestry development all rely heavily on the development of appropriate policies in a wide range of areas such as fisheries management and licensing and user-pays requirements in the sub-sector. The allocation of the economic rents appropriated by commercial fishers is also an important policy question to be addressed. In agriculture, policies in areas such as import duties,

irrigation water allocation, support for certain production activities, input subsidies and marketing arrangements might be amongst key matters to be analysed.

12.64 It is proposed that donor funding is sought in 2002/03 for support of the Policy and Planning Unit. The Unit would be staffed by an international advisor with appropriate expertise, along with a small number of local staff from MAF who, after a period of 6-12 months, would be expected to take over the running of the Unit. The establishment of systems for tasks such as monitoring and evaluation would be important activities in the start-up phase, as would the training of local staff in areas such as benefit-cost analysis.

Table 12.23: Performance Information, Policy and Planning Unit

Performance Targets	Measurement
Establishment of appropriate systems for monitoring & evaluation and project appraisal	Systems established and running within the first 6 months of the project
Training of local staff in monitoring & evaluation, benefit-cost analysis and project planning, including use of appropriate software	Number of staff trained in each 12 month period.
Mapping & GIS: produce basic topographic maps	250-500 maps at different scales (1:5000, 1:100000, 1:25000, etc.)

Table 12.24: Projects of the Crop Production Division, Department of Agriculture and Livestock, Ministry of Agriculture and Fisheries, 2002/03-2006/07

Program/Projects	Cost US\$'000 2002 – 2006	Funding Sources (actual & potential)	Funding Available?	Implementation Period
<u>Crop Production Division</u>				
Program 1: Enhancement of Food Crops Production				
Project 1.1 Enhancement of Food Crops Production	180	CFET	YES	2001-2006
Project 1.2 Seeds of Life – East Timor	59	CFET/ACIAR	YES	2001-2003
Project 1.3 Reduction of Post-Harvest Losses of Rice & Maize in East Timor	178	CFET	YES	2001-2006
<i>Project 1.4 Enhancement of Beans Production</i>	<i>n.a.</i>	<i>n.a.</i>	<i>NO</i>	<i>2003-2006</i>
<i>Project 1.5 Enhancement of Root Crops Production</i>	<i>n.a.</i>	<i>n.a.</i>	<i>NO</i>	<i>2003-2006</i>
Program 2: Enhancement of Horticultural Crop Production				
Project 2.1 Enhancement of Fruit Crops Production	176	CFET	YES	2002-2006
<i>Project 2.2 Enhancement of Vegetable Crops Production</i>	<i>n.a.</i>	<i>n.a.</i>	<i>NO</i>	<i>2003-2006</i>
<i>Project 2.3 Enhancement of Root Crops Production</i>	<i>n.a.</i>	<i>n.a.</i>	<i>NO</i>	<i>2003-2006</i>
<i>Project 2.4 Development of Native Herbal Plants</i>	<i>n.a.</i>	<i>n.a.</i>	<i>NO</i>	<i>2003-2006</i>

Program 3: Enhancement of Industrial Crops Production

Project 3.1	Coffee refurbishment and Development	92	CFET/Portugal	YES	2001-2004
<i>Project 3.2</i>	<i>Promotion of Coconut Nursery</i>	<i>n.a.</i>	<i>n.a.</i>	NO	2003-2006
<i>Project 3.3</i>	<i>Promotion of Cotton Production</i>	<i>n.a.</i>	<i>n.a.</i>	NO	2003-2006
<i>Project 3.4</i>	<i>Promotion of Vanilla Production</i>	<i>n.a.</i>	<i>n.a.</i>	NO	2003-2006
<i>Project 3.5</i>	<i>Promotion of Sisal Production</i>	<i>n.a.</i>	<i>n.a.</i>	NO	2003-2006

Program 4: Support to Farmers' Associations

Project 4.1	Support to Farmers' Associations	176	CFET/TFET	YES	2001-2006
<i>Project 4.2</i>	<i>Support to Farm Mechanisation</i>	<i>n.a.</i>	<i>n.a.*</i>	NO	2003-2006
<i>Project 4.3</i>	<i>Support to Agricultural Extension and Farm Input</i>	<i>n.a.</i>	<i>n.a.*</i>	NO	2003-2006
<i>Project 4.4</i>	<i>Support to Micro Credit Finance</i>	<i>n.a.</i>	<i>n.a.*</i>	NO	2003-2006

Program 5: Crop Protection

Project 5.1.1.	Crop Protection	176	CFET	YES	2002-2006
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Notes: * These projects were each proposed in the JICA study of Integrated Agricultural Development in East Timor, although funds have not committed by JICA or any other donor at the time or preparation of the Plan. Projects in *italics* have no funding attached to them at the time of Plan preparation.

Table 12.25: Projects of the Livestock and Irrigation Divisions, Department of Agriculture and Livestock, Ministry of Agriculture and Fisheries, 2002/03-2006/07

Program/Projects	Cost US\$'000 2002 – 2006	Funding Sources (actual & potential)	Funding Available?	Implementation Period
<u>Livestock Division</u>				
Program 1: Development of Livestock Production				
Project 1.1 Native Chicken Intensification/Production	495	CFET	YES	2002-2006
Project 1.2 Development of Cattle Production	495	CFET	YES	2002-2006
<i>Project 1.3 Support to Cattle Production</i>	<i>n.a.</i>	<i>n.a.*</i>	NO	<i>2003-2006</i>
Program 2: Prevention and Eradication of Livestock Diseases				
Project 2.1 Vaccination of Cattle and Other Livestock	492	CFET/TFET	YES	2002-2006
Project 2.2 Village Livestock Workers	491	CFET/TFET	YES	2002-2006
<i>Project 2.3 Extension of Veterinary Services</i>	<i>n.a.</i>	<i>n.a.*</i>	<i>NO</i>	<i>2003-2006</i>
<u>Irrigation Division</u>				
Program 1: Rehabilitation of Existing Irrigation Schemes				
Project 1.1 Caraulun Emergency Project	86	CFET/TFET	YES	2002-2003
Project 1.2 Irrigation Rehabilitation Projects	85	CFET/TFET	YES	2001-2003
<i>Project 1.3 Nation-wide Irrigation Rehabilitation Projects</i>	<i>n.a.</i>	<i>n.a.*</i>	<i>NO</i>	<i>2003-2006</i>

Program 2: Establishment of Rural Water Harvesting System

Project 2.1 Establishment of Rural Water Harvesting System	84	CFET	YES	2002-2003
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Program 3: Maintenance and Repair Work

Project 3.1 Maintenance and Repair Work	927	CFET	YES	2002-2006
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Program 4: Sector Management Recovery and Development

Project 4.1 Sector Management Recovery and Development	84	CFET	YES	2002-2003
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Notes: * These projects were each proposed in the JICA study of Integrated Agricultural Development in East Timor, although funds have not committed by JICA or any other donor at the time or preparation of the Plan.

Table 12.26: Projects of the Department of Fisheries and Marine Environment and Fisheries, Ministry of Agriculture and Fisheries, 2002/03-2006/07

Program/Projects	Cost US\$'000 2002 – 2006	Funding Sources (actual & potential)	Funding Available?	Implementation Period
Program 1: Fisheries and Marine Environment Management				
Project 1.1 Fisheries Policy, Act and Legislation	58	CFET/AusAid		
Project 1.2 Maritime Boundaries and Offshore Monitoring	142	CFET		
Project 1.3 Fisheries Management Plans	142	CFET/AusAid/WB		
Project 1.4 Staff Training	141	CFET		
Project 1.5 Research and Data Collection	141	CFET/AusAid		
Program 2: Fisheries Industry Development				
Project 2.1 Rehabilitation of Hera Port	82	CFET/TFET	YES	2001-2004
Project 2.2 Improved Harvest and Post-Harvest Method	140	CFET/Iceland	YES	2002-2006
Project 2.3 Development of a Professional Charter Boat and Diving Industry	138	CFET	YES	2002-2006
Program 3: Aquaculture				
Project 3.1. National Development of an Aquaculture Industry	138	CFET/Portugal	YES	2001-2004

Table 12.27: Projects of the Department of Forestry, Ministry of Agriculture and Fisheries, 2002/03 – 2006/07

Program/Projects	Cost US\$'000 2002 - 2006	Funding Sources	Funding Available?	Implementation Period
Program 1: Reforestation and Forest Rehabilitation				
Project 1.1 Agroforestry	145	CFET/CIDA	YES	2002-2006
Project 1.2 Reforestation and Soil Conservation	145	CFET/TFET/Portugal	YES	2002-2006
Project 1.3 Mangrove Rehabilitation and Conservation	145	CFET	YES	2002-2006
Project 1.4 Community Forestry	144	CFET/CIDA	YES	2002-2006
<i>Project 1.5 Nation-wide Reforestation</i>	<i>n.a.</i>	<i>n.a.</i>	<i>NO</i>	<i>2003-2006</i>
<i>Project 1.6 Nation-wide Community Forestry</i>	<i>n.a.</i>	<i>n.a.</i>	<i>NO</i>	<i>2003-2006</i>
Program 2: Forest Protection and Forest Resources Management				
Project 2.1. Watershed Management	141	CFET	YES	2002-2006
Project 2.2. National Park and Wildlife Management	141	CFET	YES	2002-2006
Project 3.3. Public Information and Education	141	CFET	YES	2002-2006
Program 3: Forest Production and Utilisation				
Project 3.1 Forest Inventory	141	CFET	YES	2002-2006
Project 3.2 Forest Planning, Policy and Legislation	53	CFET	YES	2002-2006
Project 3.3. Forest Utilisation and Law Enforcement	194	CFET	YES	2002-2006

Notes: * These projects were each proposed in the JICA study of Integrated Agricultural Development in East Timor, although funds have not committed by JICA or any other donor at the time or preparation of the Plan.

Table 12.28: Projects of the Research and Extension Centre, the Cadastral Unit, and the Policy and Planning Unit, Ministry of Agriculture and Fisheries, 2002/03-2006/07

Program/Projects	Cost US\$'000 2002 – 2006	Funding Sources (actual & potential)	Funding Available?	Implementation Period
<u>Research and Extension Centre</u>				
Program 1: Research and Laboratory				
Project 1.1 Research and Laboratory	148	CFET	YES	2002-2006
Program 2: Information and Extension				
Project 2.1 Information and Extension	148	CFET	YES	2002-2006
Program 3: Geographic Information System				
Project 3.1. Geographic Information System	148	CFET	YES	2002-2006
<u>Cadastral Unit</u>				
Program 1: Research and Laboratory				
Project 1.1 Geography and Cadastre	931	CFET	YES	2002-2006
<u>Policy and Planning Unit</u>				
Program 1: Policy and Planning Unit				
<i>Project 1.1 Geography and Cadastre</i>	<i>n.a.</i>	<i>n.a.</i>	<i>NO</i>	<i>2002-2003</i>

APPENDIX 12.1: OVERVIEW OF DONOR FUNDED PROJECTS IN THE AGRICULTURE SECTOR

TFET PROJECT 1 OVERVIEW

1. Second Agriculture Rehabilitation Project (ARP II)

The aims of ARP II, with funding of \$8.0 million from TFET and \$0.9 million from CFET, are to improve food security of rural families and increase agricultural production in selected areas of East Timor. The implementation period is December 2001 to December 2003. Estimated expenditures in FY02/03 amount to \$5.1 million. The project includes the following activities.

- *Pilot Participatory Development and Natural Resources Management* in up to 30 pilot communities in seven districts (Baucau, Covalima, Dili, Lautem, Liquica, Manufahi, and Oecussi). This component will provide small grants to communities to strengthen their self-reliance and the management of their natural resources. The sub-sector focuses are forestry and fisheries, with other inter-sectoral inputs (crops and livestock).
- *Rapid Infrastructure Rehabilitation*, including 2,100 ha of community irrigation schemes, 100 km of farm-to-market access roads, 1,430 ha of larger irrigation schemes, establishment of 11 Water User Associations, and a feasibility study for schemes that suffered major damage. The sub-sectoral focus is irrigation.
- *Services to Farmers*, including the provision of information, programming and establishment of a small CGIAR Liaison Secretariat at MAF, vaccination services for livestock, and piloting of a system of private Village Livestock Workers (VLWs). This component also includes the establishment and initial operation of up to six Agriculture Service Centres (ASC), each of which would be privately run and owned by farmer associations, to facilitate the marketing of agricultural commodities and provision of inputs. The sub-sector focuses are research and extension, livestock and crop production.
- *Program Management*, including policy advice in the areas of general agricultural policy, forestry strategy, fisheries baseline data, capacity building, minor equipment and vehicles for district staff, and incremental operating costs and advisory services for a Project Management Unit (PMU). The sub-sectoral focuses are crop production, fisheries, forestry and general administration.

2. Hera Port Rehabilitation Project (implemented through ADB)

This project, with funding of \$1 million from TFET and \$0.1 million from CFET, will assist the Government of East Timor to rehabilitate the Hera Fishing Port and put in place the necessary infrastructure to attract private investment for its operations. The project will be implemented through FY02/03, and is focused in Dili. Estimated expenditures in FY02/03 are \$800,000 and the sub-sectoral focus is fisheries.

BILATERAL PROJECTS OVERVIEW

1. Australian Centre for International Agricultural Research (ACIAR): Seeds for Life Project

This project, valued at \$266,000, is focused on: (a) evaluating the suitability of plant genetic materials provided by the Consultative Group of International Agricultural Research Centres (CGIAR) to East Timor conditions; (b) introducing modern cultivars to improve disease tolerance, nutrient imbalance and climatic conditions; (c) improve farmers' access to high quality seeds of modern cultivars; and (d) gather baseline data for future development programs on increasing farm productivity. The project runs from November 2000 to October 2003 in Ainaro, Bobonaro, Baucau, Aileu, Lautem, and Viqueque. The sub-sectoral focus is crop production.

2. AusAID: East Timor Rural Development Program

This project, with a total cost of \$9.5 million, has an aim of assisting East Timor's rural development efforts in the districts of Bobonaro, Viqueque and Aileu. It consists of two major phases. Phase I (January 2001 – December 2002) includes (a) project establishment; (b) rapid impact projects in upland and lowland activities, supporting community-based activities (which might include, for example, lowland rice production, upland subsistence farming, small livestock programs, chicken vaccination, and support to coffee production); and (c) three Technical Resource Centres. During the second phase (January 2003-December 2005) the project will support detailed design and implementation of longer-term Rural Development Projects. This is a multi-sector project.

3. AusAID: Fisheries Management Planning

This project, at a cost of \$907,500, aims to build the capacity of Fisheries staff to develop policies and regulations associated with the management of East Timor's marine fisheries, and assist MAF to design and implement a series of fisheries management plans in cooperation with coastal communities. The project runs from February 2002 to January 2005, and is national in scope. The sub-sectoral focus is fisheries.

4. AusAID: Survey of Nearshore Fish Stocks – Dili Harbor

The principal aims of this small project (\$7,700) are to assess the impact of current fishing levels on the fish stocks of Dili Harbor and provide scientific skills transfer to the fisheries staff at MAF. The project runs from April 2001 to August 2002, with a sub-sectoral focus of fisheries.

5. AusAID: Agriculture and Forestry Landuse Mapping and GIS Development and Training.

This \$760,000 project has aims to: (a) strengthen landuse mapping and GIS information on soil resources and classify agro-ecological zones; (b) develop zoning for organic coffee; (c) identify of erosion-prone areas; (d) identify the layout of major irrigation schemes and the condition of access roads; and (e) provide landuse baseline data. The project runs from November 2000 to November 2002, and is national in scope. The sub-sectoral focus is MAF's Research and Extension Centre.

6. JICA: Study of Integrated Agriculture Development in East Timor

The aim of this project, at a cost of \$3.7 million, is to formulate a mid-term comprehensive development plan for agriculture, forestry and fisheries in East Timor. It includes an assessment of the present situation and problems, an inventory survey, and implementation of pilot agricultural projects for human resources development (including integrated upland agricultural management, and fisheries). The project runs from March 2001 to December 2002, and is national in focus. The sub-sectoral focuses are multi-sectoral and general administration in MAF.

7. JICA: Capacity Building in East Timor, Japan and ASEAN Countries

This project (on a request basis) will provide technical assistance to MAF by providing Japanese experts and training in East Timor, Japan and ASEAN countries. The timing and funding are dependent on requests from MAF.

8. JICA: Rehabilitation and Strengthening of Rice Farming in Lautem and Manatutu

This project is focused on the distribution of seeds and tools to farmers, rehabilitation of agricultural infrastructure, and capacity building for farmers' groups, at a cost of \$863,000. The project runs from February 2000 to January 2003, and is implemented in partnership with CARE. The sub-sectoral focus is crop production.

9. JICA: Recovery Program for Village Based Economic Activities in Los Palos/Manufahi

This project, at a cost of \$241,000, is focused on farmers' group organisation, comparative studies, needs assessment, distribution of agricultural tools to, and assistance in commodity production and marketing. The project runs from March 2001 to March 2004, and is implemented in partnership with Yayasan HAK. This is a multi-sector project.

10. JICA: Agriculture Development Project in Baucau

This project, at an initial cost of \$330,000, is focused on technical assistance to farmers in rice production, vegetable production and livestock breeding in Baucau. It also involves a survey about further rural development assistance needs. This project is nearing completion and has a sub-sectoral focus of crop production and livestock.

11. Portugal: Replanting of Coffee and Coffee Research

This project is focused on coffee research and coffee processing, at a cost of \$265,000. It involves seed selection, experiments on coffee shading, trials on composting, experiments with nursery construction techniques, integrated pest management, trials on planting techniques, and nursery construction and plant distribution to communities. The project runs from November 2000 to 2003, and is operational in Ermera, Aileu, Ainaro and Same. The sub-sectoral focus is crop production (industrial crops).

12. Portugal – Integrated Rehabilitation and Construction of Coffee Processing Facilities

This project (approximately \$220,000) focuses on rehabilitation of coffee processing. It involves rehabilitation of water capture, storage and allocation facilities; construction or rehabilitation of coffee processing facilities; coffee processing machinery supply; and demonstration and maintenance of equipment. The project runs from April 2000 to 2003, and is operational in

Ermera, Aileu, Same, and Liquica. Estimated expenditures in FY02/03 amount to \$70,000. Sub-sectoral focus: Crop Production (Industrial Crops).

17. Portugal: Reforestation and Alternative Cash Crops

This project, at a value of \$310,000, has aims to set up nurseries for coffee shade trees, firewood, timber (sandalwood, teak and others) and tree species for erosion control, and provide strategic distribution of seedlings to communities. The project runs from January 2002 to 2004, and is active in Ermera, Aileu and Liquica. The sub-sectoral focus is forestry.

18. Portugal: Aquaculture

This \$62,000 project has aims to do experiments on breeding different aquaculture species, and to undertake comparative studies in traditional and modern facilities. It also aims to supply fish fry to communities and, subsequently, evaluate the acceptance and possible further development of the project. The project runs from April 2001 to 2004/05, and is active in Ermera and Aileu, with a sub-sectoral focus of Fisheries.

19. Portugal: Capacity Building

This project, valued at \$130,000, has aims to provide training on different techniques of nursery construction for coffee, fruit trees, and forestry species, as well as aquaculture techniques. It also includes capacity building for MAF, district staff, and associations and cooperatives of farmers/experts. The project runs from April 2001 to 2004/05, and is active in Ermera, Aileu, Same, and Ainaro. The sub-sectoral focuses are administration and multi-sectoral.

20. Portugal: Interaction with Other Institutions

This project, valued at \$60,000, provides for interactions between East Timorese staff and various institutions, such as CIFIC (Centro de Investigação das Ferrugens do Cafeeiro.), ISA (Instituto Superior de Agronomia), UTAD (Universidade de Trás dos Montes), INMG/UTAD (Instituto Nacional de Meteorologia e Geofísica), UA (Universidade de Aveiro), UE (Universidade de Évora), IHERA (Instituto de Hidráulica Engenharia Rural e Ambiente), Porbatt (Portuguese Battalion), and ACIAR. The project runs from January 2002 to 2003/04 and is national in scope. The sub-sectoral focus is administration.

21. USAID: NCBA Timor Economic Rehabilitation and Development Project

This \$12 million project has provided support to coffee cooperatives in East Timor since 1994. It involves: (a) coordination of crop extension activities; (b) assessment of community welfare needs; (c) finance; (d) processing facilities; (e) seedling nurseries; (f) demonstration plots; (g) a vanilla seedling nursery; (h) community primary health care; (i) a Cooperative and Small Enterprise Training Centre; and (j) a Consumer Goods Wholesale Cooperative run through small enterprise village shops and kiosks. The project runs from 1994 to December 2002 and is operational in the districts of Ermera, Ainaro, Aileu, Manufahi and Liquica. The sub-sectoral focus is crop production (industrial crops).

22. USAID: Economic Recovery Program (Agriculture)

This program, valued at \$900,000, is focused on the provision of materials and equipment to farmers for various activities such as agro-processing inputs, rehabilitation of small-scale irrigation schemes, industrial crops (e.g. Abaca), and fishpond rehabilitation. The project runs from 2001 to 2003 with a multi-sectoral focus.

MULTILATERAL PROJECTS OVERVIEW

1. UNDP/UNOPS: Ainaro and Manatutu Community Activation Project

This \$5.1 million project is focused on food security improvement, strengthening linkages to agricultural services, and integrated watershed management. The project runs from December 2001 to 2005, and will be active in Ainaro and Manatutu. It is a multi-sectoral project.

2. UNDP/UNOPS: Urgent Irrigation Rehabilitation Project II (funded by the Government of Japan)

This proposed project, at a value of \$5.8 million, will focus on the rehabilitation of irrigation structures in Laclo and Manautu, along with training of members of Water Users' Associations. The sub-sectoral focus is irrigation.

13. NATURAL RESOURCES AND ENVIRONMENT

“Real, lasting poverty reduction is only possible if the environment is able to provide the services people depend on, and if natural resources are used in a manner that does not undermine long-term development”

VISION

13.1 East Timor will manage and utilise its natural resources in a sustainable manner that takes account of environmental needs in order to support economic growth and improved community welfare.

INTRODUCTION

13.2 The development and management of natural resources, including mineral resources, and the environment is the responsibility of the Department of Natural and Mineral Resources (DNMR) and the Division of Environment (DoE), both of which are agencies of the Ministry for Economic Affairs and Development. The Ministry is also responsible for Trade and Industry, Energy, Investment and Tourism.

13.3 East Timor is relatively poorly endowed with natural resources, apart from the oil and gas reserves of the Timor Sea. Anderson and Deutsch (eds., 2001) note that oil and gas are amongst the few high value natural resources that can be exploited for economic purposes, with the Timor Sea thought to be one of the world’s 20 richest oil deposits. Fisheries stocks are poorly understood, but might also comprise an important economic resource.

13.4 Natural resources are limited in East Timor, and given that the nation needs to make best use of its various resources, the sound management of those resources is a critical matter. Best use in this instance means that resources must be used efficiently, thereby maximising the net benefits realised by the community from such resource use. Sound management is normally taken to mean that resources are managed in a sustainable manner. The Conference on Sustainable Development in East Timor (Anderson and Deutsch, eds., 2001, p. 8) adopted the World Conservation and Environmental Development Conference’s definition of sustainability; viz:

“sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

13.5 East Timor is a mountainous country that is less than ideal for agricultural production. Its soils are derived from limestone and metamorphosed marine clays and are, consequently, generally of low fertility. The generally steep terrain,

shallow soils and heavy rainfall events during the wet season, render many parts of East Timor very prone to erosion. Deforestation and grazing often adds to the problems of loss of topsoil. Ongoing erosion causes sedimentation of rivers, reservoirs and near-shore marine areas.

13.6 Forest resources are widely used by households for both timber and non-timber purposes, and previously were also important in East Timor as export commodities. During the Portuguese and Indonesian administrations export income was earned from the sale of species such as teak, redwood, mahogany and sandalwood, all of which are native to East Timor. Apart from sandalwood, timber products were mostly exported as unprocessed logs. Very little forest now remains, and the vegetation consists largely of secondary forest, savanna and grassland. The ecology of the flora and fauna of East Timor is poorly understood.

13.7 Forests contribute to family livelihoods by providing firewood, non-timber products, poles and timber. Firewood collection is, however, a major cause of deforestation. Effective forest management has been achieved only in those few cases where the forest area has been clearly defined and is recognised by the community.

13.8 There was substantial damage to the forestry sector during the violence of 1999. Most Government and private facilities were destroyed or stolen, while stockpiles of teak logs and about 1,300 m³ of sandalwood for export were not allowed to leave. Large areas of mountain forests where resistance groups sheltered were defoliated and now comprise degraded scrubland.

13.9 UNDP (2000) concluded that East Timor's marine ecosystem, if used in a sustainable fashion, has considerable potential to support economic development and sustain the population, thereby contributing to poverty reduction. Fisheries development is currently guided by a Strategic Plan formulated by the Department of Fisheries and Marine Environment (FME).

13.10 Many species of animal in East Timor are threatened with extinction, particularly those that rely on forests. A number of marine species are also thought to be under threat. The coastal zone is, however, considered to be in very good condition. Mangrove ecosystems are substantially intact and many beaches are fringed by coral reef. Reefs are a source of biodiversity and are important for the ecological functions they provide. Plans exist to create both terrestrial and marine protected areas in order to conserve biodiversity.

13.11 Pollution and the lack of waste management pose significant problems in the urban areas of East Timor. Consequently, they also pose human health risks as well as a threat to marine ecosystems and species in nearby marine areas. Dili has a very limited sewerage system and an inadequate system for the collection and disposal of solid waste. Poor waste management has resulted in the pollution of groundwater, which is the source of drinking water for many of the people living in Dili. Litter is a substantial problem, particularly in the urban areas, with plastic and other materials usually being washed into the ocean during storms, where they represent a hazard to marine species.

Poverty, Natural Resources and Environment

13.12 Consistent with the efforts to integrate environmental considerations into development policies and programs, it is now recognised that there is an "urgent need to integrate environmental concerns into poverty alleviation..." (World Bank Group, undated, p. v). Furthermore:

“Real, lasting poverty reduction is only possible if the environment is able to provide the services people depend on, and if natural resources are used in a manner that does not undermine long-term development” (World Bank Group, undated, p. v).

13.13 Consideration of the links between environmental interventions and poverty reduction in East Timor should allow: (1) an improvement in people’s health due to access to resources such as potable water; (2) enhancement of the livelihoods of poor people, particularly those in rural areas where people depend on land, water, forests and biodiversity; and (3) reduction of people’s vulnerability to natural disasters such as violent storms, floods and fires.

MISSION

13.14 Two mission statements are reported here because the mission of the Department of Minerals and Natural Resources (DNMR) is somewhat different to that of the Division of Environment (DoE).

13.15 The mission of the DNMR is to:

Efficiently administer legislation relating to minerals, energy and extractive industries in a consistent, fair, transparent, timely and accurate fashion; and partner industry and provide leadership in achieving regulatory reform.

13.16 The mission of the DoE is to:

Conserve and protect natural resources and environment in East Timor through sustainable development planning.

GOALS

13.17 The goals for the mineral and natural resources and environment sectors are to:

- a) efficiently manage minerals, energy and extractive activities in a consistent, fair, environmentally appropriate, transparent and timely fashion;
- b) protect and enhance the natural environment of East Timor;
- c) raise community awareness about the importance of protecting the environment and behaving in ways that support such protection;
- d) work with other Government departments and agencies in integrating environmental considerations into their policies, programs and projects; and
- e) ensure accountability to the Government and community for financial, environmental and safety aspects of the extractive and energy industries.

GUIDING PRINCIPLES

13.18 The guiding principles for development in the minerals, natural resources and environment sectors are as follows.

Sustainability

East Timor's resources will be used in such a way that they will still be available to future generations, or at least provide benefits to those future generations of East Timorese (e.g. by careful investment of mining royalties).

Efficiency

The nation will make the best possible use of agricultural, water and other resources. They will be used in such a way as to maximise the benefits from their use to all citizens ("allocative efficiency"). It also means that the nation will not be wasteful with its resources – they will be managed and used carefully ("productive efficiency") (Box 13.1).

Box 13.1: The Notion of Efficiency in Resource Use

The notion of economic efficiency is that a nation will manage and use its various resources in such a way as to maximize the net social benefits to the whole of the nation from that use. This implies that the 'best' or optimal combination of outputs is produced by means of the most efficient combination of inputs. Efficiency can be at odds with equity, because an improvement in efficiency might make some people better off and some worse off. Policy-makers must deal with such trade-offs.

Equity

Everyone will be treated equally or fairly. For example, people in rural areas should have the same access to health, education and other services as people in urban areas, along with the same opportunities to advance their living standards.

KEY DEVELOPMENT INDICATORS

13.19 The key development indicators for each sub-sector are the following.

Department of Natural and Mineral Resources

- a) Establishment of a database on mining, minerals, oil and gas resources.
- b) Trained cadre of East Timorese to deliver all services to the sector.
- c) Development, promulgation and implementation of legislation and regulations for mining, oil and gas.
- d) Survey and mapping of the minerals, oil and gas resource base in East Timor.

Division of Environment

- a) More effective appraisal of development proposals and consequent reduced environmental impacts from development activities.

- b) Development, promulgation and implementation of legislation and regulations on environmental impact assessment and pollution control.
- c) Increased capacity of DoE staff to implement environmental regulations.
- d) Completion of policies on important environmental matters, including water catchment management, coastal zone management and biodiversity conservation.

PROBLEMS AND CONSTRAINTS

13.20 The problems and constraints faced by both DNMR and DoE are, in general, the same. Where either the Department or the Division face unique difficulties those are noted below.

Capacity

Both agencies face a lack of institutional and personnel capacity to undertake the wide range of tasks with which they are confronted. DoE has neither the number of staff, nor suitably skilled staff, to meet its myriad of important challenges. Similarly, DNMR has a very small staff complement, although it is planned to increase staff numbers considerably through the Plan period. The DNMR also confronts the problem of a lack of appropriate staff skills.

Legal and Regulatory Frameworks

The enabling legal and regulatory frameworks currently do not exist to support the responsibilities of both DNMR and DoE. The legal and regulatory legacy from the Indonesian administration is both irrelevant and ineffective. This also results in weak control of the environmental impacts of various development activities and, in the case of DoE, reduces its effectiveness in establishing cooperative mechanisms with other agencies in relation to environmental management.

Data and Information

Neither DNMR nor DoE has access to relevant and accurate data on the inventory and state of natural resources and the environment of East Timor. The lack of such information constrains their ability to ensure sustainable development and management of these resources.

Financial Resources

Both agencies face severe budgetary constraints for staffing, other recurrent costs and capital equipment. Both require certain capital equipment to meet their responsibilities and, therefore, they will rely on donor support in the medium term to establish both a stock of needed capital equipment and a cadre of suitably trained staff.

Acknowledgment and Independence

These constraints apply particularly to DoE. The existing institutional structure means that DoE is not a fully independent body, constraining its ability to make and implement decisions on the appropriateness of particular development proposals. Concomitantly, there is little or no acknowledgment that DoE and its attendant environmental legislation (once developed and implemented) should play a role as an independent umbrella agency that can regulate all development activities, particularly those that carry environmental risks.

GOALS OF EACH AGENCY

13.21 The key goals for DNMR and DoE to address the various problems identified are as follows.

Department of Natural and Mineral Resources

- a) East Timor will be self-reliant in terms of institutional and staff capacity to manage the sustainable exploitation of natural and mineral resources and that such self-reliance will be achieved by June, 2005.
- b) Appropriate legislation and regulations will be developed, promulgated and implemented by DNMR in support of the management of the nation's natural and mineral resources.
- c) The nation will develop the capability to appropriate the benefits of its natural and mineral resource base through increased local value-adding and by ensuring that it receives an appropriate share of the resource rents arising from exploitation of its resources (see Box 13.2).
- d) DNMR will develop a suitable database, inventory of resources and resource mapping to support management of minerals, oil and gas and to develop promotional material for the sector. These materials will be in place by June, 2003.
- e) The natural and mineral resources sector will be integrated into relevant regional and global networks by the end of 2003.

Box 13.2: Economic Rent

Economic rent is the return earned on the use of natural resources over and above normal profit levels. Often, this surplus is taken by a small number of users. Fisheries and oil and other minerals provide many international examples of the rent being taken by the fishers and miners, with little returned to the actual owners of the resource – the community. In East Timor, development of such resources should be based on the principle that they belong to all citizens. Fishers, miners and others should be allowed to make a fair profit, including a premium for risk, but returns over and above these levels should come back to the people. This means that appropriate policies need to be developed in relation to the use of natural resources.

Division of Environment

- a) The evolution of an environmental governance framework for East Timor that will include:
 - sufficient institutional capacity in DoE and other relevant Government agencies to protect and conserve the environment and biodiversity;
 - well researched, practical and effective environmental policies (laws, regulations and guidelines);
 - effective cooperation and coordination across sectoral agencies through formal and informal channels;
 - established processes such as State of the Environment reporting; and

- ratification, where appropriate, of relevant international treaties and conventions.
- b) DoE will facilitate increased awareness of environmental issues amongst the public and Government agencies through publications, campaigns and environmental curricula.
- c) Air, water and soil pollution will be managed, particularly in urban areas.
- d) The environmental impacts of existing developments will be better managed, while an effective system for the environmental appraisal and review of investment proposals will be implemented.
- e) DoE will establish a well-researched approach to biodiversity protection and conservation, including the establishment of a system of protected areas for East Timor.

POLICIES

13.22 Based on the problems and constraints and, subsequently, the goals of DNMR and DoE, the following basic policies will be formulated.

Department of Natural and Mineral Resources

- a) Extensive institutional and capacity building programs in the period 2002-2006 to yield an appropriate institutional structure, including the establishment of a separate Ministry of Minerals, Natural Resources and Energy, along with the development of a critical mass of local East Timorese staff with the requisite skills to manage all activities in these sectors.
- b) The Department will establish an enabling legal and regulatory framework based on the national resource base.
- c) DNMR will identify and join regional and global natural and mineral resources networks, develop strategic alliances that facilitate the appropriate exploitation of East Timor's mineral and natural resources, and promote the minerals, mining, oil and gas resources of the nation to the world.

Division of Environment

- a) DoE will emphasise capacity development initiatives to build specialist environmental and other required skills amongst its staff, and support such capacity development in other Government agencies.
- b) Institutional strengthening of DoE will be a focus of policy, with assistance from bilateral and multilateral donors.
- c) Appropriate regulatory and legal frameworks that support environmental management will be developed, beginning with regulations on pollution control and environmental assessment.
- d) Considerable focus will be placed on strengthening cross-sectoral linkages to improve the coordination of environmental management and raise the profile of

DoE as the core Government agency with the charter for environmental assessment and management.

- e) Environmental awareness campaigns and efforts to raise public consciousness, along with Government and private sector awareness of environmental matters, will be a central plank of DoE's policy framework.

PROGRAMS AND PROJECTS

13.23 Based on the foregoing information, the programs and projects summarised below will be implemented in the period 2002/03 – 2007/08 to meet the needs of each sector.

DEPARTMENT OF NATURAL RESOURCES AND MINERALS

13.24 The Department's development activities are driven by an overarching goal to plan, design and implement an efficient, effective and economic mining, oil and gas sector management and regulatory regime in East Timor. The following three programs will be implemented by the DNMR.

Program 1: Institutional and Capacity Building

Program 2: Enabling Legal and Regulatory Framework

Program 3: Sectoral Development and Promotion

13.25 The projects to be implemented under each program, with the actual or proposed sources of funding and the current status of individual projects, are as shown in Table 13.6.

Program 1: Institutional and Capacity Building

13.26 This program is based on a decision by Cabinet to establish the Department and vest in it the task of "the management and regulatory functions for the natural resources and mining sector." The institutional development aspects of this decision include budget provision, the planning, design and establishment of DNMR, recruitment of staff, allocation of office space and provision of certain capital equipment in support of its operations. The capacity building aspects are focused on staff development, including:

- a) assessment of the gaps in the skills available in both the public and the private sectors;
- b) public sector skills development and capacity enhancement through both in-house and out-of-country training, along with hands-on 'apprenticeships';
- c) development of a central team of 20 East Timorese staff in critical skill areas related to the development and management of the mining, oil and gas sector; and
- d) support for private sector skills training for East Timorese, enabling them to benefit from emerging employment opportunities related to mining, oil and gas sector developments.

Table 13.1: Performance Targets, Institutional and Capacity Building

Performance Targets	Measurement
Department of MNR fully operational	Number of staff recruited and regulatory framework in place
Cadré of 20 trained East Timorese staff	Number of suitably trained staff
Development of needed skills in the Civil Service	Numbers of training programs and qualifications achieved by local staff
Private sector skills training	Establishment of vocational and technical level courses to support employment in the sector.

Program 2: Enabling Legal and Regulatory Framework

13.27 Indonesian mining and gas laws, technically, remain effective in East Timor. In reality they are, however, redundant as neither the organisational structure nor the sanctioning authorities are in place to enforce those laws. This comprises a substantial constraint on development in the sector, and one that discourages investors because of the uncertainty it implies. Assistance is needed to develop an appropriate legal and regulatory framework, with UNDP and ESCAP committing to providing such assistance. Once a legal and regulatory framework is established, management systems and procedures will be developed and implemented.

Table 13.2: Performance Targets, Enabling Legal and Regulatory Framework

Performance Targets	Measurement
Mining, oil and gas legal regime developed and implemented	Implementation of legal regime; number of applications for exploration and development licenses
Implementation of management systems and procedures	Number of training programs; management structure operational

Program 3: Sectoral Development and Promotion

13.28 Reliable information about mining, oil and gas resources in East Timor is lacking. Consequently, the main activities in this program relate to surveying, mapping and the construction of an inventory of the nation's minerals, oil and gas resources. A reliable resource inventory is needed to: (1) allow the Government, through DNMR, to understand the likely stock of resources and, therefore, be able to manage that stock in the best interests of the nation; and (2) allow potential investors to plan and assess opportunities in East Timor. Furthermore, the proposed remote sensing and GIS based survey and database development forms the main building block of the sectoral development and promotion strategy. Donor support will be sought for this program.

Table 13.3: Performance Targets, Sectoral Development and Promotion

Performance Targets	Measurement
Complete survey and mapping of mineral, oil and gas resources in East Timor	Data available and accessible and usable in support of promotion and sectoral development

DIVISION OF ENVIRONMENT

13.29 The overarching goal of DoE is to implement a National Environmental Management Plan (NEMP) for East Timor, which is a necessary part of the Government’s approach to sustainable development. The implementation of the NEMP will play an important role in poverty reduction through improved access to clean water and other resources, and also contribute to economic growth in the long term because of improved management of the nation’s scarce natural resources. Under the NEMP development proposals will be screened for potential impacts and advice given on the need for environmental management plans or environmental impact assessment (EIA). Effective laws and capable staff will ensure that such processes are efficient and provide investors with high quality advice. While improving the investment environment, it will also reduce the economic and social costs of environmental damage. Environmental awareness and education for the community will support a cleaner environment and have positive health outcomes.

13.30 DoE will focus on one overall program, viz:

Program 1: Environmental Governance Framework for East Timor

The projects to be implemented under this program, with the actual or proposed sources of funding and the current status of individual projects, are as shown in Table 13.5. The projects and the principal elements in each project are as summarised in Table 13.4.

Table 13.4: Project Activities and Outcomes, Division of Environment

Activities and Short-term priorities	Outputs – Medium-term
<i>Project 1: Development & implementation of environmental legislation</i>	
EIA Regulations	Environmental Protection Act
Pollution control regulations	Environmental Protection Act
DoE capacity to implement legislation	Capacity within Government & at District Level
Relevant sectoral laws with environmental safeguards	Capacity within Government & at District Level
<i>Project 2: Policy development for catchments and coasts</i>	
Natural resources working group formally established Draft policy on catchments & coastal zone management Policy & draft law on biodiversity conservation	
<i>Project 3: Development of National Environmental Policy</i>	
National Environmental Council	
National Environmental Policy	
National Environmental Action Plan	

Program 1: Environmental Governance Framework for East Timor

13.32 The elements of the Environmental Governance Framework for East Timor Program are summarised above. The performance targets for the program are shown in Table 13.5.

Table 13.5: Performance Targets, Environmental Governance Framework for East Timor

Performance Targets	Measurement
EIA regulations prepared and implemented by June 2003	Passing of regulations by Parliament; application to development activities
Reduced pollution in Dili and other urban areas	Fewer cases of gross pollution. Pollution licenses issued for major hotels & polluting industries in Dili
Three DoE Bulletins produced each year. Celebration of World Environment Day in 2003 Increased awareness of environmental issues	Number of Bulletins, number of people attending Environment Day celebrations
Natural Resources Working Group meets at least 4 times per year	Number of meetings, issues raised and acted upon
Initial draft policies produced and released for discussion by June 2003	Development of draft environmental policies on pollution control and EIA. Number of people consulted about policies
Capacity building of DoE staff through training programs in East Timor & overseas; at least one each of language training, technical skills training, management training	Number of training programs and personnel receiving training; increase in technical skills
Environmental capacity development at District level	Employment of consultant by November, 2002; recruitment of 4 District staff members, number of workshops and training programs

Table 13.6: Projects to be implemented by the Department of Natural and Mineral Resources and the Division of Environment, Ministry for Economic Affairs and Development, 2002/03 – 2006/07

Program/Projects	Cost US\$'000 2002 - 2007	Funding Sources (actual & potential)		Funding Availability/ Commitment Status	Implementation Period
		Donor	Funding year		
DEPARTMENT OF NATURAL RESOURCES & MINERALS					
Program 1: Institutional and Capacity Building					
Project 1.1. Institutional Development	(i) 125	(i) CFET,	(i) Recurrent	(i) Fully committed	2002 – 2007
Project 1.2. Capacity Building	(ii) 80	(ii) USAID	(ii) 2001-02	(ii) Fully committed	2001 – 2002
(i) Public Sector Capacity Building	(i) 150	(i) USAID	(i) 2001-02	(i) Fully committed	2001 - 2002
(ii) Private Sector Skill Development	(ii) 2000	(ii) None	(ii) 2002-06	(ii) No commitment	2002 - 2006
(iii) Critical Core Mass Development	(iii) 500	(iii) None	(iii) 2002-05	(iii) No commitment	2002 - 2005
Program 2: Enabling Legal and Regulatory Framework					
Project 2.1: Mining & Oil & Gas Laws and Legal Regimes	112	UNDP	2001-02	Fully committed	2001 - 2002
Project 2.2: Mining & Oil & Gas sector management systems and procedures	included in 112 above	UNDP	As above	As above	As above

Program 3: Sectoral Development and Promotion

Project 3.1: Natural and Mineral Resources Survey and Mapping to Develop a Reliable Database for Resources	1,500	UNDP (112), other donors to be identified	2001-03	Initial work under UNDP project 2.1, other donors to be identified	2001 - 2003
Project 3.2: Sectoral Promotion and Marketing Strategy	250	CFET (85) other donors to be identified	2002-06	Initial work under CFET allocation, other donors to be identified	2002 - 2006

DIVISION OF ENVIRONMENT**Program 1: Environmental Governance Framework for East Timor**

Project 1.1: Development & implementation of environmental legislation	250	CFET, Asian Development Bank		Yes	2002 – 2004
Project 1.2: Policy Development for Catchments & Coasts	363	Donor(s) to be identified		No	2003 – 2005
Project 1.3: Development of National Environmental Policy	411	Donor(s) to be identified		No	2005 – 2007

14. INDUSTRY, TRADE AND THE PRIVATE SECTOR

“Private sector investment and entrepreneurial activity, stimulated by continued reconstruction activity and donor inputs in the near-term, will be the key driver of poverty reduction and economic growth in East Timor in the medium- to long-term.”

VISION

14.1 To establish an East Timorese economy that is stable and that enables a society to be just and prosperous.

INTRODUCTION

14.2 As part of the national planning process, the Working Group for Industry, Trade and the Private Sector reached a consensus on a sector Vision, as well as on sector Goals, Guiding Principles and Key Development Indicators. These are presented in Box 14.1. The agreed Vision, Goals and Guiding Principles then formed the basis for preparation of the future work programs of the five Divisions within the MEAD. Details of the programs are set out below. Each division has performance indicators related to programmatic activities and objectives. These programs were agreed within the proposed Medium-Term Fiscal Framework that covers the financial year 2002-2003 and the three subsequent financial years.

14.3 The foundations of a market-based economy were implicitly set during the UNTAET period and have since been confirmed in the articles of the recently adopted Constitution. The Government has embarked on a model of economic growth led by private business, supported by an open approach to trade and investment, and coupled with significant emphasis on human development and good governance. Private sector investment and entrepreneurial activity, stimulated by continued reconstruction activity and donor inputs in the near-term, will be the key driver of poverty reduction and economic growth in East Timor in the medium- to long-term.

14.4 The transition period has witnessed a return to economic growth and a rapid restoration of much of the regular supply of goods and services. The economy will undergo further transformation during the life of the Plan. First, the level of international financial support and the size of the international presence will begin to reduce over the next few years, and the magnitude of reconstruction programs will also decline, possibly causing negative rates of economic growth in 2002-2003 and 2003-2004. Second, toward the end of the life of the Plan, relatively large revenues from the oil and gas sector are expected to commence. Both changes pose risks and opportunities to the economy and both have been factored into the national planning process as fully as possible.

14.5 The successful transition to “economic independence” will continue to require substantial support from international donors for private sector development in the medium-term. In an economic sense, East Timor must build from a very low base and the constraints on growth are many. But there are

certain opportunities that East Timor can pursue. Offshore oil and gas resources present the most significant opportunity and, if well managed, will be the principal source of East Timor's intergenerational wealth. Perhaps more important though will be the need to develop further the non-oil and gas sectors of the economy, in particular agriculture and fisheries. This will be important in terms of reducing the level of poverty among the poorest, especially in rural areas, and helping to avoid over-investment in industries producing non-tradable goods following the start of inward flows of oil and gas revenues. East Timor also has potential for sustained growth in tourism and among select forestry products.

14.6 More efficient and effective processing of raw materials, natural resources, and in particular agricultural produce, will subsequently enhance domestic development as well as contribute to export revenues. With better transport, communications infrastructure and better-educated workers, East Timor over time will become more attractive to investors.

14.7 The principal task of East Timor's economic policy-makers, however, is to develop the best possible enabling environment in which private sector business activity can succeed. Accordingly, this is the central thrust of the programmatic initiatives set out in the Plan. Continued development of the business regulatory environment, reinforced through effective promotional activities, is the cornerstone of the sector's plan. This will place a demand upon the resources of those parts of Government responsible for preparing and passing legislation and subordinate legal instruments. Several parts of the regulatory framework have been readied to varying stages, for example the foreign investment law. However, other areas such as legislation addressing land reform and uncertain property title have not yet been effectively addressed. Overall, there are three broad areas of intended program activity within the sector:

- a) Policy and regulatory development related to the private sector-enabling environment.
- b) Government and joint public-private promotion of industry, investment, tourism and trade.
- c) Capacity building of civil servants and private sector operators.

14.8 The largest portion of East Timor's private sector is its micro-enterprises and SMEs, and the needs of these businesses dominate the policy-making horizon. As the formal enabling framework takes greater form, and as private sector activity deepens and the average size and capacity of businesses grows, a key challenge will be to take advantage of downstream opportunities that may follow from the offshore oil and gas operations. This includes seeking to build the capacity of smaller businesses, developing better domestic and foreign supply chains, and broadening the economic base, thus generating more employment, utilizing more advanced technology, and increasing non-oil and gas exports. This will be the principal task of greatest relevance to economic policy-makers in the years to come and will continue well beyond the life of the Plan.

14.9 Trade, both foreign and domestic, will play a crucial role in achieving this growth and development. East Timor should actively develop its trading industries, especially those with an export focus, and seek to increase trade with its neighboring countries, mainly Indonesia and Australia, where proximity to markets and logistics provide realistic opportunities. East Timor should seek membership of appropriate trade groupings and seek preferential treatment from key export markets. East Timor's foreign trade regime needs to be carefully set. It needs to be open, and it needs to reflect the fact that East Timor shares land and sea borders with Indonesia and these borders will become increasingly porous. Import tariffs set too highly in such an

environment will tend to encourage inward smuggling and loss of customs revenue. While imports can bring technologies and products essential to growth and development, imports can also destabilize the economy, fuel higher prices, and polarize employment opportunities in the near term. Therefore, it is imperative that growth in trade and foreign investment does not disenfranchise the population and cause incidental costs to the environment and society. Similarly, domestic trade will play an important part in continuing to restore the supply of goods and services, especially to outlying rural areas. This has already occurred to some extent, mainly enabled by a relatively rapid replacement of the national truck and bus fleet since 1999.

14.10 Development of East Timor's agricultural base and its rural areas will be an important part of economic growth and poverty reduction strategies. New manufacturing capacity will be targeted in rural areas where rural non-farm employment opportunities can be generated. Processing of raw materials and agricultural products to add value to outputs will enhance domestic development as well as contribute to export revenues and reduce poverty.

14.11 In building the enabling environment, the following are the main issues that East Timor will need to address:

- a) minimize barriers to domestic and foreign investments
- b) provide more certain land and property rights, especially for enterprise development
- c) improve availability of, and access to, credit for micro-enterprises and SMEs
- d) expedite enactment of key laws
- e) ensure that enhancement of the policy and regulatory framework is matched by corresponding capacity of the legal system to adjudicate
- f) increase level and diversity of exports, and improve domestic productive capacity
- g) maintain sufficient flexibility and competitiveness in the national wage structure
- h) soundly invest proceeds from offshore oil and gas extraction

14.12 The Working Group and the MEAD undertook an extensive amount of analysis of policy and strategy options which formed the basis of decisions on the programs and projects presented here. This process of analysis was, in itself, an important outcome of the national planning process. The Working Group and the MEAD also recognize that the formulation of the Plan is the beginning rather than the end of the planning process. Beyond the scope of this document, the MEAD will establish action plans that will be used to guide the ongoing activities required within the programs and projects. The MEAD is also aware of the importance of monitoring and evaluating progress against performance indicators as they are set out in the Plan and will institute appropriate monitoring and evaluation systems.

14.13 The national planning process has shown a large number of outstanding requirements that would benefit from additional external assistance. Within this sector, there are high-priority programs and projects that will be essential to achieve economic growth and to reduce poverty that may be funded by donors. These include, for example, projects to develop the regulatory framework, micro-enterprise and SME development, trade and foreign investment policy and law development, and capacity building.

14.14 In conclusion, it is certain that a vibrant private sector will be the key determinant of whether East Timor can achieve sustainable growth leading to improved livelihoods. However, in the near term and during the critical transition period, little can be achieved in development without the continued assistance of international donors and it is intended that this document will help guide donor deliberations on future interventions in this sector.

WORKING GROUP RESULTS

Box 14.1 Vision, Goals, Guiding Principles and Key Development Indicators, Issues and Constraints

Vision:

An East Timorese economy that is stable, and that enables a society to be just and prosperous.

Goals:

1. To increase the level of per capita income
2. To improve the ability to compete with the rest of the world
3. To create new employment
4. To eradicate poverty
5. To create a healthy capital investment environment
6. To develop export-oriented industries
7. To raise the inflow of international tourists
8. To promote the sale of local products overseas
9. To strengthen the banking system to enable a strong economy
10. To provide infrastructure to help, in particular, agri-business develop
11. To broaden community access to commercial credit

Guiding Principles for Program Development:

1. That national welfare is equitable
2. That provides full employment opportunities
3. That reduces income inequalities
4. That optimizes benefit from natural resources

Key Development Indicators for the Five-year Plan:

1. Income per capita to reach \$600 per annum (in 2002 dollars)
2. Percentage of non-coffee exports to reach 60% of total non-oil and gas exports
3. Value of non-oil and gas exports to grow ten-fold from 2001 export levels
4. Ratio of Imports/GDP to fall from 170% to < 70%
5. Number of foreign investment operations to reach 2,000
6. Total foreign tourists to reach 5,000 per annum
7. Industrial production/GDP to reach 15%

Issues and Constraints

The Working Group identified the following as some of the issues, risks and constraints facing the sector and to which the Plan seeks to respond:

1. Lack of literacy in the country.
2. High population growth rate that will place pressure on labor market.
3. Low levels of technology and productivity in all sectors.
4. Unclear incentives for business people.
5. Limited government budget to fund programmed activities.
6. Low levels of production efficiency, notably in agricultural.
7. Coming reduction in international presence and resulting demand distortions.
8. Minimal experience in and understanding of sovereignty.
9. Lack of civil servant policy-making experience.
10. Uncertain property and land rights.
11. Incomplete legislative framework in virtually every essential commercial area.
12. Continuing lack of physical capital, plant and equipment.
13. Relatively high wage rates relative to probable international competitors.
14. Uncertainty about areas of national comparative advantage.
15. Small domestic market for absorption of domestic goods and services.
16. Insufficient access to, and levels of, credit for small business

17. Inability of lenders to take collateral against loans.
18. Limited domestic experience with entrepreneurship and business.
19. Undeveloped business services sector for enterprise support.
20. No inward/outward passenger/tourist ships from Indonesia.
21. Lack of supporting systems and infrastructure to develop tourism.
22. Underdeveloped infrastructure, especially telecommunications and energy.
23. Adverse implications of inappropriately protective trade and investment policy.
24. Lack of functional banking and financial intermediation.
25. Adverse domestic welfare transfers from poorly conceived economic policy.
26. Persistence of extreme negative Current Account.
27. Higher import barriers that will adversely affect poverty reduction efforts and stifle economic development.
28. Non-national treatment accorded to foreign businesses will occur if care is not taken to ensure enabling investment legislation and adjudication under a rule of law.
29. Future expectations of higher taxes by business as public expenditures rise.
30. Non-repayment of loans leading to restrictions on credit extension will reduce willingness of banks to increase lending.
31. Non-compliance of domestic businesses for payment of tax and utilities will continue to threaten both infrastructure and commercial development.
32. Import-dependency without growth in domestic production will lead to unsustainable trade deficits.
33. Dependence on oil and gas royalties will result in failure to develop other industries will lead to a distorted and narrowly based economy.
34. Higher trade tariffs may lead to corruption at border areas, or increase smuggling, and will threaten confidence in governance.
35. Appreciating/strong US dollar relative to currency of key export markets will result in macroeconomic and monetary imbalances.
36. Insufficient inclusion of women in private sector development activities.

OFFICE OF THE DIRECTOR-GENERAL (ODG) – OVERVIEW

14.15 The ODG provides the overall departmental leadership and administrative coordination of activities of the four Divisions. The Director-General will have primary responsibility for departmental capacity building, staff training, budget management, and coordination of complementary Division activities. The ODG will also support promotional activities, coordinate multi-media requirements, and implement a realistic monitoring and evaluation system to implement and guide the sector's efforts against the programs and projects set out in the Plan.

14.16 The ODG will become the primary repository for materials and skills that are necessary for economic development, capacity building, and support for departmental projects. The ODG will also be responsible for training, inter-departmental communications, and joint projects with other agencies of Government. Donor-related activities specific to programs or projects under the MEAD will be coordinated through the ODG, including activities for micro-enterprise and SME development, tourism, domestic and foreign investment, industry development, foreign and domestic trade, and business registration.

14.17 It is important to distinguish between activities within the budgeted framework of the MEAD (and the programmatic divisions) and those projects that will require external budget support or direct donor assistance. The ODG is responsible for managing all of the programs and projects of the sector. This includes government-funded activities that can normally be classified as capacity building, promotional, and policy and regulatory development. Such responsibilities will also require coordination with other departments, in particular, in relation to drafting legislation and regulations, and with external donors and NGOs.

14.18 The ODG will also be responsible for managing and leading externally funded programs and projects which are identified within the Plan but will be beyond the scope of the national budget to implement. The ODG will support various donor and NGO initiatives by helping to design and implement projects, and providing access to Government support as necessary. Similarly, the ODG will work with donors, civil society and NGOs, to ensure that the benefits of external inputs are maximized and well distributed, and that duplication is avoided.

14.19 The ODG will also be responsible for leading efforts to engage with foreign partners, both investors and governments, in an effort to grow the economy. This will include fostering stronger foreign trade links, explaining the potential of East Timor to foreign investors, and ensuring that benefits from such efforts are demonstrably connected to economic growth and poverty reduction throughout the country. In order to achieve this, the Government intends to work closely with the private sector and civil society to explain the expected benefits of economic development efforts and how those benefits should be available to all, but in particular to the poorest.

OFFICE OF THE DIRECTOR-GENERAL – PROGRAM SUMMARY

PROGRAMS OF THE ODG

Key Objectives:

- a) To generate new employment and create economic opportunities
- b) To ensure coordination with other Government departments on private sector development

- c) To assist and stimulate effective relationships with foreign countries and foreign investors
- d) To pursue legal and regulatory initiatives that enable a competitive private sector
- e) To encourage private sector development that can drive future economic growth in East Timor
- f) To coordinate policy and regulatory development for all parts of the private sector
- g) To provide the departmental support for division promotions and effective public relations
- h) To achieve sustained improvements in departmental capabilities for economic development

Key Strategies:

- a) Understanding the specific requirements of private sector businesses
- b) Coordinating the wide range of necessary policy and regulatory development work
- c) Maximizing the value of, and coordinating, donor contributions to the sector
- d) Coordinating the promotional work of Divisions and achieving efficiencies
- e) Leading efforts to find solutions to business problems such as uncertain land title rights
- f) Strengthening institutional economic policy-making, administrative and promotional capacity
- g) Sequencing implementation of sector programs and projects according to set priorities

Program 1: Coordination of Divisional Promotions

- a) Divisional promotions
- b) External assistance for promotions

Program 2: Coordination of Policy and Regulatory Development

- a) Policy bank
- b) External technical assistance coordination
- c) Regulatory Development Coordination
- d) Enterprise land reform
- e) International arrangements

Program 3: Institutional Capacity Building

- a) Institutional strengthening with donor assistance
- b) Seminars and workshops

OFFICE OF THE DIRECTOR-GENERAL – OBJECTIVES

14.20 The ODG represents the departmental leadership and focus for administrative coordination and has the following primary objectives:

- a) To pursue, in coordination with other relevant departments, the development of a full commercial code including, primarily, laws on insurance, incorporation, unincorporated business entities, contract, trademarks and bankruptcy.
- b) To develop with the MoJ a company registration and licensing system.
- c) To institute a Land Code including a land registry which will facilitate more certain land and property rights and enable more protection for capital improvements to land for both foreign and domestic investors.
- d) To support the passage of laws that will better enable the operations of banks and micro-finance providers to increase their levels of lending, and their ability to mobilize savings.
- e) To establish an overarching micro-enterprise and SME development program, and coordinate donor intervention for training, business services, access to credit, and build stronger domestic trade linkages that better support flow of goods and services between Dili and the districts.
- f) To promote the importance of the private sector through public media, and to demonstrate the benefits of a market-based economy, and to coordinate divisional printing of publications.
- g) To build institutional capacity within the department for and establish a sustainable professional development program.
- h) To promote the principle of National Treatment for all investors and enterprises, thus equal treatment under the law.
- i) To support the development of capable business associations and chambers of commerce to address private sector issues.

OFFICE OF THE DIRECTOR-GENERAL – STRATEGIES

14.21 In order to achieve its objectives, the ODG will support the strategic initiatives of other departments and government agencies. It will provide departmental leadership in implementing the programs and projects of the Plan. It will take the lead in establishing and following an agreed format for monitoring and evaluating its own efforts and that of other departments in implementing the programs and projects of this sector. The ODG will seek to regularly explain the nature of the sector plans to other departments and the private sector so that all stakeholders are informed about the efforts of Government to grow the economy and reduce poverty. The

ODG will also necessarily respond to changing circumstances, as well as ensuring that the Plan is regularly updated in accordance with broader Government planning processes. This integrated sector strategy will be realized through coordinated division strategies that achieve economic growth through effective legal and regulatory initiatives, enhanced training, pursuit of a strong domestic economy that concurrently supports export development, and a diversified economic base that supports new employment while reducing poverty.

OFFICE OF THE DIRECTOR-GENERAL – PROGRAMS AND PROJECTS

Program 1: Coordination of Divisional Promotions

14.22 The ODG has the capacity to pursue objectives related to general public relations, but more importantly, to support promotional activities for each of the programmatic divisions. These may include inter-divisional projects for private enterprise development, joint industrial and investment initiatives, SME development, and interdependent trade development projects. Essentially, the ODG will provide a focal point for information, publication, and material database development relevant to industry, investment, trade, and tourism.

14.23 The projects to be implemented under this program are the following.

- a) Public Relations on Private Enterprise Development
- b) Association and Chamber Development and Support
- c) Divisional promotions
- d) Internet and Web-based systems development
- e) Departmental Printing and Publications

Program 2: Coordination of Policy and Regulatory Development

14.24 Many objectives of economic development of high priority to the Department and the private sector rely on inter-ministerial cooperation for legislation. Consequently, the ODG will develop a liaison procedure with each relevant ministry or agency, outlining the type of legislation required for economic development and the rationale to underpin a policy for legislative initiatives. The ODG will then identify projects or activities under the program that can be managed through appropriate divisions within the department or through cooperative governmental efforts. In many instances, these will require donor assistance that the ODG will either directly pursue or identify as projects to be presented to the CoM and donor organizations.

14.25 The projects to be implemented under this program are the following.

- a) Regulatory Development Coordination
- b) Policy Bank
- c) External Technical Assistance Coordination
- d) Enactment of a Foreign Investment Law
- e) Intellectual Property Rights, Patents, Trademarks, Copyrights
- f) Consumer Protection Laws and Related Safety, Truth in Advertising

- g) Enterprise Land Reform and Titling
- h) Public Land Reform and Titling
- i) Rural and Agricultural Law Reform and Titling
- j) Land Title and Registration System
- k) International arrangements
- l) Land Lease and Use Rights Project

Program 3: Institutional Capacity Building.

14.26 There are several priority objectives requiring capacity for training and requisite expertise for human resource development. The training will require external expertise and donor-supported technical assistance for general training processes and for specific educational activities. The ODG will identify component activities under this program, the target participants, and the expected results within the five-year planning horizon. Eventually, the objective will be to have internal training and development capacity with effective educational materials and resources to sustain staff initiatives in economic and private sector development. As an additional benefit, these capabilities will allow the department to be a provider for materials and access to training in economic and private sector affairs for other offices and agencies.

14.27 The projects to be implemented under this program are the following.

- a) Departmental Staff Capacity Training
- b) Development of Human Resource Training for Business & Economics
- c) Skills Training and Entrepreneurship (relates to Informal Sector Initiatives)
- d) SME Training Support and Modeling
- e) Institutional Strengthening with Donor Assistance

OFFICE OF THE DIRECTOR-GENERAL – PERFORMANCE INDICATORS

Objectives	Performance Indicators
1. Generate new employment and create economic opportunities	<ul style="list-style-type: none"> • Number of new jobs • Percent reduction in unemployment • Increased per capita GDP
2. Ensure coordination with other Government departments on private sector development	<ul style="list-style-type: none"> • New commercial laws enacted • New regulatory regimes initiated • Number of appropriate inter-ministry and cross-divisional projects initiated
3. Build relationships with foreign countries and foreign investors	<ul style="list-style-type: none"> • Trade legations or foreign offices initiated in region, globally • Number of foreign investor inquiries • Number of foreign investors with East Timor registrations • Resolution of trade or currency treaties and other international issues
4. Build an efficient and competitive private sector enabling environment	<ul style="list-style-type: none"> • Percent increase in private sector contribution to GDP • Percent increase in private sector jobs • Number of newly registered private commercial enterprises
5. Enable the private sector to drive future economic growth in East Timor	<ul style="list-style-type: none"> • Progress on sustainable infrastructure for private enterprise growth • Resolution of utility and power issues • Effective tax regime to encourage domestic and export growth
6. Coordinate policy and regulatory development for all parts of the private sector	<ul style="list-style-type: none"> • Fully completed commercial code • Implementation of foreign investment law • Effective insurance and banking laws • Land reform and titling program instituted

DIVISION OF INDUSTRY (DOI) – OVERVIEW

14.28 A large work program has been set out for the DOI to address both economic development within the industrial sector and to make an important contribution to poverty reduction. The DOI has conducted useful baseline studies. It will continue to conduct industry

assessments while exploring new opportunities that may be attractive to investors. The results will allow the DoI to orchestrate a meaningful industry promotion program and directly pursue innovative ways in which the country can encourage a stronger platform of private sector initiatives that can be sustained.

14.29 The challenges for industry, which are essentially concerned with manufacturing and processing systems, are enormous after nearly 70 percent of the industrial base was destroyed. Despite this, it is encouraging that so much potential remains if manufacturing can be reconstructed as a foundation for future growth.

14.30 In 1997, there were approximately 46 different types of manufacturing in five industrial sectors (rice and coffee processing, wood furniture and crafts, textiles and weaving, construction, and baking). Manufacturing also existed in iron works, dyeing, salt production, and a number of very small micro-enterprise cottage activities. At that time, 4,494 enterprises were formally registered, employing about 13,355 workers, and generating an official output of more than \$20 million in income on \$65 million invested. Today, some manufacturing remains in most sectors, but at such low levels and with such marginal resources that it is difficult to classify any activity as self-sustaining.

14.31 A DoI study completed in 2001 indicated that there are around 1,300 enterprises engaged in some means of manufacturing or processing. This could be an optimistic estimate as many sampled enterprises were informal cottage activities in rural areas. Estimated total employment among these may not be more than 8,700 workers, and little is known about the investment base or income generation. Consequently, plans for the DoI rest strongly on the ability to establish a reliable picture of manufacturing, of employment, investment, and industries with growth potential.

14.32 The DoI cannot, on its own accord, implement a feasible strategy for growth in manufacturing or national industry development. Success will depend greatly on integrated activities within the MEAD, and the interdependent activities of this and other government ministries. In most instances, division objectives, strategies, and project activities represent operational planning, project oversight, and coordination, not direct use of departmental budget and staff.

14.33 The DoI will focus primarily on small-scale enterprises, and further emphasize opportunities in agri-business, but also be part of the integrated departmental activities conducive to trade and tourism. The division has formulated objectives as benchmarks for the five-year planning period, and it has devised strategies based on the themes of integrated activities and the interdependencies among government constituents. A composite overview of division plans is presented in Box 12.3 and these components are further described in subsequent sections.

DIVISION OF INDUSTRY - PROGRAM SUMMARY

PROGRAMS OF THE DOI

Objectives:

- a) To create greater employment opportunities in the industrial sector
- b) To provide a better enabling environment for private sector investment
- c) To produce more added-value products in East Timor, especially in agriculture

- d) To increase export earnings through using more technology in production
- e) To ensure increases in export of non-oil and gas related products relative to GDP
- f) To increase Government tax receipts via a profitable formal private sector
- g) To ensure that Government policy does not hinder micro-enterprises and SMEs

Strategies:

- a) Developing a stronger business culture and support to SMEs
- b) Promoting private participation in infrastructure development
- c) Devoting resources to export promotion and diversification of the export base
- d) Increasing commitment of resources to development of basic business skills
- e) Strengthening the policy and regulatory environment
- f) Facilitating creation of industrial infrastructure such as the Industrial Zone
- g) Working toward greater access to bank credit for small businesses
- h) Encouraging improved competitiveness, efficiency and productivity
- i) Improving the economic policy-making capacity of Division staff

Program 1: Industrial Development

Key Projects:

- a) Industrial Zone assessment and development
- b) Business Development Centres and subordinate Business Offices
- c) Formation of Chamber of Commerce and development of business associations
- d) Industry database enhancement

Program 2: Policy and Regulatory Development

Key Projects:

Small Enterprises Project II business regulatory environment development

Support for inter-agency development of Policy Framework for Micro-financing and Credit

Development and maintenance of relevant industrial and commercial policies

Program 3: Divisional Training and Development

Key Projects:

- a) SEP II civil servant economic policy-making skills training

- b) Training in industrial development experiences
- c) Training in service delivery to the private sector

Program 4: Micro-enterprise and SME Development

Key Projects:

- a) Small Enterprises Project (SEP I)
- b) Small Enterprises Project (SEP II)
- c) Micro-finance Development Project
- d) Formation of Inter-industry Commission on the Micro-enterprise and SME sector
- e) Establishment of industrial skills and crafts centre and exhibition centre

DIVISION OF INDUSTRY - OBJECTIVES

14.34 The following are some of the objectives of the DoI:

- a) To create greater employment opportunities in the industrial sector and support growth initiatives in other sectors.
- b) To ensure that Government policy does not hinder growth of microenterprises and SMEs and supports efforts to build domestic trade.
- c) To work with other departmental activities to promote a favourable investment climate and to mobilize investment capital in the private sector.
- d) To promote development in the manufacturing, processing, and industrial enterprises, specifically in relation to agro-businesses.
- e) To assist the private sector in creating greater value-added production that can stimulate strong domestic growth and accelerate employment.
- f) To increase the number of established registered manufacturing enterprises.
- g) To increase industrial output relative to overall GDP.
- h) To increase the tax revenue base, over time, through the formalization of new enterprise and employment activities, and by demonstrating the benefits of participation in the formal economy
- i) To increase export earnings through using more technology in production

DIVISION OF INDUSTRY - STRATEGIES

14.35 In order to achieve its objectives, the DoI will follow an integrated, multi-sectoral approach with strategic programs and focused projects during the next five years. The core strategies require working jointly with other ministries to improve the physical and institutional

structures conducive to the promotion and development of industry, trade, investment and tourism with responsible utilization of natural resources.

14.36 The divisions programs will be implemented through a strategy of targeted development of industrial infrastructure, such as industrial estates, that can provide as a priority, strong domestic manufacturing and process capabilities. This will require a parallel strategy aimed at financial needs of the industrial community encouraging new credit and investment, greater access to bank credits, and donor-assisted activities that can improve credit access and financial intermediation to industrial enterprises.

14.37 A crucial strategic role of the DoI will be to identify opportunities and assist SME development that reaches small, cottage, and entrepreneurial activities. The most forward-looking strategy will be concerned with competitiveness, which reaches well beyond industrial reconstruction or early transitional activities to include East Timor's position within the region and among more global interests for participating in bilateral trade agreements, establishing industry delegations, and pursuing projects that can achieve realistic competitive advantages.

DIVISION OF INDUSTRY – PROGRAMS AND PROJECTS

14.38 The division will pursue several programs to implement its strategies with each defined according to logical categories of activities. Each program will initiate projects and identify activities that can be initiated under the division or through joint-divisional efforts, and in each programmatic area the division will identify potential donor-assisted projects and activities. Many of these have overlapping responsibilities within the department, but also with other governmental ministries.

Program 1: Industry Promotion

14.39 Internal to this program will be a concerted effort to support and promote export development, bilateral trade with primary trading partners, broad-based investment, and tourism. The DoI will have responsibilities in all areas, but more specifically in coordinated projects inclusive of manufacturing, agro-business, and vendor-related activities that support initiatives such as hospitality development. Industry promotion will occur, in part, through the BDCs and regional offices, and through support for CoC and private sector business associations. It is also essential to build into the departmental system an integrated industry database that can be utilized in trade, investment, and domestic industrial development promotions.

14.40 The projects to be implemented under this program are the following.

- a) Development of National Industrial Association and Chamber of Commerce
- b) Formation of Inter-industry Commission on Cottage and Micro-enterprises
- c) Assessments on Industry and Database Development
- d) Establishment of Industrial Skills and Crafts Training Centre
- e) East Timor Handicrafts and Industrial Products Showroom
- f) Industrial Zone assessment and development
- g) BDCs

Program 2: Policy and Regulatory Development.

14.41 This program area captures the leading role of the division of industry for legal and regulatory initiatives specific to manufacturing and industry sector growth. A critical part of this program is coordination of the Small Enterprises Project II with respect to the component activities designed for regulatory development that will be orchestrated with a specific (and separate) program of SME development described momentarily. Much of the division's work will be jointly pursued under the ODG and with cross-divisional support.

14.42 The projects to be implemented under this program are the following.

- a) Regulatory Requirements for Industrial And Economic Zones
- b) Inter-Agency Development of Policy Framework For Micro-Finance And Credit
- c) SEP II Business Regulatory Environment Development
- d) Establishment of a Government Credit Guarantee Agency for Industry
- e) Capital Markets and Industrial Investment Initiative

Program 3: Divisional Training and Development

14.43 The DoI has a commensurate responsibility to develop staff capabilities to plan and manage industrial projects, or to coordinate inter-divisional activities. Not least of all, staff must be able to work closely with many different ministries and a variety of donors who will be essential to success in East Timor's drive toward a market-based economy. Consequently, the division will provide industrial databases, materials, information resources, and programmatic models for training and management development. It will work together with other divisions to design intervention proposals to support department-wide efforts at comprehensive staff and management development. Several project activities are listed below:

14.44 The projects to be implemented under this program are the following.

- a) Division Capacity Building and Training in Industrial Development
- b) SEP II as Related to Civil Service Economic Policy Making and Skills Training
- c) Joint Training for Services and Industrial Vendor Support Systems in the Private Sector

Program 4: Micro-enterprise and SME Development.

14.45 A majority of projects and activities under a micro-enterprise and SME mandate will address issues within the informal economy. This will occur consciously as part of the division strategy to assist entrepreneurs, cottage enterprises, and established SMEs who can become taxpayers while benefiting from official support and public services. Projects under this program will provide assistance to micro-enterprises, but also support new ventures, independent entrepreneurs, and SMEs with growth potential through training and business services. In addition, the division will work closely with trade and tourism, and with other sectors such as agriculture, forestry, and fishing, to target interdependent problems of access to bank credit, and micro-finance. Many of these initiatives will necessarily require donor support and technical assistance, particularly for enhanced skills and technology development.

14.46 The projects to be implemented under this program are the following.

- a) SME Development Initiative for the Private Sector
- b) Formation of Inter-Industry Commission to pursue legitimization and registration of micro-enterprises and SMEs
- c) Joint project with divisions on BDCs and business advisory services
- d) Business Skills Training for the Private Sector (SEP I and II)
- e) SME II market rehabilitation project
- f) Micro-finance Development Project and lending promotion activity
- g) Project on competition policy, and competitiveness
- h) Business Information and Entrepreneurship

DIVISION OF INDUSTRY – PERFORMANCE INDICATORS

Objectives	Performance Indicators
1. Create greater employment opportunities in the industrial sector and other businesses	<ul style="list-style-type: none"> • Number of new jobs in manufacturing and related industrial enterprises • Percent decrease in unemployment • Percent increase in per capital GDP
2. Provide a better enabling environment for private sector investment	<ul style="list-style-type: none"> • Number of newly registered private companies • Implementation of commercial code and related regulations
3. Produce more added-value products in East Timor, especially in agriculture	<ul style="list-style-type: none"> • Number of new products fabricated in industry and agro-business • New processes introduced in conversion systems and Industry • Perception of higher quality products and services
4. Increase export earnings through using more technology in production	<ul style="list-style-type: none"> • Increased capital asset base • Number of companies with exportable goods • Number of companies with new production technologies • Percent increase in value-added exports
5. Ensure increases in export of non-oil and gas related products relative to GDP	<ul style="list-style-type: none"> • Percent increase of exports of non-oil and gas related production • Number of new external trade linkages

6. Increase Government tax receipts via profitable formal private sector businesses	<ul style="list-style-type: none"> • Increased taxes from registered business enterprises • Number of new registered private sector enterprises • Percentage increase of taxes from exports and domestically marketed products
7. Ensure that Government policy does not hinder growth of SMEs and the informal sector	<ul style="list-style-type: none"> • SME rate of growth matches or exceeds industry and sector performance • Percentage of SME capital assets matches or exceeds industry averages • Percent of commercial credit available

DIVISION OF INVESTMENT – OVERVIEW

14.47 The mandate of the DI is to encourage and facilitate new investment, in particular foreign investment. This will require establishment of an enabling environment for foreign and domestic investments and pursuit of capital projects that can improve the nation's technological profile and provide greater employment opportunities. Inward flows of foreign capital, especially as the size of the international presence continues to decline, will be critical to economic growth and poverty reduction. The DI will take the lead on seeking to improve the regulatory and policy framework for foreign investors, promoting foreign and domestic investment, and building the capacity of its staff to carry out their tasks effectively. The DI will work closely with other divisions such that new investment can be attracted to areas that best support the targeted objectives of the overall sector, including industry, trade and tourism.

14.48 The DI cannot achieve these overarching objectives independent of efforts from other parts of Government. The only feasible way to succeed on these issues as a nation is through integrated activities and a cooperative, interdependent commitment among the ministries and key agencies as well as with the private sector and civil society. With that in mind, the DI has formulated objectives for the five-year planning period, and it has devised strategies to implement programs of investment and development within an interdependent system of activities.

14.49 The DI has, during the UNTAET period, already developed a reasonable approach to managing and attracting foreign investment, based on informal, but broadly understood, Government policies. These policies, given that the country was in a transition period, served the country well and have enabled a surprisingly high level of foreign investment. The coming period will require these quasi-regulatory arrangements to be formalized.

14.50 Further, the policies and practices emerging from the DI will have a strong signaling effect to the private sector. The Government recognizes this and is committed to maintaining an open and transparent role in approving, registering and licensing foreign investment in an efficient and even-handed way. To give this approach a legal footing, the DI has formulated a draft policy and regulation governing FDI. These underscore the Government's commitment to seeking additional FDI and to providing a high level of service to investors. The DI has a large work program set out within the Plan but it attaches especially high priority to putting in place a formal policy and regulation governing FDI.

14.51 The focus on coordination with other divisions and departments is intended to ensure that the benefits of FDI are maximized. This relates to, for example, the desire to increase appropriate investment in the tourism sector, as well as coordinating with the DoE to ensure that the Government's commitment to environmental protection is upheld. Additionally, the Government is keen to attract long-term, high quality FDI, especially where it brings new technology, is labor-intensive, promotes exports or increases domestic productive capacity, and creates new demand for inputs from local suppliers.

DIVISION OF INVESTMENT – PROGRAMMATIC SUMMARY

PROGRAMS OF THE DI

Objectives:

- a) To maintain an open and responsible foreign investment framework
- b) To attract foreign investment that creates employment and brings new technology
- c) To help link foreign investment with domestic businesses, especially for supply
- d) To create a “One-Stop Shop” for foreign investors to help streamline the investment process
- e) To attract foreign investment that generates new, sustainable export industries
- f) To encourage foreign investment that adds value to agricultural products
- g) To demonstrate to all stakeholders the merit of foreign investment to the country

Strategies:

- a) Working with other Divisions to build a strong policy and regulatory environment
- b) Initiating and overseeing the passing of a foreign investment law
- c) Supporting broader Government efforts to redress land and property title uncertainty
- d) Maintaining oversight of the activities and initiatives of foreign investors
- e) Improving the technical capacity of Division staff over time
- f) Promoting East Timor as an attractive investment destination
- g) Using forms of promotional advertising such as brochures and exhibitions
- h) Advising potential investors of the risks and opportunities available in various sectors
- i) Consulting regularly with domestic businesses about the impact of FDI
- j) Preventing crowding out of domestic businesses

Program 1: Investment Promotion

Key Projects:

- a) Investment Service Centre (One-Stop Shop)
- b) Production of Promotional Literature
- c) Overseas and domestic foreign investment promotion events
- d) Website project

Program 2: Policy and Regulatory Development

Key Projects:

- a) Development, maintenance and enforcement of policy and legislation
- b) Support to development and oversight of licensing requirements

Program 3: Divisional Training and Development

Key Projects:

- a) Overseas training in language and service delivery
- b) Technical training in foreign investment management

Program 4: Foreign Investment Management

Key Projects:

- a) Foreign investment database
- b) Foreign investment reporting and review mechanism
- c) Certification of foreign investment

DIVISION OF INVESTMENT - OBJECTIVES

14.52 Below are some of the key objectives of the DI:

- a) To draft and implement a Foreign Investment Law capable of sustaining long-term interest in foreign investment while enfranchising and complementing domestic investments and satisfying social and environmental parameters.
- b) To work with the MoJ to facilitate a foreign company registration and licensing system.
- c) To cooperate with appropriate ministries to develop a Land Code with a land registry which sets out ownership rights and provides certainty for investors to add capital improvements to land.

- d) Create feasible scenarios for FDI and domestic development for cultural centres, eco-tourism, and recreational facilities.
- e) Establish feasibility studies for capital-intensive enterprises (resorts, fisheries, LPG gas depots, and others) that can be marketed to foreign investors.
- f) Within the DI, create an Investment Service Centre (one-stop shop) that can process investment inquiries and applications for foreign investment certificates and complement Division of Trade activities.
- g) To establish programs and services that promote investment opportunities in regional tourism, thus reinforcing a positive global image for East Timor as an attractive foreign investment opportunity.
- h) To ingrain the principle of National Treatment for all foreign investors and enterprises, thus ensuring equal treatment under the law.
- i) To work jointly with the Divisions of Industry and Trade to establish special economic zones for controlled export and transshipment of value-added, processed goods.
- j) Establish a sustainable professional development program on foreign investment and its related activities for internal departmental staff, and that can be used for external staff and private sector development through seminars and workshops.

DIVISION OF INVESTMENT - STRATEGIES

14.53 The DI endorses the concept of an open approach to foreign investment, and the division will follow an integrated process for strategic implementation of all objectives. Even those with primary responsibilities resting within the division, extensive cooperation with other divisions will be required to achieve the desired outcomes. The division will pursue a comprehensive strategy of generating greater legal capacity for investment with effective processing and management of registered foreign investments. This will include monitoring and evaluation to protect the environment, and joint strategies for planning with trade and tourism to promote ecologically sound investments. Investment strategies include a systematic effort to design project proposals that can be considered by government or by donor organizations. These will be targeted investment initiatives that will result in sustainable expansion of infrastructure or a policy framework that can encourage accelerated foreign investments. Understandably, a strategy of encouraging labor-intensive industries will have more direct effect on employment and poverty reduction than large capital-intensive projects, yet the division will evaluate the strategic impact of any initiative that foster growth while not threatening to crowd out local business.

DIVISION OF INVESTMENT – PROGRAMS AND PROJECTS

14.54 The primary strategies described above imply orchestrated programs to serve as vehicles for achieving divisional objectives. These are described individually with projects proposed that can be reasonably addressed within the five-year plan, even though many will rely on interactive development with other divisions. Significant donor assistance will be crucial as resources and technical expertise in many project areas is beyond local capabilities in the near term.

Program 1: Investment Promotion.

14.55 The division will specifically address innovative approaches to domestic and foreign investments, incentive systems, feasibility plans for unusual projects, joint investment-trade activities, public information and foreign investor information systems, and various types of assistance that can be offered through governmental hospitality and investment centres. These may include domestic and foreign media activity, VIP centres and support at airports and seaports, advisory services for foreign investors, conferences on trade and investment, and seminars and workshops on investment

14.56 The projects to be implemented under this program are the following.

- a) East Timor Industrial Products and Trade Exposition Centre (joint with others)
- b) Create investment liaison activities with Tourism to support promotions of a NTB
- c) Investment Service Centre (One-Stop Shop)
- d) Investment promotion project for regional trading partners (mainly through Trade liaisons in Australia and Indonesia)
- e) Investment promotion project to include East Timor in trade and investment databases among major foreign trade regimes (e.g., Japan, Hong Kong, others)
- f) Production of Promotional Literature
- g) Website for international investment and trade activities
- h) Promotional development of materials and marketing of East Timor's investment opportunities
- i) Information and promotion project with activities for investor packages, and project
- j) activities for interfacing with public media, providing seminars, and promoting investment-oriented conferences

Program 2: Policy and Regulatory Development

14.57 In concert with the ODG, the DI will support legislative and regulatory initiatives related to economic growth, and it will take a leading role in laws and regulations concerning foreign and domestic investments. Closely related to legislative issues are those activities of processing and registering foreign investments, and subsequently monitoring investor activities for compliance.

14.58 The projects to be implemented under this program are the following.

- a) Draft and pursue enactment of a Foreign Investment Law
- b) Joint development of a Foreign Investor Registry System with the MoJ
- c) Implementation of an internal processing system for Applications and Certifications of Foreign Investors
- d) Interdependent coordination of a Customs and Trade Regime

- e) Support to development and oversight of licensing requirements

Program 3: Training and Development

14.59 The division will pursue specific staff training and investment development activities that systematically improve departmental capabilities for promotion, coordination, and management of foreign investments. These activities will also be structured to strongly support all domestic development and complement programs and projects under the divisions of industry, trade, and tourism.

14.60 The projects to be implemented under this program are the following.

- a) Establish capacity building activities for foreign language materials and overseas investment communications.
- b) Technical training and assistance for promotion of foreign investments
- c) Technical training and intervention support for foreign investment processing and management systems

Program 4: Foreign Investment Management

14.61 The key to managing foreign investment activities will be to provide a “one-stop-shop” focus within the division. This will not be a specific centre in itself, but a comprehensive approach to foreign investments whereby an investor can obtain information on opportunities, make applications, process requests for registering companies, and process requirements for licenses or permits. At the same time, the division can expedite applications and rapidly route information for reviews and approvals, and subsequently position the investor for efficient registration. Management also includes projects that expand investment capacity, and that ensure monitoring and responsible compliance procedures. Planning will be required with inter-ministerial cooperation on many projects under the program.

14.62 The projects to be implemented under this program are the following.

- a) Foreign Investment Database
- b) Foreign Investment Certification
- c) Feasibility studies for investor scenarios in resorts, hospitality, culture, and recreation opportunities
- d) Feasibility studies for major foreign investments (e.g., LPG terminal, port transshipment system, air cargo, and fisheries.)
- e) Investment coordination with Divisions of Trade and Industry for capitalization of industrial zones
- f) Joint projects with government agencies for seaport and airport development

DIVISION OF INVESTMENT – PERFORMANCE INDICATORS

Objectives	Performance Indicators
1. Maintain an open and responsible foreign investment framework	<ul style="list-style-type: none"> • Absence of protective regulations and equitable treatment under the law for all enterprises • Number of investment inquiries by foreign investors • Favorable trade and customs regimes comparable to regional trade partners
2. Attract foreign investment that generates employment and introduces new technology	<ul style="list-style-type: none"> • Number of new investors • Increased value of FDI relative to GDP
3. Help link foreign investment with East Timorese businesses, especially for supply	<ul style="list-style-type: none"> • Number of joint ventures or invested cooperatives with foreign and domestic enterprises • Number of foreign investment applications and number of joint venture or subcontracted business registrations • Percent participation by East Timorese
4. Create a “One-Stop Shop” for foreign investors to help streamline the investment process	<ul style="list-style-type: none"> • Effective application and registration system in place • Progressive number of registrations processed in a timely manner
5. Attract foreign investment that generates new and sustainable export industries	<ul style="list-style-type: none"> • Number of foreign investors engaged in export of commodities • Survival rate of foreign invested companies
6. Encourage foreign investment that adds value to agricultural products	<ul style="list-style-type: none"> • Rate of increase in agricultural production • Number of agribusiness enterprises with foreign invested new processes/technology • Value of agricultural products • Improved logistics or markets
7. Demonstrate to all stakeholders the merit of foreign investment to the country	<ul style="list-style-type: none"> • Number of public information releases or media events on foreign investment • Number of participants in sponsored events, seminars, and conferences • Proportional participation in events by private enterprises

DIVISION OF TOURISM – OVERVIEW

14.63 The tourism sector has been identified as having great potential in East Timor, although care must be exercised in its development in order to protect the natural environment, and to avoid the mistakes made in tourism development in other countries. Prior to 1975, East Timor was attracting around 3000 tourists per year. There is scope within the life of this Plan to attract numbers well beyond that. Indeed, and in the absence of reliable statistics, there is some indication that quite a large number of tourists (perhaps 1,000 per annum) have already arrived in East Timor during the UNTAET period. Evidence suggests that the majority of these tourists have been friends and family of international personnel working in East Timor.

14.64 The DT has already undertaken a large amount of preparatory policy development and baseline studies. There is scope, however, for further policy development work and for the Government to better inform the private sector about prospects for tourism in East Timor and specific investment opportunities. The Plan calls for the DT to carry out additional promotional work and better advertise the many attractive features available to tourists.

14.65 Investment by private businesses will be the key driver of growth in this sector, although the role of Government in promoting tourism and assisting private sector operators is crucial. The relevant Key Development Indicator refers to a consistent growth in the number of tourists attracted to East Timor, yet a critical result will also be sustained growth in foreign investment within the sector. Tourism is a relatively labor-intensive sector, and so tourism is to be promoted with a view to generating new direct and indirect jobs. Investment in tourism, and tourist spending, will drive demand for a range of goods and services including in construction, transportation, and supplies such as linens, foodstuffs, clothing and handicrafts.

14.66 A key objective of the DT is to raise the national image of East Timor to being an attractive destination for both investors and tourists. The broader private sector-enabling framework will be instrumental in achieving this. In line with other divisions, the DT recognizes the need to develop a commercial code as well as improved infrastructure. Although the DT is not directly responsible for infrastructure, it will help coordinate regarding the necessary infrastructure improvements, for example, water and sanitation, telephone connections, and environmental protection requirements. The DT will have an active role in coordinating with the Divisions of Trade and Investment on overseas and domestic promotional activities.

14.67 The DT also proposes to ensure that civil society understands the Governments tourism policy and how tourism is expected to help drive economic growth and reduce poverty. The DT, as part of its sector development, also intends to demonstrate the potential benefits for protecting cultural and historical heritage that can occur as a result of properly regulated tourism development.

DIVISION OF TOURISM – PROGRAM SUMMARY

PROGRAMS OF THE DT

Objectives:

- a) To build a tourism industry in East Timor that generates employment and maintains culture
- b) To attract and maintain foreign investment in the tourism sector and capture foreign skills

- c) To identify and promote strategic tourism sites and experiences in East Timor
- d) To create a profile of East Timor abroad as an attractive tourism destination
- e) To support the development of necessary supporting tourism infrastructure
- f) To establish a specialized centre of training in tourism and hospitality
- g) To develop cross-sectoral appreciation of the benefits of tourism

Strategies:

- a) Developing a repository of professional personnel with specialized tourism skills
- b) Improving welcome and farewell facilities at the airport
- c) Capturing a greater amount of data on what tourists are seeking in East Timor
- d) Establishing a separate governmental body to oversee tourism development
- e) Adopting an agreed tourism policy that sets out a tourism development framework
- f) Using international forums to promote tourism investment opportunities
- g) Maintaining an ongoing promotional agenda via print media and the Internet
- h) Conserving natural and cultural capital that will underpin East Timor's tourism appeal
- i) Ensuring that tourism is developed at a rate acceptable to the community
- j) Requiring skill transfers from foreign operators to domestic operators

Program 1: Tourism Promotion

Key Projects:

- a) Multimedia materials production and distribution
- b) Website project
- c) Tourism database
- d) Visitor and tourist reception and information centres

Program 2: Policy and Regulatory Development

Key Projects:

- a) Tourism policy framework
- b) Strategic planning for industry development

Program 3: Divisional Training and Development

Key Projects:

- a) Tourism and hospitality training centre
- b) Overseas capacity building training for divisional staff
- c) Seminars and workshops

DIVISION OF TOURISM - OBJECTIVES

14.68 Following are some of the objectives of the DT:

- a) To create a NTB to promote East Timor within the Southeast Asia region, and to establish a positive global image for East Timor through foreign travel and tourism channels, government agencies, and commercial investment interests.
- b) To establish an advocacy and advisory role to assist government with constructive reforms and progressive, sustainable development.
- c) To establish airport and seaport arrival facilities for business travelers and tourists in concert with related infrastructure improvements.
- d) To sustain a professional development program for hospitality and services.
- e) To identify and insulate strategic locations for resort or coastal development, thereby protecting the environment from haphazard development, but also providing a long-term planning scenario for hospitality and tourism investment.
- f) To establish sanitation standards and waste management regulations for all licensed public facilities, thus supporting a proactive image for business travel and tourism.
- g) To establish a performing arts centre with student enticements for cultural events, thus anchoring East Timor's cultural history while providing tourist-related interests in the nation and the region.
- h) To foster documentation of traditional recipes and encourage culinary art through formal schools and materials, and enhance the quality of all food and beverage services through skills training, workshops, and a repository of multi-ethnic and regional information.
- i) To create an Internet Website promoting tourism in East Timor
- j) Establish a Hospitality Training Institute for hotel, restaurant, and tourism services to solidify skill levels and a labor market within the sector.

DIVISION OF TOURISM - STRATEGIES

14.69 The DT will pursue a primary strategy of creating a diversified tourist industry, effectively using natural coastlines, interior elevations, and recreational benefits of sea-and-island environment. Development will be planned within a framework of ecological preservation

and cultural enhancement, promoting growth through a skilled workforce with quality facilities and services.

14.70 A promotional strategy will be implemented through a focal program to establish an image for East Timor that attracts tourists and business investors. Promotional activities will be targeted to trading partners in close proximity to the country, and subsequently to selected countries where East Timor can be strongly marketed.

14.71 The division also has a commitment to train and develop staff within the division and to provide broader training services to other government agencies or to private sector constituents with an interest in tourism, travel, and hospitality services.

DIVISION OF TOURISM – PROGRAMS AND PROJECTS

Program 1: Tourism Promotion.

14.72 The DT will pursue all cost-effective and realistic opportunities to promote travel and recreation activities in East Timor through print and electronic media, Web services, projects of cultural and eco-tourism, and recreational advantages of the natural coastline, interior, and sea. Promotions will also extend to materials and projects designed for marketing through trade missions, commercial foreign travel agencies, and foreign travel network associations. A number of projects and activities under the program will be concerned with value-enhancing and image-building priorities, such as welcome centres at airports and seaports for business and casual travelers, hosting seminars and meetings on tourism, and creating investor packages for external promotions.

14.73 The projects to be implemented under this program are the following.

- a) Develop a Web Site for broad-based Internet promotions
- b) Establish multi-media materials, pamphlets, and public relations activities
- c) Create packaged investor feasibility studies for foreign investment in tourism and recreational activities
- d) Create a database on tourism sites, investments and attractions
- e) Visitor and tourist reception centres
- f) Publication and dissemination of travel and tourism information through trade and foreign country liaisons

Program 2: Policy and Regulatory Development

14.74 Responsibility for this program will include initiatives by the division for planning coastline and inland sites that can be ecologically safe and attractive to foreign investors. Other objectives will involve establishing a NTB, coordinating regulations that relate to hospitality and travel services, working with airport and seaport authorities, and coordinating (or structuring proposals for) projects such as the creation of a cultural centre or a hospitality training program. Many other projects may be pursued with donor assistance, and the division itself will have operational responsibilities, such as working with the Investment Centre to approval foreign investments in tourism.

14.75 The projects to be implemented under this program are the following.

- a) Creation of the NTB and operational constituency
- b) Legal and Regulatory reforms affecting hospitality, travel, and tourism
- c) Tourism Policy Framework
- d) Joint project with airports on planning, tourism support, travel facilities
- e) Joint project with seaports on planning, tourism support, travel facilities
- f) Strategic planning for resort development and coastline or interior site development
- g) Cooperative projects with public works on sanitation and waste management standards for public licensed establishments

Program 3: Divisional Training and Development

14.76 The DT will develop internal staff training materials, hold workshops, and support short courses on travel, tourism, and hospitality management to hone divisional capabilities. In addition, the division will develop training modules that can be used in other government offices, or used in conjunction with promotional activities for private sector development. There are several projects under this program while most responsibilities are within operational activities.

14.77 The projects to be implemented under this program are the following.

- a) Develop training materials, seminars and workshops on tourism, hospitality management, and travel
- b) Overseas capacity building training for divisional staff
- c) Establish regular staff training and periodic reviews, seminars, and workshops with technical assistance (donor related) on Tourism, planning, and sector regulatory priorities
- d) Establish a culture and performing arts centre
- e) Establish a hospitality training institute centre
- f) Contribute materials workshops, and information to the departmental database and utilize the database for outreach seminars and intergovernmental staff development

DIVISION OF TOURISM – PERFORMANCE INDICATORS

Objectives	Performance Indicators
1. Build a tourism industry in East Timor that generates employment and maintains culture	<ul style="list-style-type: none"> • Number employed in tourism, hotels, hospitality, and related services • Number of new tourism enterprises • Percentage increase in contribution by sector to GDP • Number of Tourists arriving • Average stay and expenditure of tourists
2. Attract and maintain foreign investment in the tourism sector and capture foreign skills	<ul style="list-style-type: none"> • Increased level of foreign investment in tourism industry • Number of foreign-invested service enterprises in tourism • Number of applications for foreign investment in tourism-related enterprises • Increased tax base from foreign investors within tourism sector
3. Identify and promote strategic tourism sites and experiences in East Timor	<ul style="list-style-type: none"> • Number of approved sites and finished plans for tourism development activities • Number of foreign investor links to site plans and developments • Level of investment in tourism site development
4. Create a profile of East Timor abroad as an attractive tourism destination	<ul style="list-style-type: none"> • Results from surveys and assessment as to image by tourists of East Timor • Feedback reports from foreign travelers or agents on marketing and promotion of East Timor
5. Support the development of necessary supporting tourism infrastructure	<ul style="list-style-type: none"> • Number of facilities, hotels, or sites that meet set standards • Number of sites and percent of total that have facilities comparable to those in other regional countries • Number of SMEs and handicraft firms able to market to tourists • Increase in tourist days/year
6. Establish a specialized centre of training in tourism and hospitality	<ul style="list-style-type: none"> • Number of students enrolled • Percent increase in applications • Percent of graduates employed
7. Develop cross-sectoral appreciation of the benefits of tourism	<ul style="list-style-type: none"> • Level of participation in tourism events, seminars, workshops • Public image of tourism services

DIVISION OF TRADE - OVERVIEW

14.78 Trade, both foreign and domestic, will play an important role in growing the economy and reducing poverty. Maintaining an open foreign trade policy, and resisting protectionist tendencies to increase import tariffs, will be critically important in ongoing efforts to increase national competitiveness, grow consumer spending surplus, and respond accurately to production constraints, especially in agriculture. A stronger external sector has been repeatedly identified as an essential precursor to a stronger economy. The Government's currency policy will also have a strong effect on the economy in general and trade in particular. The US dollar, should it retain its current relative value, or appreciate relative to key trading partners, will make East Timor's exports less competitive and make imports more affordable.

14.79 The Government intends, upon independence, to seek membership of appropriate trade organizations. In relation to this, the Division of Trade will work closely with the Ministry of Foreign Affairs and Cooperation. Preferential treatment from key export markets, should it be obtainable, will immensely help East Timor's export competitiveness as it continues its transition to a viable, independent economy. The Government's key trading partners will be Australia and Indonesia. Accordingly, additional effort to maximize benefit from bilateral relations with these countries should help East Timor to increase market access and levels of exports. As East Timor further formalizes its foreign trade policy over the next few years after independence, it will be important to recognize the shared and porous land and sea borders with Indonesia and the prospect of inward smuggling and loss of customs revenues should import tariffs be set too high.

14.80 The Government is also determined to reduce the size of the trade deficit and so has built into the Plan specific programs and projects designed to enhance domestic production capacity. This is aimed at increasing the level and diversity of exports and enabling local businesses to compete with foreign businesses in the production of regularly imported goods, for example, foodstuffs.

14.81 Improving domestic trade linkages will arguably be the key factor in reducing poverty in rural areas, and in reducing income disparities between rural and urban areas. Improvements to domestic trade linkages will require a cross-sectoral approach, and will focus heavily on improving information flows and services, and building business support services. Programs and projects have been adopted in other sectors to improve rural access to telecommunications, and to continue to maintain the state of the roads. Additional training to rural businesses is also planned.

14.82 The Division of Trade, working with the DoI, will play a role in monitoring levels and types of businesses, both big and small, domestic and foreign. The Business Registration Unit (BRU) will carry out much of this work. The Plan calls for enhanced efforts in business registration, both so that the process provides more utility to business users and serves as a more helpful database for Government. It is possible that the BRU may move to the MoJ as part of the future Office of Companies Registrar, to be established pursuant to the law on corporations. The BRU, nevertheless, is included here as a separate program.

DIVISION OF TRADE – PROGRAM SUMMARY

PROGRAMS OF THE DIVISION OF TRADE

Objectives:

- a) To increase the level and diversity of exports
- b) To maintain an open and competitive foreign trade regime
- c) To explain the benefits of resisting protective tariffs
- d) To seek membership of appropriate regional and international trade groups
- e) To reduce the trade deficit
- f) To improve the information systems of the Business Registration Unit
- g) To add value to export products using new technology spillovers from FDI

Strategies:

- a) Promoting East Timor's products overseas at trade fairs and via other means
- b) Encouraging foreign and domestic businesses to develop an export orientation
- c) Supporting business associations develop overseas links that will enhance trade
- d) Pursuing an amendment to exempt income tax on exports (excluding gas and oil)
- e) Enabling domestic trade to link into foreign trade, especially for exports
- f) Developing domestic production of imported goods, especially foodstuffs
- g) Improving information monitoring systems for the Business Registration Unit
- h) Seeking preferential trade arrangements from key exports markets as appropriate

Program 1: Trade Promotion

Key Projects:

- a) Trade Exposition Centre
- b) Trade fair Participation
- c) Multimedia materials production and distribution
- d) Domestic trade promotion and domestic market linkages
- e) Overseas foreign trade promotion

Program 2: Policy and Regulatory Development

Key Projects:

- a) International trade agreement accession
- b) Trade and customs law
- c) Foreign trade policy
- d) Domestic trade policy

Program 3: Divisional Training Development

Key Projects:

- a) Overseas capacity building training for divisional staff
- b) Seminars and workshops
- c) Language and trade management training
- d) Program 4: Business Registration Unit

Key Projects:

- a) Business registration and updating
- b) Information systems
- c) Monitoring and evaluation

DIVISION OF TRADE - OBJECTIVES

14.83 Some of the objectives specified for the Division is as follows.

- a) To establish a Trade Exposition Centre for trade and investment development.
- b) To create regional trade promotion activities that reach throughout the country with relevant initiatives and support.
- c) To encourage innovative development processes and technologies that add value to products or that introduce new products capable of reaching export markets.
- d) To establish trade legations with close trading partner nations.
- e) To establish trade-oriented relationships with regional multi-lateral associations, including ASEAN, the Pacific Forum, and others according to East Timor's capacity.
- f) To build domestic trade linkages by promoting better information services that are more accessible to small business people
- g) To establish, in conjunction with the Divisions of Industry and Investment, an industrial zone for controlled export and transshipment of value-added products.

- h) To establish a Web Site for trade information and market opportunities that captures both export profiles and import requirements essential for domestic development.
- i) To establish staff training and management development activities to enhance trade regulatory and management capabilities within the division and among other relevant government agencies.

DIVISION OF TRADE - STRATEGIES

14.84 The Division of Trade will pursue an aggressive strategy of integrated domestic development on which to foster exports and concurrently attract investments that can sustain future trade growth. The key to effective trade is having the domestic strength in exportable products that, in East Timor's situation, will require a broad-based development program of industry, tourism, agriculture, and infrastructure. The Division of Trade cannot directly pursue initiatives in any of these circumstances, but it can provide the support of government trade programs and a policy environment conducive to trade and investment.

14.85 The division will directly assert its capabilities in trade promotion to reach foreign trade conduits for investment and market opportunities. This will be an information-based strategy of utilizing the departmental database on all industrial and economic activity to formulate market-penetrating marketing materials and web-based access to East Timor's trade opportunities.

14.86 The division will pursue a human resource development strategy aimed at elevating the division's capabilities for working in, regulating, and managing a trade regime. In addition, this effort will establish materials and skill-based resources for wider utilization within government, for joint private-sector training and promotion activities, and for future development planning systems.

DIVISION OF TRADE – PROGRAMS AND PROJECTS

Program 1: Trade Promotion

14.87 The Division of Trade will pursue joint projects within a broad program of development with airport and seaport authorities to expand foreign trade, export processing, warehousing, and logistics. In addition, the division will be working closely with divisions of Industry and Investment on initiatives concerning special economic zones and industrial parks. The ultimate objective of this program is to rapidly enhance the capability of East Timor to development exportable products and to pursue export markets.

14.88 The projects to be implemented under this program are the following.

- a) Establish the Trade Exposition Centre in conjunction with divisions of industry and investment
- b) Coordinated activities with divisions of Industry and Investment for capitalization of industrial zones
- c) Joint projects with government agencies for seaport and airport development to facilitate trade logistical capabilities
- d) Support and promotion of export-related industry for inclusion in industrial parks

- e) Domestic trade promotion and domestic market linkages
- f) Technical assistance for SME training and enterprise development of trade-related marketing, promotion, and financing,
- g) Export finance and development for expediting international transactions
- h) Export and Trade participation, such as regional presence in trade shows, hosting trade and export/investment opportunities
- i) Infrastructure joint projects for enhancing export capacity, such as bonded warehousing, auction systems, and commodity logistics systems
- j) Establishing foreign trade relations, particularly to Australia and Indonesia, with linkage to broader regional trade conduits and international trade commissions
- k) Web-based linkage to international trade and investment networks and multi-media products
- l) Promotional packaging of investment and trade opportunities, informational brochures, and multi-lingual materials for domestic and foreign dissemination
- m) Database management of exports and imports, companies, industry growth, and tourism, as part of a comprehensive departmental data management system

Program 2: Policy and Regulatory Development.

14.89 The principal objective of this program is to develop an integrated trade policy that addresses foreign trade, company licensing, regulatory authority to protect the environment, and to give incentive to businesses. The Division of Trade will not be in a position to pursue unilateral legal or policy initiatives, yet it will be important to policy development and the regulatory operations required under a trade regime.

14.90 The projects to be implemented under this program are the following.

- a) Domestic trade policy
- b) Foreign trade policy
- c) Support for cooperative development of trade and customs law
- d) Develop a regulatory system for foreign trade licensing and monitoring with accountability for customs or tax reporting
- e) International trade agreement accession
- f) Creation of policy instruments for export incentive programs or domestic development that reduces dependencies on imports
- g) Establish trade-related government support activities for SME development and enhancement of informal sector participation through such activities as cultural products and services and handicrafts

- h) Create a liaison function within trade to coordinate trade and investment activities with departments of environmental protection and relevant divisions concerned with mineral and natural resources

Program 3: Divisional Training and Development

14.91 Because trade represents a complication field with many different constituent interests, it is essential to have on-going staff training and capacity building within the MEAD, and externally with agencies accountable for supporting trade endeavors. Therefore, the Division of Trade will create a body of training materials and information under a model that can be replicated and updated as trade and private sector activities accelerates.

14.92 The projects to be implemented under this program are:

- a) Develop training materials and workshops on trade, regulation of trade, management of trade transactions and financing, and use of network systems for regional and international trade legations
- b) Develop multi-lingual training and trade management materials to enhance departmental, governmental, and foreign legation trade management and promotion capabilities
- c) Establish regular staff training and periodic seminars and workshops with technical assistance (donor related) on trade, customs, trade expediting, and related topics of investment, import controls, and joint development projects
- d) Contribute materials on workshops and trade information to the departmental database, and ensure access to web-based and archive information resources
- e) Establish a media liaison domestically and through trade legations for public relations and trade-related development news

Program 4: Business Registration.

14.93 The existing Business Registration Unit is the only effective national point for company registration, and it is a fee-based service. However, there will be a far more important role for the registration process as a commercial code and a company law are enacted (in whatever form those take), and a complementary activity under a registrar for foreign investments. The institutional structure of these licensing (or registration) processes has yet to be solidified, and indeed, the position of the current registry may be within another ministry. As a planning scenario, the BRU staff anticipates an enlarged role with far greater responsibilities and more pressing demands. These are listed here under “projects” but are more accurately “functional activities.”

14.94 The projects to be implemented under this program are the following.

- a) Establish an effective and comprehensive registration process for domestic and foreign companies with appropriate regulations on licensing and permits
- b) Create a fee-based registration process that is equitable among different classifications of enterprises and commercial activities

- c) Technical assistance to develop effective use of registration income, if not accruing to the general budget, for relative private sector development or enhanced management of the registration process
- d) Information database
- e) Establish a compliance methodology for equitably monitoring registrations, ensuring legal procedures, and accounting for new, terminated, and inactive enterprises
- f) Technical assistance for institutional restructuring that solidifies activities of registration with commercial codes, company laws, the foreign investment law, and other regulations under appropriate ministries

DIVISION OF TRADE – PERFORMANCE INDICATORS

Objectives	Performance Indicators
1. Increase the level and diversity of exports and earn additional foreign revenues	<ul style="list-style-type: none"> • Percent increase of exports • Number of new products or repackaged products exported • Percent contribution to GDP • Rate of growth of exports by sector
2. Maintain an open and competitive foreign trade regime	<ul style="list-style-type: none"> • Comparative trade regime to trade partners without disparities • Trade balances
3. Explain the benefits of maintaining good trading relations and resisting protective tariffs	<ul style="list-style-type: none"> • Number of media events, seminars, and trade programs • Proportional participation by all sectors and classification of individuals in trade events • Absence of protective regulations or implementation of incentives
4. Seek membership of certain regional and international trade groups as appropriate	<ul style="list-style-type: none"> • Progressive participation by East Timor in ASEAN and other Pacific Rim associations • Recognition of East Timor for observer status and for membership in key regional associations
5. Reduce the trade deficit	<ul style="list-style-type: none"> • Percentage growth of exports in excess of percentage increase in imports • Reduction of trade gap by each major sector with oil and gas interest tracked independently • Reduction due to oil and gas exports
6. Improve the information systems of the Business Registration Unit	<ul style="list-style-type: none"> • Accomplish institutional restructuring • Implement enforceable registration system for domestic and foreign enterprises • Increase revenues from registrations • Reduced time for registration
7. Add value to export products using new technology spillovers from foreign investment	<ul style="list-style-type: none"> • Value chain analysis of technology implementation from foreign investments • Analysis of secondary market for replacement technology • Improved productivity

15. INFRASTRUCTURE

“Having an effective system of physical infrastructure and services is crucial for agricultural productivity and poverty reduction, a determinant of business investment, instrumental to human development, and the foundation for private sector development.”

VISION

15.1 To plan for, provide and manage physical infrastructure that is efficient, cost-effective and financially sustainable, and which supports the social and economic development priorities of the people of East Timor.

INTRODUCTION

15.2 Infrastructure is an issue of overarching importance to all sectors of the economy and society. This includes the physical capabilities and service systems that provide to all people the essentials of electric power, water, sanitation, postal services, telecommunications, roads, air and sea transport facilities, and various support services. Infrastructure has perhaps the strongest cross-sectoral implications for national development. Having an effective system of physical infrastructure and services is crucial for agricultural productivity and poverty reduction, a determinant of business investment, instrumental to human development, and the foundation for private sector development. Infrastructure represents many diversified responsibilities, and through the Working Groups established the vision statement above on which to pursue priority development activities.

15.3 As background to this plan, it must be emphasised that infrastructure is in a poor state, substantially damaged and in some instances obliterated by years of conflict and lack of meaningful maintenance. Reconstruction efforts have been progressive with airports and seaports operational, major road repairs and maintenance programs underway, and to a significant degree, water supply and sanitation services restored. Substantial progress has been made to reconstruct a majority of the damaged buildings and houses through humanitarian relief work and donor reconstruction programs. Telecommunications services have been restored using largely temporary measures supported by UNTAET and through a communications system contracted with an Australian company. Postal services remain very weak. Electricity generation is now near to its pre-1999 levels of supply and reliability, but there has been insufficient progress in putting the power sector on a sustainable footing.

15.4 The Infrastructure Sector as presented in this Plan is treated as the collective efforts of many directorates. (The term “Division” is used for directorate to distinguish it from the administrative department.) Officially, there is no infrastructure agency. Instead, it consists of Divisions under three separate Ministries. The Ministry of Water and Public Works (MWPW), recently reorganised, has four functional Divisions under the Director-General of one department. The Ministry of Economic Affairs and Development (MEAD) has



one infrastructure-related activity, the Division of Energy, which reports directly to the Minister. And the Ministry of Communications and Transport (MCT) has five Divisions administered under the Director-General of one department. These Divisions have unique responsibilities, and budgetary accountability is within their respective ministries. However, activities among the various Divisions are captured in this planning document, often resulting in a consensus voice, yet because the individual Divisions have differentiated priorities, this plan addresses each separately. Table 15.1 summarises the structure used within the report while the term “Infrastructure” is used as the collective initiatives of all concerned.

Table 15.1 Planning Structure of Infrastructure Sector

Ministry	Division (Directorate)
Water and Public Works	<ul style="list-style-type: none"> • Public Works • Roads, Bridges and Flood Control • WSS • Research and Development
Economic Affairs and Planning	<ul style="list-style-type: none"> • Division (directorate) of Energy: EDTL, operates as a Government-owned company.
Communications and Transport	<ul style="list-style-type: none"> • Land Transportation • Civil Aviation • Sea Transportation • Telecommunications and Post • Meteorology

MAJOR GOALS OF INFRASTRUCTURE

15.5 The Infrastructure Sector will emphasise national priorities of economic development and a strong commitment to poverty reduction throughout its department activities. In essence, the role of government will be strongly focused on establishing physical capabilities and public services required for sustained development. Consequently, there are two overarching infrastructure goals that amplify the sector vision. They are:

- a) to minimise adverse impacts on the natural and human environment, and to take account of the needs and aspirations of those disadvantaged by poverty, remoteness and difficulty of access to infrastructure services; and
- b) to regulate the sector so that infrastructure and services are safe, are provided at a fair price, and give maximum opportunity for Timorese people and enterprises to participate in their construction, management, operation and use.

GUIDING PRINCIPLES FOR DEVELOPMENT

15.6 A composite approach to development permeates the Infrastructure sector even though each of the departments operates within differentiated and independent parameters. There are several guiding principles that underscore the major development goals and provide a foundation for accountability. These are as follows.

- a) To pursue infrastructure development that is safe and that can provide accessibility to needed services and utilities by everyone.
- b) To pursue activities that bring infrastructure and services to the disadvantaged, thus encouraging economic growth while reducing poverty.
- c) To create an enabling environment required for sustained development while ensuring a regulatory process that guarantees fair prices without corruption, effective revenue management, and transparent public administration.
- d) To work in cooperation with other Government ministries, agencies, district administrations and communities in ensuring the efficient delivery of services.
- e) To utilise the private sector to the maximum extent possible in the cost effective delivery of projects, programs and services, and to support and promote the development of the private sector in this role.
- f) To promote whenever possible equity between regions and between urban and rural communities.
- g) To ensure the protection of the natural and man-made environment, safety from natural disasters, and the protection of human life.

DIRECTOR-GENERAL, DEPARTMENT OF WATER & PUBLIC WORKS (MINISTRY FOR WATER AND PUBLIC WORKS)

15.7 Following recent restructuring, the Office of Director-General (ODG) under the MWPW now has management responsibilities for public works administration of four Divisions. These concern public works, roads, bridges, and flood controls, water and sanitation, and research and development. These are more fully explained under Division plans. The Director-General's Office has overall department responsibility, represented by the following operations and department services.

- a) Financial planning, management, budgeting and control.
- b) Human resource management and departmental coordination.
- c) Procurement services including civil works equipment and services (in accordance with technical requirements of directorates).
- d) Management of departmental assets.
- e) Provision and operation of facilities to enable directorates to pursue their programs and project activities.

15.8 The ODG as the operational arm under the Ministry has several important inter-ministry tasks. These are not presented here as distinct programs or projects, yet they are focal activities that must be accomplished. These are to achieve interdepartmental integrated ministerial agreements, largely directed toward capital assets and development responsibilities. The five main concerns are as follows.

- a) An agreement on responsibilities with all ministries on capital allocations for new or renovated offices, and future roles for maintenance.
- b) An agreement with constituent ministers on use of natural, mineral, and water resources for public works and construction.
- c) An agreement with appropriate departments in agriculture, fishing, and forestry, and those concerned with the environment for use of surface water, responsibilities for rivers, various maintenance requirements.
- d) An agreement with Communications and Transport that covers all public works activities requiring equipment, transport, and national communications assets.
- e) An agreement with Industry, Trade, and Tourism regarding development and maintenance of industry parks, business centres, or tourist structures.

PUBLIC WORKS DIVISION

15.9 The **Public Works Division** under the ODG and the MWPW is concerned with reconstruction of public buildings in Dili and the nation's districts, oversight of tenders for new public construction, coordinating public housing (government facilities) in Dili and the districts, and instituting urban planning. Division responsibilities focus on reconstruction and new public development of facilities, but activities each beyond the Division to include cross-cutting interests of other ministries and Divisions. The Division's objectives, strategies for pursuing those objectives, programs and projects are described in the following passages.

Public Works Objectives

15.10 The Division's objectives reflect its primary responsibilities yet also accommodate interdependent activities of other agencies, such as coordinating urban development plans that must coincide with road, traffic, and public utility services, and regulatory issues that involve other departments and ministries. These are the following.

- a) To reduce housing shortages in urban centres through improved planning and regulation in support of national policies.
- b) To improve housing facilities in urban slum areas through planning, contracting, engineering services, and cooperative support for poverty reduction initiatives.
- c) To provide structural development and essential public services while minimising adverse ecological and environmental effects.
- d) To provide engineering services for the design and implementation of public buildings, government staff housing, and associated facilities as required to support government development programs.

- e) To facilitate the improvement of spontaneous housing settlements through planning, design, and implementation of micro infrastructure utilising community participation and management approaches.
- f) To implement urban development planning and control systems in Dili and district capitals including urban land use planning, development control systems, and building regulations.
- g) To pursue human resource development with a sustainable staff with technical capabilities for management of a diverse program of public works development.

Constraints, Problems, and Issues

15.11 The Division faces constraints similar to all other Divisions and directorates, primarily thus concerned with severely limited budgets and the lack of well-qualified human resources in a number of areas that require very specific technical education and experience. The Division also lacks a legal foundation for pursuing many necessary projects, and it faces logistical challenges of serving rural areas or administering district programs. With that said, many of the objectives and program activities are aimed at resolving these problems, not treating them as uncontrollable barriers to development. Several points are illustrative:

- a) **Legislation and a regulatory framework.** Lack of an enabling environment constrains the Division from pursuing medium-term and long-term objectives, and therefore it is essential that the ministries (with departmental and Division cooperation) initially pursue laws that will provide building and land codes, housing policies and construction standards, and empower Public Works and other constituent Divisions to pursue urban, rural, and regional planning.
- b) **Human resources.** A majority of proposed programs and projects under this plan cannot be realised without technical expertise. In the near-term, donor assistance may fulfil these needs, but the Division will require staff with a broad range of technical skills that include: urban planning and design; community development; townscape & landscape architecture; all relevant engineering; land surveying; and cost estimating.
- c) **Support facilities and funding.** Oversight and management of public works, tendering and follow-on quality control, and actual the environmental necessities of urban and rural district projects will require laboratory testing and inspection processes which do not exist nor are they funded. Public works activities require rural presence, travel, and a project management/monitoring process that will require capital and staff beyond the scope of this plan.

Public Works Strategies

15.12 Public Works will develop a legislative framework to address relevant infrastructure policy issues, and generate the regulations required to appropriately implement and manage operations. Much of the legislative and regulatory framework will be derived from experiences of other countries, adapted to the particular socio-economic and cultural conditions in East Timor.

15.13 With departmental support, local human resource capabilities will be enhanced through a number of skills training programs developed over the five-year planning period. Immediate human resource needs, particularly those for higher-skilled and experienced experts, will require near-term recruitment and external assistance.

15.14 The Public Works Division, other government agencies and ministries recognise the importance of a GIS. Public Works is willing to be responsible for establishing an GIS that could become a national asset for broader utilisation, but wherever the GIS is positioned, it will be an essential tool for the Division in terms of urban planning, construction, and development.

15.15 Public Works will implement the engineering design and supervision processes for public buildings and housing construction. The Division will establish outsource and tender procedures, then ensure oversight of projects in cooperation with the respective constituent funding Divisions or ministries. Current projects, and those in the near-term, are funded under TFET; larger future projects will require donor assistance.

Public Works Programs & Projects

15.16 The Division of Public Works has structured individual project activities under five programs. It is understood that the ODG will also be addressing integrated activities for administrative training, planning, and capacity building that concerns all Divisions within the department while specific technical training will be addressed by the separate Divisions. Fully descriptions of programs and projects are contained in detailed planned documents by each Division.

Program 1: Institution Building

15.17 The focus of this program is to draft and Implement planning guidelines, draft regulations for public works, implement housing standards, create building and construction codes, address both public and private land utilisation.

Projects

- a) Draft Planning Act and with Timor Planning Institute.
- b) Capacity building for staff planning, urban planning, rural development at national, district, and village levels.
- c) Draft a Housing Policy and establish regulations on public and private housing.
- d) Draft a National Building Code.
- e) As an activity in support of the Building Code, formulate Industry Construction Standards.
- f) Establish a Works Specification and Cost Analysis procedure for all tendering and procurement.

Program 2: Urban Planning

- a) Dili Zoning Plan under the Dili District Administration.
- b) Central-South Dili, Central-North Dili, East Dili, and West Dili Land Use Plans
- c) Baucau, Suai, and Maliana Strategic Zoning Plans and Land Use Plans
- d) Liqueça, Manatuto, and Ermera Strategic Zoning Plans and Land Use Plans

- e) Lospalos, Viqueque, Aileu, Ainaro, Same, and Oecussi Strategic Zoning Plans and Land Use Plans

Program 3: Slums Improvement

- a) Central-South Dili Slums and Central-North Dili Slums Improvement Program
- b) East Dili Slums Improvement Program and Study of West Dili Slums

Program 4: Provision of Government Buildings

- a) Renovation of MWPW Offices
- b) Renovation of District Offices for Water and Public Works
- c) Renovation of Ministry of Internal Administration Offices
- d) Renovation of Ministry of Agriculture Offices
- e) Renovation of Customs Offices under the Ministry of Finance
- f) Establish and Renovate a National Registry Building
- g) Renovation of Judges and Prosecutors Housing (Central and Districts)
- h) Renovation of District Offices (Covalima, Lautem, Liquiça, and Viqueque)
- i) Renovation of Warehouses/Workshops (Viqueque, Lospalos, Suai, Oecussi)
- j) Renovation of 65 Sub-district Administration Buildings
- k) Renovation of the Presidential Office
- l) Renovation to Establish a National Archives Building
- m) Renovation of MFAC Offices
- n) Renovation of MCT Offices
- o) Renovation of MoH Offices
- p) Renovation of MAF Offices
- q) Renovation of Ministry of Labor and Solidarity Offices
- r) Construct a New Central Bank Building

Program 5: Public Education and Training

- a) Planning Principles Training at National and District Levels
- b) Planning principles Training at Sub-District and Village Levels
- c) NGO and Government Workshops on Urban and Rural Planning

Table 15.2: Public Works Performance Indicators

Objectives	Performance Indicators
1. Reduce housing shortages in urban centers through improved planning and regulation in support of national policies.	<ul style="list-style-type: none">• Urban Land Use Plan Completed• Urban Development Controls Implemented• GIS Utilised for Integrated Planning• Assessment to Reduce of Housing Shortage
2. Improve housing facilities in urban slum areas through planning, public contracting, engineering services, and cooperative support for poverty reduction.	<ul style="list-style-type: none">• Urban Land Use Plan Completed• Urban Slum Areas Reduced• Assessed Access to Public Facilities• GIS Utilised for Integrated Planning• Assessment of Reduced Slum Population
3. Structural development of essential public services while minimising adverse ecological and environmental effects.	<ul style="list-style-type: none">• Percent Increase in Household Access to Public Utilities• Assessment of Improved Urban Health Environment• Reduction in Environmental Hazards
4. Engineering services for the design and implementation of public buildings, government staff housing.	<ul style="list-style-type: none">• Percent of Public Buildings Engineered and Reconstructed• Percent of Government Staff Adequately Housed
5. Improvement of spontaneous housing settlements through planning, design, and implementation of micro infrastructure utilising community participation	<ul style="list-style-type: none">• Improved Living Conditions Assessed• Settlement Areas Planned• Extent of Community Participation• Micro Infrastructure Designed/Implemented
6. Urban development planning and control systems in Dili and district capitals.	<ul style="list-style-type: none">• Urban Development Plan Assessment Implemented• Dili and District Capital Plans Completed• Development Controls in Place
7. Human resource development with a sustainable staff of technical experts and capabilities for management.	<ul style="list-style-type: none">• 100% Staffing for Management• 100% Engineering and Technician Targets• Achieve 100% District Supervision Levels

ROADS, BRIDGES AND FLOOD CONTROL DIVISION

15.18 The Division of Roads, Bridges, and Flood Control (DRBFC) is primarily concerned with regulation of roads and roadway reserves, management of tenders and maintenance contracts on roads and easements (including environmental concerns of related development), planning and legal classification of roads, coordination of traffic regulations with the MCT, and the hydrology and soil mechanics of bridge and adjacent roadway development.

DRBFC Objectives

15.19 Guiding principles under the department mandate coupled with similar principles established within this Division largely determine DRBFC objectives. Specifically, the Division has responsibilities to assure all citizens of parity in road and transport access within development constraints, and also to ensure the needs of national security and defence are accommodated in roads, bridges, and flood control activities. The Division will face constraints but will seek to fulfil the following objectives.

To identify the national district and rural road network essential for the support of economic and social development.

To initiate policies within a legal and regulatory framework for order of the territory that improve quality of life, encourage private enterprise, and assist those with access and safety, particularly in impoverished areas.

To develop roads, bridges, and topologies of flood controls that provide environmental protection and further reverses existing ecological damage.

To ensure development and regulation for the safe circulation of transport.

To ensure transport infrastructure that meets national defence imperatives

To establish technical standards for a national road network.

To preserve the existing road assets as the first priority through sustainable maintenance and long-term management plans for support systems.

To establish an institutional structure and develop technical and administrative capacity of Timorese staff to manage, maintain and improve the road network.

To implement sustainable strategies for the maintenance of rural access roads.

To establish and implement sustainable erosion control measures to prevent damage to physical Infrastructure and economically valuable property.

Constraints, Problems and Issues

15.20 The most significant immediate constraints should be viewed as opportunities for the Division and other government agencies to strengthen the existing poor structure of the legal and regulatory environment of East Timor. In addition, the constraints faced in human resources and lack of local technical skills can be viewed as an opportunity to create new jobs and greater professional capacity in the nation. Some constraints, however, are not immediately controllable

and represent barriers to effective program implementation. Several key points are emphasised below.

- a) **Legislation.** Agreement on roles and responsibilities between the MWPW and MAF are needed to protect and improve the environment around roadways, bridge sites, and riverbanks. Concurrent environmental protection regulations are essential. Legislation that defines road reserves, drainage easements, and access to land for construction and maintenance will also be required. And regulatory guidelines are needed on utilisation of natural and mineral resources.
- b) **Human resources.** The flood control activity cannot be pursued without recruitment of experts or external (donor or contractual) assistance. The nation does not have these core capabilities to recruit in the near term. Requirements in particular include hydrologists, geologists and soil mechanic experts, and environment specialists. Equally important, there is no local indigenous capability to train specialists or to provide the mentoring required.
- c) **Support systems.** Procurement systems and logistic are inefficient, and the ability to provide private sector support is nascent. In effect, there is not sufficient equipment or private contractors to pursue many of the priority projects, and little capability to maintain road, bridges, or conservation facilities. Regional offices and communications are problematic, and there is little capability to provision or equip the districts for rural road and bridge development. The types of equipment employed in East Timor, and their respective technologies, are far less than optimal.

DRBFC Strategies

15.21 Policy and legislative initiatives will be pursued through the Land and Property Unit, and in conjunction with the MCT and the MAF (particularly the Director of Forestry). These liaisons are essential for an integrated strategy of development to address a broad range of cross-cutting issues relating to land use, roadways, water rights, forestry and mineral appropriations, and regulations for roadway utilisation, vehicles, and coordinated water and sanitation development. Creation of a road classification system will also be a strategic coordination process with other ministries.

15.22 An Inter-departmental commission will be established for land transport regulations, oversight responsibilities for traffic, and vehicular safety. In addition, there is a role for NGOs and external expertise, including socio-cultural interests and those most able to address rural population problems and poverty reduction, to address infrastructure priorities within the context of community development and environmental protection.

15.23 The Division will develop human resource capabilities within its limitations and seek recruitment for higher skills when possible, but in the near term, the Division will continue to rely on existing (in progress) projects under international donors and activities being pursued under TFET funds that bring to East Timor the necessary technical experts. Over the five-year planning period, the Division will seek to create the local capabilities for sustained training and mentoring.

15.24 A strong priority will be placed on private sector contracting and outsourcing, maintaining internal oversight for tenders and continued monitoring. The Division will seek cooperative assistance to develop the technical standards required for road building, maintenance, inspection, materials management, bridge engineering, flood controls and district

water resource utilisation, and conservation as it applies to national roadway plans and respective urban road and street development.

15.25 A priority will be placed on reconstructing and expanding the main national road network, thus reaching well into the districts and rural areas, but also supporting industrial development initiatives and the priorities of airport and seaport facilities. Only emergency work will be carried out on sub-district and feeder roads in the budget period, and any periodic maintenance or capital works on urban roads must be addressed outside CFET or existing TFET project allocations.

15.26 Multilateral and bilateral donors require, as a priority, to ensure funding for periodic maintenance programs, and realistic plans funding upgrading programs and new capital projects for bridges or flood control projects. Consequently, the Division must be part of a broader ministry effort to secure infrastructure development assistance, and to those ends, the Division will develop appropriate scenario plans for systematic capital development with long-term funded maintenance programs.

DRBFC Programs & Projects

15.27 The Division does not have specific responsibilities for “institution building,” yet it will play a vital role in achieving the agreements under the ODG for natural resource utilisation, responsibilities for roadway and river areas, and cooperative work with Divisions concerned with water, sanitation, and environmental protection. The Division as it is now structured also is part of on-going projects previously funded (TFET I and II), yet these will not be oversight responsibilities of other directorates. With that said, the DRBFC will focus technical projects under two mainstream programs, and one program of public safety designed to become a standing process. These are summarised below:

Program 1: Road & Bridge Rehabilitation and Maintenance

15.28 First priorities during the early stages of this planning period are for road and bridge maintenance. There are several projects well underway, each with TFET funding, and several with preliminary interest for donor support. Secondary priorities concern road and bridge upgrading with long-term plans capable of networking the country with effective and safe ground infrastructure to serve the entire population.

Projects

- a) Road Maintenance for Current Requirements (TFET)
- b) Small Bridge Maintenance and Replacement (TFET)
- c) Road Maintenance in Core Network and Districts (2002-2007)
- d) Major Maintenance, Re-alignment, Resolving Slips & Washouts (2002-2003)
- e) Casa and Natarbora Bridges (2202-2004)
- f) Bridge Causeway Construction (2004-2007)
- g) Periodic Maintenance of Core Network and Districts
- h) Cooperative Planning for Urban and Rural Development for Road & Street Access

- i) Upgrading and Widening to Extend Core Network and District Transport

Program 2: Flood Control and Erosion Prevention

15.29 Flood control and erosion prevention are issues interdependent with water and sanitation, agriculture and forestry, and environment agencies. Development must be coordinated, and Division projects represent two yet-to-be planned project areas.

Projects

- a) Flood Control Emergency Plan for Endangered Roads and Bridges
- b) Flood Control and Erosion Prevention Systems Planning
- c) Flood and Erosion Control Bridge and Site Structures

Table 15.3: Roads, Bridges and Flood Control Performance Indicators

Objectives	Performance Indicators
1. Identify and plan the national district and rural road network	<ul style="list-style-type: none"> • Plan completed and approved • Assessed road access to population
2. Initiate policies within a legal and regulatory framework	<ul style="list-style-type: none"> • Laws enacted and regulations approved
3. Develop roads, bridges, and topologies of flood controls	<ul style="list-style-type: none"> • Number of road closures • Number of new roads and km. • Area of new and repaired pavement • Number of water retaining walls/culverts • Reduction in flood damage
4. Development and regulation management for the safe circulation of transport	<ul style="list-style-type: none"> • Assessed accident and damage rates • Dili and District traffic plans completed • Percentage of projects on time • Percentage of projects within budget
5. Establish transport infrastructure that meets national defence imperatives	<ul style="list-style-type: none"> • Assessment of defence access needs met • Access to security posts
6. Establish technical standards for a national road network	<ul style="list-style-type: none"> • Number of days per year road closure • Percentage of population with all-weather access to road utilisation • Percent of road meeting vehicle load capacities • Cost ratio of maintenance
7. Implement capital improvements to the road network	<ul style="list-style-type: none"> • Achieve capital funding for roadways • Achieve capital funding for flood control

8. Preserve the existing road assets through appropriate allocation of road funds and a system of sustainable maintenance	<ul style="list-style-type: none"> • Number of road with maintenance achieved • Km of roads and percent maintained • Percentage of maintenance on time
9. Establish an institutional structure and develop technical and administrative capacity	<ul style="list-style-type: none"> • Division staff and management approved • Qualified technical staffing levels met • Certified staff levels attained
10. Implement sustainable strategies for the maintenance of rural access roads	<ul style="list-style-type: none"> • Rural road maintenance plan approved • Number of roads maintained under plan • Km of rural roads maintained
11. Establish and implement sustainable erosion control measures	<ul style="list-style-type: none"> • Number of reduced flood-related incidents • Percent reduction for road maintenance • Assessment of environmental impact
12. Enhance human resource capabilities for sustained indigenous development	<ul style="list-style-type: none"> • Number of local qualified staff • Number participating in training workshops • Percentage retained and qualified

WATER AND SANITATION DIVISION

15.30 The Water and Sanitation (WSS) Division is responsible for establishing the legal and institutional framework for water utilisation and sanitation controls, managing the integrated activities of water and sanitation engineering, water quality control, relevant development and maintenance contracts, and establishing support activities (e.g., customer services, materials warehousing, waste collection vehicles, and waste tanks or sites). The WSS Division also will initiate a program of public information and education workshops to promote safe water and sanitation practices.

WSS Division Objectives

15.31 The Division has aggressive objectives to pursue safe water and sanitation throughout East Timor, but realistic expectations must be appreciated for each of the long-term objectives. The Division will prioritise its efforts with respect to each objective and in general pursue incremental cost-effective programs that can progressively improve human welfare. Primary objectives for administrative responsibility include the following.

- a) To provide adequate, safe and sustainable water supplies for the communities of Dili and major urban centres in districts, with the aim of full cost recovery from users of the water supply.
- b) To facilitate adequate, safe and sustainable water supply and sanitation for village and rural communities through community-managed water and sanitation facilities.
- c) To facilitate at a National level the safe disposal of sewage and wastewater in urban areas.

- d) To facilitate at a National level the collection and safe disposal of nuisance surface waters from major urban areas.
- e) To facilitate at a National level the collection and safe disposal of solid and hazardous waste from major urban areas.
- f) To ensure the appropriate management of water resources for the purposes of water supply and sanitation in cooperation with other relevant ministries.
- g) To inform the public of safe water and sanitation practices that systematically improve the environment and enhance human health and welfare.

Constraints, Problems and Issues

15.32 The WSS Division faces an uphill struggle with long-term expectations to achieve many of its objectives. Many of the constraints can be overcome through legislative enactments and inter-ministerial cooperation, but funding is a limitation that will persist. Social and cultural constraints are viewed as challenging opportunities to enhance living standards and support poverty reduction initiatives. These include the following.

- a) **Legislative.** Agreements are needed on roles and responsibilities between the MWPW and the Secretary of State for Natural & Mineral Resources regarding control and management of water resources. The Division must also have enabling legislation to pursue water and sanitation services, assess tariffs, and expedite procurements.
- b) **Human resources.** Like most Divisions, WSS is facing shortages of human resources in the fields of resource management, sanitation engineering, quality control, plumbing technicians, cost estimating, and public information specialists. Timorese staff are not sufficiently skilled in current methods of water and sanitation systems to administer, cost, plan, or manage.
- c) **Support facilities.** There is a pressing need for customer service centres and warehouse, technical workshop areas, drilling and well equipment, heavy equipment, waste tanks, and procurement of sanitation materials and supplies, including vehicles for waste collection and recycling. There is no effective capital budget for these activities, and limited funding for maintenance.
- d) **Social and cultural issues.** A majority of the population has had little or no experience with modern water or sanitation processes, and do not understand the hazards of unsafe conditions nor how to resolve them. What they cannot understand or see for themselves cannot motivate them to change behaviour. The health problems of East Timor, sanitation safety, social improvement of fundamental living conditions, improved agricultural health systems, and the simple act of clean living in decent surroundings will require a pervasive change in human behaviour. This becomes an enormous challenge for government and social leaders, but in particular a challenge for the Division.

WSS Division Strategies

15.33 The Division will be part of an integrated team comprised of staff from the three ministries to develop an effective body of infrastructure-related legislation. This is essential to address during the first two years of the plan, resulting in a legal basis for design and planning of water and sanitation systems in concert with road building, bridge work, flood control, and

priorities of environmental protection. Such an integrated approach will include representatives of health and community development agencies, and the real property and land management staff from several ministries.

15.34 A similar integrated process must be established for long-term operational planning and development of water and sanitation resources. This will involve a commission that can plan and implement programs for district and rural (village) public works, specifically those for safe water, options for disposing of non-solid waste and collection or recycling of solid waste, coordinating priorities of health authorities, and supporting programs of agricultural and community development. A parallel commission will address public works and public health issues for urban public works where special attention must be given to slum rehabilitation, street construction and repair, water and sanitation related to public and commercial users, and the wider ranging development interests for airports, seaports, industrial parks, and public recreation facilities.

15.35 The Division recognises the importance of addressing high-priority objectives related to poverty reduction, improved conditions for human health, and such problems as urban slums and extreme rural isolation. Consequently, during the first two years of the planning period, the Division will concentrate on service delivery requirements for safe water and adequate sanitation for these and other high priorities.

15.36 The Division will seek to ensure that adequately trained or skilled personnel will be maintained for addressing water and sanitation service programs in Dili and primary urban centres during the first three years. This will involve budgeted capacity building training with a continuation of existing transitional donor support programs. During the latter half of the five-year planning period, water and sanitation will require support for rural and district staff training and development, and more extensive technical expertise, which can be partially addressed internally and partially with donor support.

15.37 The Division will seek the most cost-effective way of implementing programs, conducting assessments, and fulfilling projects. Competitive bids and tenders will be stressed for optimal participation by private consultants and contractors, not only for designing and implementing projects, but for potential investments in water and sanitation facilities, supplying materials and fixtures, and maintaining these systems.

15.38 It will be essential for the Division to address the social and cultural patterns of water and sanitation utilisation. Therefore, the Division will establish a program of public information and education on water and sanitation issues, and in the long term, one that can lead to an informed public capable of self-managed hygiene.

WSS Division Programs and Projects

15.39 After recent reorganisation within the department, the WSS Division has identified four core programs. The first, concerned with capacity building, include the Joint departmental training and staff recruitment responsibilities. These are interdependent activities while remaining programs address technical project activities.

Program 1: Institution and Capacity Building

15.40 Training and capacity building will occur through inter-Divisional workshops and programs designed to reach a wide constituency that includes NGOs and government staff. The Division will focus on specific projects are noted below.

Projects

- a) Draft Water Resource Management Policies and Regulations
- b) Draft Water Legislation and Regulations on Water Rights and Utilisation
- c) Draft Legislation and Regulatory Procedures for Water Supply Tariffs
- d) Solid Waste, Waste Water, and Drainage Management Laws and Regulations
- e) Community Water Supply and Sanitation Policies and Regulations

Program 2: Urban Water Supply

15.41 Urban water supply is concerned with piped water to 13 urban areas and 12 district capitals outside Dili. These parallel the public works urban planning list presented earlier, with priorities of this Division directed toward projects noted below.

Projects

- a) Strategic Planning for Water Resource Management (Master Plan)
- b) Capital Works, Rehabilitation of Dili Headworks and Distribution
- c) Capital Works, Rehabilitation and Augmentation of District Towns Water Networks
- d) Operation, Maintenance, and Service Improvements of New Connections in Dili
- e) Resolution of Illegal Connections, Removals, or Legitimation in Dili
- f) Implement New Connection Services and Billing Processes for District Towns
- g) Resolution of Illegal Connections, Removals, or Legitimation in District Towns
- h) Implement Billing and Technical Monitoring Systems Nationwide
- i) Extend and Update Master Plan for Expansion of Water Services
- j) Preparation of Database for Assets, Maintenance, and Water Systems
- k) Development Systems for Water Resource Management

Program 3: Urban Sanitation

15.42 The Urban Sanitation program is concerned with solid waste management, wastewater and drainage, and safety of habitation within populated areas where there are priority problems concerning collection and waste disposal.

Projects

- a) Strategic Planning for all Urban Waste and Sanitation Models
- b) Capital Upgrading of Solid Waste Management Infrastructure in Dili
- c) Capital Works and Upgrading of Wastewater Collection and Treatment in Dili

- d) Augmentation of Drainage System for Dili
- e) Capital Works Implementation for District Towns of Solid Waste, Wastewater Collection and Treatment, and Drainage Infrastructure
- f) Update to Efficient Sanitation Operations and Maintenance for Dili
- g) Implement or Update Sanitation Operations and Maintenance in District Towns

Program 4: Community Water and Sanitation

15.43 This program is designed to implement new systems for both water and sanitation required in areas outside Dili and in the 12 district capitals. Projects reflect combined area or district township activities.

Projects

- a) Strategic Planning to Develop Best Practice Models for Rural and Small Towns
- b) Capital Investment and Systems Development for WSS in Isolated Communities of Atauro, Oecussi, and Others as Designated.
- c) Develop and Implement Emergency Response Systems for Communities with Respect to Water, Sanitation, Health Issues, and Disaster Relief
- d) Revise Guidelines on Operations and Maintenance for Community Systems Congruent with the Strategic Master Plan

Program 5: Water & Sanitation Support and Public Safety

15.44 This program is concerned with human resource development beyond internal Division staff to include district water authorities, community or private interests, and the public in general as to water utilisation, sanitation systems, and human safety. There is a strong emphasis on HRD training that will require donor assistance with technical advisers, community development experts, and NGOS capable of supporting a public awareness program on such issues as water safety, disease prevention related to water and sanitation, and attention to water and sanitation standards.

Projects

- a) Capacity Building for WSS Standards and Safety
- b) Community Development for Safe Water and Town Sanitation Utilisation
- c) Enforcement processes for Illegal WSS Usage, and to Prevent Vandalism and Destruction of Systems
- d) Public Awareness of Safe Water Practices, Safe Habitation, and Good Hygiene
- e) Public Media and School Programs for Habitation and Agricultural Practices

Table 15.4: Water and Sanitation Performance Indicators

Objectives	Performance Indicators
1. Provide adequate, safe and sustainable water supplies	<ul style="list-style-type: none">• 80% of urban population with access to safe piped water• 80% of rural population with access to safe local water supply
2. Provision of adequate, safe and sustainable water supply and sanitation for village/rural communities through community owned and managed water and sanitation facilities	<ul style="list-style-type: none">• 100% of areas adjacent to urban centres with appropriate access to water• 80% of villages and enclaves with access to appropriate self-managed systems• 80% of villages and rural communities with effective sanitation facilities
3. Facilitate at a National level the safe disposal of sewage and wastewater in urban areas	<ul style="list-style-type: none">• 100% of urban areas with solid waste systems• 100% urban areas with wastewater systems
4. Facilitate the collection and safe disposal of nuisance surface waters from major urban areas	<ul style="list-style-type: none">• Urban drainage systems in Dili and district capitals• Reduction of hazardous water and flooding
5. Facilitate at a National level the collection and safe disposal of solid and hazardous waste from major urban areas	<ul style="list-style-type: none">• Urban collection and disposal sites established• 100% collection coverage for solid and hazardous solid waste
6. Ensure the appropriate management of water resources for the purposes of water supply and sanitation in cooperation with other relevant ministries.	<ul style="list-style-type: none">• Effective regulations of water utilisation and waste collection among ministries• Ports and public water access regulated
7. Inform the public of safe water and sanitation practices that systematically improve the environment and enhance human health and welfare	<ul style="list-style-type: none">• 100% of population reached with safe water practices information• 100% of all schools with institutional programs on safety in water and sanitation

RESEARCH AND DEVELOPMENT DIVISION

15.45 The newly created Division of **Research and Development** under the MWPW will address a broad range of studies and pursue regulations on standards and norms for construction and materials, building codes, fire retardant treatments, and quality controls in support of departmental activities.

Research and Development Division Objectives

15.46 As a new Division, Research and Development will support the efficient operation of all Divisions under the MWPW. It will play an important role for operational planning, procurement, assessments, support for the Director General to manage assets, and working with inter-ministry commissions for both rural and urban development. The Division's primary objectives are as follows.

- a) To ensure effective financial planning and budgeting through database management and control systems.
- b) To provide effective support for human resource assessments, capacity-building support materials, technical research, and project costing and management.
- c) To develop effective procurement processes including those for civil works equipment and services, to support initiatives under each of the technical Divisions.
- d) To provide the system processing methods and controls required for management of public works assets.
- e) To provide research support for, and liaison with, contractors and donors for development of technical standards of all public works activities.

Constraints, Problems and Issues

15.47 Legislation will remain a constraint until the integrated activities of the ministries and various commissions empower public works administration to regulation utilities and the various requirements for infrastructure development. As a new Division, R&D also has no explicit budget allocation and lacks facilities, laboratory equipment, and technical staff. It currently exists in name only and will evolve with the public works and infrastructure plans. Two additional points should be emphasised as follows.

- a) In order to launch the Division, staff members are needed but not yet authorised, to include a Civil Engineer and experienced Laboratory Technician.
- b) The Division also will require a research workshop to design and create pilot construction projects for the technical Divisions, and a laboratory for material and construction testing. These are special-use facilities that may only be possible through donor support or outsourcing in the short term.

Research and Development Division Strategies

15.48 The Division will form a commission with representatives from academia, the Architect Association, Civil Engineering Association, Builders Association, Tradesmen Association, and selected NGO's to review legislation and various models of technical standards required in

public works. These will include, for example, a draft Building Code prepared by the State Government of Victoria for East Timor, feasibility for a variety of international standards for adaptation in East Timor, and roadway and flood district construction standards modelled on other Southeast Asian nations.

15.49 The Division will work closely with meteorology and utilise data from the GIS to support infrastructure research and planning, and pursue private consultants and contractors to design, test, and facilitate appropriate project proposals for materials, construction, and maintenance operations. The Division will essentially be a planning, research, and oversight function for the next several years, and in the long term, perform similar roles with greater technical participation as laboratories, staff capacity, and facilities evolve.

15.50 With limited funding and high demand for services, the Division will rely on external private consultants and experts, seeking external funding for assessment and research projects apart from the recurrent budget or support through the ODG. Specific requests for research and development intervention from technical Divisions will be supported through the requesting directorate.

Research and Development Division Programs and Projects

15.51 As a new Division without specific authorisation for portfolio development, the planners have put forward two programs with only illustrative projects that should be expanded significantly once empowered to pursue activities. All program and project initiatives are supporting endeavours for the entire public works department.

Program 1: Development of Appropriate Technology

15.52 Concurrent with legislation and regulations on housing and construction standards, urban and rural planning, town and community development, and the various projects under roads and maintenance programs, Research & Development programs are essential to identify the best and most appropriate technologies for East Timor. This is a challenge in terms of the topography and climatic conditions.

Projects

- a) Research on Bamboo Materials for Housing and Construction
- b) Research on Concrete, Blocks, and Natural Materials
- c) Assessments on Composites
- d) Research on Alternative Building Materials and Designs
- e) Technical Assistance for Adaptation of International Recognised Building and Construction Methods, and for Known Road and Bridge Designs

Program 2: Material and Construction Testing

15.53 This program has essentially one focus, which is to support technology research and the requests from any other Division for controlled laboratory testing. This would extend to natural and manmade materials, and to prototype fabrications. Testing would represent quality control, stress factors, endurance characteristics, water retention factors, fire retardants, and many other physical considerations for public works activities. As the new Division begins, operations are expected to be basic and restricted to priority public works efforts. These activities will also be

constrained until the scientific and technology knowledge is available to conduct more sophisticated procedures. Initial projects are proposed below:

Projects

- a) Construction material stress and utilisation testing
- b) Alternative materials testing for strength, durability, and fire safety
- c) Environmental Assessments for Potential Toxicity and Threats to Public Health

Table 15.5: Research and Development Performance Indicators

Objectives	Performance Indicators
1. Ensure effective financial planning and budgeting with database management	<ul style="list-style-type: none"> • Administrative systems and databases tested and effective
2. Support for human resource assessments, capacity-building support materials, research for technical criteria, and project costing and management models	<ul style="list-style-type: none"> • Assessment models in use and effective • 100% on time provision of solicited research • Project costing model completed
3. Develop effective procurement processes for civil works equipment and services, to support initiatives under each of the technical Divisions	<ul style="list-style-type: none"> • Database procurement system effective • 100% of on-time procurement requests • Reduction in backlog for logistics • 100% sourcing for technical Divisions
4. Provide the systems processing methods and controls required for management of public works assets	<ul style="list-style-type: none"> • Building codes and standards implemented • 100% compliance of codes and standards • Construction standards implemented • 100% compliance for public works
5. Research support and liaison with contractors and donors for development of technical standards of all public works activities	<ul style="list-style-type: none"> • Material testing laboratory established • Alternative technologies models researched • Donor liaison office established • Reliable contractor process established

DIVISION OF ENERGY (MINISTRY OF ECONOMIC AFFAIRS & PLANNING)

15.54 The Division of Energy is maintained as a separate functional directorate under the MEAD, and it essentially consists of the electric power generating authority for East Timor. The power authority was created under the UN and transition government, and the Division of Energy represents the administrative linkage for official development of public power capacity. The power authority itself, EDTL has been established as a state-owned enterprise, required to be financially autonomous, recovering its costs of operation and investment from electricity charges. Currently EDTL is jointly operated as a semi-autonomous authority with UN support and joint management.

15.55 EDTL is receiving a high level of subsidy and having difficulty in progressing towards its target of financial self-sufficiency. Authorities have been unable to establish an effective rate structure, many users are not metered, and the metering system is not reliable. Those problems are complicated further by difficulty in collecting tariffs, illegal bypassing or system tampering, and the reluctance to cut off power to users or block power utilisation. Demand for electricity exceeds supply and will continue to rise more rapidly than new supply can be provided under current operating capabilities. Also, the installation of effective metering systems and a comparable system of effective maintenance and expansion must be addressed. Finally, essential improvements are needed to manage the power sector, enforce an effective collection regime, provide accountability for procurement of source fuels and supplies.

DIVISION OF ENERGY OBJECTIVES

15.56 The Division of Energy has expanded the vision statement to include a mandate to create and maintain reliable and affordable power supplies. Ultimately, the power authority will meet the needs for electricity throughout East Timor, thus supporting economic productivity and quality of life for all citizens, and pursue indigenous resources to displace imported fuels. This is a long-term objective. In the near term, the Division will focus on development in Dili and key population or industry development areas at the lowest possible cost to consumers. Objectives include the following

- a) To ensure an enabling legal and regulatory environment for an autonomous power authority accountable for resource management and national power provisions.
- b) To sharply reduce subsidies to the power sector to a sustainable level through introduction of equitable but universal user charges for electricity.
- c) To establish a transparent and auditable system of procurement and supply utilisation with effective cost-recovery planning and development oversight.
- d) To develop a self-sufficient management capacity for the power sector.
- e) To complete installation of effective metering systems and provide for security of those systems in Dili, and as power systems expand, to district users.
- f) To develop national self-reliance in power generation by exploiting indigenous energy resources such as natural gas, solar, and hydro as economically feasible.
- g) To ensure coordination among government, donor, and private sector interests for expenditures on power development over long-term planning horizons.

DIVISION OF ENERGY CONSTRAINTS, PROBLEMS AND ISSUES

15.57 Many of the current constraints facing the sector are reflected in the objectives the Division hopes to achieve over the planning period, but most notable are funding requirements for all capital improvements and the high cost of recurrent maintenance and human resources. Without legal empowerment, no agency of government can pursue meaningful initiatives. Particular points to consider are as follows.

- a) **Operational limitations.** High and unsustainable subsidies to the sector will continue to retard capital development and threaten future programs of maintenance and capital expansion that rely on predictable levels of income generated equitably from end-user tariffs. These problems will continue to hamper service capabilities and the provision of reliable electricity services.
- b) **Management.** The Division is capable of its existing oversight responsibilities, but does not have the technical depth for strategic power planning or for pursuing alternative forms of power generation. Capacity development is essential, and within the near term, indigenous staff must be able to supplant the technical expertise of existing donor and UN supported positions.
- c) **Power generation technology.** There is no medium- or long-term power system development planning framework that captures the technical or capital asset requirements for a viable electric power generating capability. Further, there is an assumption of public sector (state-owned) power resources without consideration of benefits that could be achieved by private sector investment or BOT development under long-term contracts.

DIVISION OF ENERGY STRATEGIES

15.58 The Division of Energy will pursue a strategy of providing power capacity through quality systems of physical distribution and reliable delivery services. This will require a staged process of development, initiated through empowering legislation that enables an autonomous EDTL to fully function, and consequently, to be fully accountable. A comprehensive legislative framework is needed that will be pursued under a high-level steering committee, assuring public and private participation, to include appropriate donors and transitional interests, and to protect the national interests of homeland security which vitally depends on reliable power capabilities.

15.59 Recognising that in the near term neither the Division nor the government can meet the demand of power development, the Division will prepare feasible outlines for medium and long term plans for current and future government, and for existing and potential donors who support East Timor's efforts. In every instance, consideration will be given to the potential to involve private sector interests in power sector development, investments, and new initiatives for electric generation and distribution.

15.60 During the planning period, and perhaps well into the future, the Division will pursue initiatives that explore alternative forms of electric power generation, such as using gas resources, hydropower, solar energy, or perhaps another form or combination of fuels. Progress rests heavily on the ability of the power authority to reach the poorer regions and more distant districts to support agricultural and industrial development.

15.61 The Division will seek the means to legally enforce revenue collection from consumers, and the systems to support a fair and impartial process. In addition, the Division will study the potential for models of differentiated rates that would assist the most needy households,

providing small and rural enterprises with power access, and that can moderate severe disparities in power utilisation. Regulations will be implemented to resolve non-payment, disconnect procedures, and illegal tampering.

DIVISION OF ENERGY PROGRAMS AND PROJECTS

15.62 The Division has one focal concern of supplying reliable and sufficient electric power to the nation. Assuming the current structure of EDTL, that overarching requirement will be accomplished through three programs, each with projects or activities to be completed in the short or medium term within the planning mandate.

Program 1: Institutional Development

15.63 Institutional development is concerned with organising services and management of sector's activities. It is also concerned with planning for transition to a quasi-public or autonomous agency operated by contract or through a regulatory body.

Projects

- a) Final Comprehensive Legislation for an Autonomous Power Authority
- b) Investment Framework for Management of Power Infrastructure
- c) Formalise Steering Committee and Board of Directors for EDTL
- d) Develop Manpower Structure for National and District or Rural Power Stations
- e) Power Sector Assessment for Long-Term Private Ownership or Management

Program 2: Improvement of Services

15.64 Operational challenges must be met through a series of projects with attention to internal services administration and maintenance of assets. In addition, the sector is concerned with medium-to-long term expansion, staffing, and support services.

Projects

- a) PMU Coordination for TFET-funded Operational Services
- b) Amend and Implement Tariff Directive for Effective Enforcement Activities
- c) Electricity Meters Installation and Repairs in Dili
- d) Public Relations to Strengthen Enforcement of Non-payment and Vandalism
- e) Administrative Handover and Systems Transfer at Comoro Power Station
- f) Computer Systems and Information Technology Upgrade
- g) District and User-based Cost Assessment and Consumer Survey
- h) National Power Development Plan for Energy Resources and Services
- i) Capital Development Plan for Rural and Disadvantaged Support Systems

- j) Investment or Donor-supported Plans and Proposals for Rural Development, Social Priority Programs, and Intervention for Poverty Reduction Programs

Program 3: Capacity Building

15.65 Capacity building will occur on two levels. First, projects will be directed toward enhancing existing service capabilities and training local staff. Second, the EDTL will pursue recruitment and appropriate donor-supported technical assistance.

Projects

- a) Establish a Long-term Manpower Plan for District and Rural Development
- b) Revise Existing Salary and Wage Structures within the Existing System
- c) Recruit Locally and Train for Positions, including District Expansion
- d) International Mentoring for Management & Technical Staff Development
- e) Technical Team Job Development and Power Management Specialists

Table 15.6 Division of Energy Performance Indicators

Objectives	Performance Indicators
1. Sharply reduce subsidies to the power sector to a sustainable level	<ul style="list-style-type: none"> • Reduced percentage of subsidies to budget • Increased collection rates and enforcement • Percent of budget self-generated
2. Establish a transparent and auditable system of procurement and supply utilisation with cost-recovery planning	<ul style="list-style-type: none"> • 100% audit and procurement tracking • Increased rate of cost-recovery from users
3. Develop a self-sufficient management capacity for the power sector with demonstrated power capacity and services	<ul style="list-style-type: none"> • 100% staffed with qualified technicians • Percent of distribution system as planned • Hours per day of public power supply in each power centre served
4. Complete installation of metering systems and provide for security of those systems in Dili, and as power systems expand, to district users	<ul style="list-style-type: none"> • 100% of business, public buildings, and registered household with meters • 100% of users officially subscribed in Dili and district capitals
5. Develop national self-reliance in power generation by exploiting indigenous energy resources such as natural gas, solar, and hydro	<ul style="list-style-type: none"> • Percent economically-viable indigenous energy sources in total generation mix • Assessed appropriate alternative power generation in all districts
6. Ensure coordination among government, donor, and private sector interests for expenditures on power sector development	<ul style="list-style-type: none"> • Percent invested by private sector and percent by public sector on capital assets • 100% target achieved for capital asset development

DEPARTMENT OF COMMUNICATIONS AND TRANSPORT

15.66 The ODG manages five directorates that comprise the infrastructure sector responsibilities under the Minister of Communications and Transport. These directorates (Divisions) are addressed individually in following sections. Overall, the Department fulfils a senior management and coordination role to support all five Divisions, specifically in respect of capacity building, legislation and regulations, and support for recruitment, procurement, and external liaisons. This represents internal services with managerial responsibilities that follow below.

- a) To ensure development of infrastructure services through the Divisions for land, air and sea transport, telecommunications, postal services, and meteorology.
- b) To create sustainable conditions for support of private sector development and public sector initiatives among all constituent ministries.
- c) To provide focal support for generating an enabling environment of legislation and regulation required for operational mandates throughout the ministry.
- d) To promote employment opportunities through effective management of this ministry's directorates.
- e) To coordinate and support efforts to develop technical specialisation and knowledge within the Divisions and through the ODG.

DIVISION OF LAND TRANSPORTATION

15.67 The Division of Land Transportation is the official body for vehicle registration and vehicular traffic regulation. Its responsibilities include vehicle registration, vehicle inspections, issuance of number plates, foreign and domestic vehicle documents, conduct driving examinations, issue driving licenses, and maintain inventories of public and private transport vehicles.

Division of Land Transportation Objectives

15.68 The Division is a "service" function under a regulatory regime, and as such, is significantly understaffed. Staff are capable but not well-educated nor well-trained, and consequently, even after reorganisation, the Division faces substantial capacity building and recruitment challenges. The Division has focal objectives related to its service mandate and the specific activities of land and vehicle regulation as follows.

- a) To create the service infrastructure with competent and sufficient staff to support the growing demand for land transport services.
- b) To create sustainable regulatory processes for ensuring safe vehicular utilisation, effective traffic control, and appropriate licensing and registration of all vehicles.
- c) To coordinate service requirements with those of road building, urban and rural roadway construction, and infrastructure systems that can achieve the national objectives of economic growth and poverty reduction.

- d) To resolve the problem of saturation of major road arteries through improved accessibility for outlying and remote population areas.
- e) To reduce import dependence on oil by using alternative public transport and improving energy efficiencies of vehicles permitted to register in East Timor.
- f) To provide employment opportunities within the Division through effective job development and capacity building programs.
- g) To pursue optimal models of regulation and technical knowledge from established and comparable land transportation systems, incorporating these into East Timor.
- h) To implement a national public safety program for driving and maintaining all road vehicles through driver awareness campaigns and public information services.
- i) To formulate regulations with traffic and vehicular rules governing safe and legal vehicle operation, and enforcement capabilities with appropriate penalties.
- j) To establish an effective policy for public transportation fees and charges, and a retention fund for these revenues for enhanced public transportation.

Constraints, Problems and Issues

15.69 The Division faces several constraints that cannot be easily resolved, and several challenging problems to address. These are not within the unilateral control of the Division or the ministry, but require joint efforts by several government agencies, with technical support and assistance. The following points should be considered.

- a) **Physical infrastructure.** Physical disparities of road development exist, and there are remote pockets of population without vehicles, trucks, or farm equipment. With the Division centralised in Dili, there is little capability of reaching isolated districts (e.g., Viqueque and Oecussi). The physical infrastructure of roads and bridges will not reach into remote areas soon.
- b) **Traffic systems.** Physical infrastructure will restrain service such as effective street markings, intersection traffic control systems, signage, and resolution of commercial traffic in congested areas. This is particularly acute in Dili where port traffic is situated in the centre of the capital, and there is no organised public bus transportation terminal or organisation of routes.
- c) **Control and regulation issues.** Not all vehicles are registered and there is no vehicle inspection or safety control facility. These are minor requirements, yet crucial to meeting objectives such as controlling emission standards, improving safe urban and rural road utilisation, and regulating safe driving practices. These constraints also prevent the Division from controlling contraband vehicles, ensuring public safety, and providing reliable public transportation.
- d) **Funding and revenue diseconomies.** Individual modes of transport do not always pay for their costs, and cost-effective modes of public transport are available only in selective high-density areas. This leads to dysfunction of the internal market and distorts competition within the transport system.

Division of Transportation Strategies

15.70 The Division will pursue a comprehensive and integrated national transport planning system to ensure efficiency and competitiveness of land transport providers and users. This will require inter-agency and multi-Divisional efforts with the Department of Public Works and both air and sea transport planners. Ultimately, this is a strategy of optimising scarce infrastructure development funds to generate an integrated transportation system that can be sustained on a national scale.

15.71 An integrated transport policy will include urban and land-use planning policies that can encourage innovative approaches to congestion, unsafe roads, and better public transport. The Division will pursue initiatives, such as improving mobility caused by unbalanced public transport routes between home and work and long-term social and education changes such as staggered working hours in congested areas, alternative school hours to avoid overcrowded roads, and school bussing when it becomes feasible. The Division will also pursue alternative means of commercial transport, such as promoting both public and private sector development of coastal sea and inland waterway shipping and off-peak commercial road traffic.

15.72 The Division will focus heavily on improving road safety. Road accident victims and subsequent human and material costs cannot be calculated. The Division will seek to create the capacity within its ranks to realistically assess accident rates and costs, and then strive to reduce those costs and incidents over the ensuing years. This will be part of a strategic of public safety awareness and information campaigns.

Division of Transportation Programs and Projects

15.73 The Division programs are concerned with three general issues: institutional and staff development, traffic management, and vehicular regulation and safety. Each of these are bound up with priorities under road, bridge, and flood control activities.

Program 1: Institutional and Staff Development

15.74 This program focuses on internal administrative functions and effectiveness of staff in Dili and the districts for vehicular services and traffic management.

Projects

- a) Legislation in Urban and Rural Road and Vehicle Utilisation
- b) Regulations for Vehicle Registration, Inspections, and Traffic Enforcement
- c) Recruiting and Training, Technical Capacity for Vehicle Inspection and Safety
- d) Capital Improvements, Equipment, and Vehicles

Program 2: Traffic Management

15.75 Traffic management includes operations for traffic planning, urban saturation issues, coordinated road and bridge projects, and environment protection.

Projects

- a) Street and Road Planning for Urban and District Capitals

- b) Urban Signage and Road Network Traffic Mapping
- c) Procedures for Emergency or Disaster Traffic Routing
- d) Saturation Assessments and Coordination for Port Services
- e) Environmental Standards for Vehicle Fuel, with Regulations on Emissions

Program 3: Vehicular Regulation and Safety

15.76 This program represents on-going activities more than projects that will ensure public safety, reduce accidents, and generally enhance all vehicle operations.

Projects

- a) Accident and Traffic Incident Studies
- b) Accident Prevention and Auto Safety Inspection Initiatives
- c) Public Awareness Campaign on Safe Driving
- d) School Programs on Vehicle and Pedestrian Traffic Safety

Table 15.7: Division of Land Transport Performance Indicators

Objectives	Performance Indicators
1. Create the service infrastructure with competent and sufficient staff to support the growing demand for land transport services	<ul style="list-style-type: none"> • 100% of basic law completed by 2003 • 100% staffing levels achieved and sustained • Regulations and enforcement implemented
2. Create sustainable regulatory processes for ensuring safe vehicular utilisation, traffic control, and licensing and registration of all vehicles	<ul style="list-style-type: none"> • 60% of sector policies defined in 2002 • 100% of policies implemented by 2003 • Traffic control supervision 100% by 2004 • National licensing 100% by 2003 • Traffic plans completed with Roads Division
3. Coordinate service requirements with those of road building, urban and rural roadway construction, and infrastructure systems	<ul style="list-style-type: none"> • Signage and traffic control in Dili completed • Roadway hazard rural signage completed
4. Resolve the problem of saturation of major road arteries through improved accessibility for outlying and remote population areas	<ul style="list-style-type: none"> • Integrated road/port access plan by 2003 • Vehicle load/road-use requirements by 2003 • Percent of nation with access to safe roads • Reduced travel time to clinics and schools

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|---|---|
| 5. Reduce import dependence on oil by using alternative public transport and improving vehicle energy efficiencies | <ul style="list-style-type: none"> • Improved bus and public conveyances • Reduced emissions with new standards for vehicle inspection and licensing |
| 6. Provide employment opportunities through effective job development and capacity building programs | <ul style="list-style-type: none"> • Increased local district & rural staff • 100% training coverage for all staff in relevant technical areas |
| 7. Establish optimal models of regulation and technical knowledge from established and comparable land transportation systems | <ul style="list-style-type: none"> • Plans and models from regional nations acquired and compatibility approved • Compliance with international standards for road and traffic safety |
| 8. Implement a national public safety program for driving and maintaining all transport vehicles by creating driver awareness campaigns | <ul style="list-style-type: none"> • 100% of population with access to public safety regulations • 100% of schools with road safety and driving safety programs for relevant youth • Public media safety campaign instituted |
| 9. Formulate regulations for traffic and vehicular rules governing safe legal vehicle operation, and enforcement | <ul style="list-style-type: none"> • Assessment process for accidents and traffic incidents implemented • Reduced accident and traffic incident rates |
| 10. Establish an effective policy for public transportation fees and charges, and a retention fund for these revenues | <ul style="list-style-type: none"> • Affordable public transport fees established • Rural system for public transport and fees • Fund established for retention and road use fees, public transport revenues |
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DIVISION OF SEA TRANSPORTATION

15.77 The Division of Sea Transportation is the administrative authority for port, dockside, and waterway development. With UN support, the war-related damage has been the highest priority, yet the port authority is entering this first national planning period with only rudimentary facilities, a weak legal mandate for regulation of port and shipping activities, and a slim profile of experienced technical staff. Port progress has occurred primarily through the Emergency Infrastructure Rehabilitation Project implemented under TFET funding, and bilateral funding from Japan.

15.78 Significant rehabilitation work is ongoing to repair existing wharf facilities, extend the container terminal, pave loading and storage areas, provide security walls, improve expediting systems, and train select staff members. However, port and sea shipping regulations have not been prepared, tariffs remain in question, and there are concerns regarding coastal environmental and port protection, safety, access and traffic patterns of port container services, and administration of the Division.

Division of Sea Transportation Objectives

15.79 The Division has enthusiastic objectives. Some reflect projects and existing activities that are donor-funded or under bilateral assistance. Others focus on institutional development and capacity building in maritime law and procedure. These objectives are as follows.

- a) To develop a code of commercial maritime law.
- b) To conclude ratification procedures on behalf of East Timor for principal maritime conventions on maritime safety and maritime transport.
- c) To achieve ratification on behalf of East Timor of the United Nations Convention on the Law of the Sea.
- d) To establish a registry of shipping for East Timor.
- e) To establish a modern system of port taxes and tariffs with effective enforcement capabilities that preclude contraband and corruption.
- f) To pursue enactment of the law on public maritime domain in conjunction with the MEAD, and with the MoJ.
- g) To establish a public passenger sea transport service between Dili and Atauro, and between Dili and Oecussi.
- h) To create a plan and institute a policy for regulation of national coastal traffic.
- i) To achieve a national capacity for essential survey & inspection procedures, and thereon, for certifications regarding ship conditions, materials safety, and hazards.
- j) To train and develop East Timorese in special maritime studies abroad.
- k) To improve port container and bulk handling while reducing congestion at Dili.
- l) To provide the facilities and services required to situate the Naval Defence Force at the Port of Hera in concert with the government's priorities.
- m) To complete current projects and rehabilitation activities on schedule with Japanese bilateral and multilateral assistance.
- n) To assess and subsequently implement an effective system of fire prevention and both port and maritime fire and damage control.

Constraints, Problems and Issues

15.80 The Division of Sea Transportation faces similar constraints to all other Divisions concerning inadequate funding and insufficient human resources. There is an urgent need for staff recruitment and training to provide the Division with highly skilled technical and maritime specialists, which are now temporary provided by UNTAET. In addition, the port is entirely reliant on private and foreign-owned companies for cargo portage and handling. What access there is to domestic equipment is largely supported through UNTAET assistance. In effect, East Timor has little cargo support capability. This is further complicated by limited telephone and information systems.

15.81 The Port of Dili has basic ship-to-shore communications, but with limited range and inadequate security. This reflects a general lack of service infrastructure, which includes the lack of effective port security, fire-fighting capabilities, handling of hazardous materials, and maritime and port safety procedures.

Division of Sea Transportation Strategies

15.82 The Division will initially concentrate on institutional development creating the legislative framework for an effective maritime authority. Development of principal port legislation includes creation of a public institute “Administration of the Ports of East Timor, IP” with respective statutes. This must reflect an appropriate administrative structure for the Ports Authority of East Timor and Maritime Administration.

15.83 The Division will manage planning, project design, and tendering for competitive private sector development of port facilities, coordinate port services, and implement development plans for expanded port operations, including viable fire fighting and marine rescue operations at Dili, and expand services to secondary ports. Establishing a Shipping Registry will be critical to port control.

15.84 Strategic development will occur in phases, first with completion of rehabilitation projects and bilateral assistance projects. During this early development phase basic port services at the ports of Suai and Oecussi will be initiated, followed by those at Caravel and Com. Development of regional ports will be linked to the maritime coastal transport system to be implemented over a period of four years. Recruitment and capacity building for human resource maritime skills will be essential for providing new public services, designing development projects, and administering shipping and commercial sea transport systems, and to replace UNTAET staff.

Division of Sea Transportation Programs and Projects

15.85 The Division is concerned with port development and sea transport as projects rather than programs. Projects are described under program headings for clarity.

Program 1: Institutional Development

15.86 East Timor must develop the legal framework for a port authority with the regulatory capability of shipping, registry, and inspections. There also is a requirement for effective administration and ship-to-shore communications with qualified staff.

Projects

- a) Develop a Code of Commercial Maritime Law
- b) Ratification of Maritime Conventions on Safety and Transport
- c) Ratification of United Nations Convention on the Law of the Sea.
- d) Establishment of a Registry of Shipping
- e) Enactment of Law on Public Maritime Domain
- f) Policy for Regulation of Coastal Traffic
- g) Survey & Inspection Procedures, Certifications on Material Safety and Hazards

Program 2: Port Rehabilitation and Development

15.87 Existing projects focus on rehabilitation under recurrent and bilateral funding. These and proposed projects are concerned with rebuilding, security, and facilities.

Projects

- a) Dili Port Operations
- b) Container Handling and Storage Enhancement
- c) Dili Port Emergency Infrastructure Rehabilitation Project
- d) Japanese Assistance Project for Facilities and Port Improvements Dili
- e) Oecussi Passenger Ferry Operation
- f) Rehabilitation of Secondary Ports

Program 3: Port Services

15.88 Many new services are needed for docking, loading, and expediting, but most are in planning stages. Several projects for required services are proposed here.

Projects

- a) Port Taxes and Tariffs Project
- b) Security Enforcement to Preclude Contraband and Corruption
- c) Port Planning for Strategic Passenger and Cargo Services
- d) Distribution and Land Route Congestion at the Port of Dili
- e) Public passenger sea transport, Dili and Atauro, and Dili and Oecussi
- f) Naval Defence Force at the Port of Hera

Program 4: Capacity Building

14.88 Staff management and technical capabilities are necessary to attain the service levels required. Several projects are in progress and several are proposed.

Projects

- a) Technical Port Management and Maritime Administrative Studies Abroad
- b) Staff Training and Development in Safety and Fire Fighting
- c) Assistance Programs for Training and Standards on Hazardous Materials, Shipboard Safety, Inspections, and Disaster Procedures

Table 15.8: Division of Sea Transport Performance Indicators

Objectives	Performance Indicators
1. Develop commercial maritime law	<ul style="list-style-type: none">• Code completed by 2003
2. Ratification procedures for principal maritime conventions on maritime safety and maritime transport	<ul style="list-style-type: none">• Ratification achieved by 2003• Conventions on safety implemented by 2003
3. Ratification of the United Nations Convention on the Law of the Sea.	<ul style="list-style-type: none">• Ratification achieved by end of 2002• Conventions promulgated by end of 2002
4. Establish a registry of shipping	<ul style="list-style-type: none">• Registry completed by end of 2002
5. Establish a modern system of port taxes and tariffs with effective enforcement capabilities that preclude contraband and corruption	<ul style="list-style-type: none">• System approved and implemented by end of 2002• Enforcement staff and control systems in place by 2003
6. Enactment of the law on public maritime domain in conjunction with the MOE&P and MOJ	<ul style="list-style-type: none">• Joint regulations by end of 2002• Enforcement procedures enacted and Published by 2003
7. Establish passenger sea transport service between Dili and Atauro, and between Dili and Oecussi	<ul style="list-style-type: none">• Dili to Atauro service established by 2003• Dili to Oecussi service established by 2003
8. Plan and institute a policy for regulation of national coastal traffic	<ul style="list-style-type: none">• Plan drafted by end of 2002• Plan for total coastal traffic instituted in 2003
9. Achieve a national capacity for survey & inspection procedures, and certifications for ship conditions, materials safety, and hazards	<ul style="list-style-type: none">• Ship survey & inspection regulations passed• Inspection staff recruited or contracted 2003• Materials safety inspection system 2003• Hazardous handling systems in place 2003
10. Achieve access to proper training and development for Timorese in special maritime studies abroad	<ul style="list-style-type: none">• 100% of human resources required for technical port operations educated and certified by 2004
11. Improve port container and bulk handling while reducing	<ul style="list-style-type: none">• 100% of regional ports operational by 2005

congestion problems at the Port of Dili	<ul style="list-style-type: none"> • Dili port congestion resolved by 2003 • Container port handling improved by 50%
12. Situate Naval Defence Force at Hera	<ul style="list-style-type: none"> • Comply with defence requirements by 2003
13. Complete current projects and rehabilitation activities on schedule with Japanese bilateral and multilateral assistance	<ul style="list-style-type: none"> • Projects completed on time and in budget • 90% rehabilitation by 2004, 100% by 2005 • Land infrastructure at Dili completed 2003 • Tibar, Hera, Sufi repairs completed 2003 • Ports of Com and Oecussi remodelled 2004
14. Assess and implement an effective system of fire prevention and both port and maritime fire and damage control	<ul style="list-style-type: none"> • Assessment completed by end of 2002 • Port of Dili fire and emergency systems to international standards by 2003 • Secondary fire and emergency systems 2004

DIVISION OF CIVIL AVIATION

15.90 Nine airfields in East Timor were constructed during the Portuguese era, but with no history of a national air carrier or infrastructure for air hub cargo or maintenance capabilities. Reconstruction has focused on the Comoro Airport and development of safety operations for passengers and cargo. Baucau and Suai airports are also under rehabilitation. The Division's main development objectives in the near-term are to complete rehabilitation and to implement staff training programs.

15.91 Pacific Architecture Engineering operates two airports outside Dili under the UN in Baucau and Suai. Airports in Oecussi, Los Palos, Viqueque and Maliana are operated by UNTAET. An Airport Master Plan is being developed for each airport, and together with the transition, this will provide a compliance structure for an international standard accounting system within an East Timor Civil Aviation Authority.

15.92 Legislation is in draft form on basic Aviation Law and expected to be finalised and enacted by the end of the year 2002. This will be the foundation for the organisation and structure of ETCA, which will then be able to maintain an official relationship with International Civil Aviation Organisation based on compliance with the Civil Aviation International Convention (Chicago Convention). However, the Division will be dependent on donor assistance with contracted services until 2004.

15.93 The transition to a competent and fully operational East Timor authority will require three general phases. The first is the current emphasis on rehabilitation and training. The second is concerned with expansion of facilities and transition toward a certified civil aviation authority.

And the third is the integrated development of air transport and cargo capabilities to sustain long-term growth.

Division of Civil Aviation Objectives

15.94 The Division's objectives extend the vision of the Civil Aviation authority, which is to attain excellence in aeronautical services, establish membership in the ICAO, and provide quality airports and air services. The Division's strategic objectives are:

- a) To attain a high standard of safe and efficient passenger service.
- b) To establish effective air cargo systems for international and national transport.
- c) To generate a reliable staff with qualifications required to ensure safe and effective airport operations comparable to the best airport facilities in the region.
- d) To establish the reliable and secure systems needed for an efficient mail and postal expediting hub and internal national postal support services.
- e) To establish an appropriate financial system that allows the civil aviation administration to recover its full costs of operation.
- f) To promote and maintain a favourable environment for development with confidence among the Division staff and throughout the integrated civil aviation structure.
- g) To provide the ground facilities required to support military air and land priorities.
- h) To support national development priorities and poverty reduction initiatives through indigenous staff recruitment, training, employment, and district services.

Constraints, Problems and Issues

15.95 The most serious constraint will continue to be the imbalance of supply and demand of airport operations. In order to achieve the level of quality and safety envisioned for airports, and subsequently to achieve the revenue levels required to sustain airport facilities and services, a "critical mass" is required for qualified staff and the operational infrastructure. Specifically, quality and safe service levels cannot be achieved incrementally but must be attained through substantial capital development.

15.96 There is a substantial market for air cargo if it can be cost-effective and efficient. There are no credible facilities for air cargo with scale economies to justify a profitable air cargo system at present, and the capital development of such a facility is well beyond funding capacity over the term of this planning period.

15.97 East Timor must become a cost-effective destination for tourist travel and international business development. Consequently, the main airport and key regional airports must achieve the quality and service efficiencies to support tourism and trade activities. At the same time, airport development will be significantly dependent on tourism and trade development. Neither can progress very quickly in isolation.

Division of Civil Aviation Strategies

15.98 The Division will pursue a three-stage strategy that begins with implementation of existing rehabilitation and training projects to achieve the basic operational structure required for

a civil aviation system. This will include passage of enabling legislation and drafting the regulations needed for quality, safety, and financial operations. A system of airport fees and appropriate service taxes will be introduced during this stage as the revenue base for operational cost recovery. The Division will seek bilateral agreements in the area of air transport with countries in the sub-region with the objective of establishing reciprocal legal arrangements for national operators.

15.99 The second phase will be strategic development of district airports, generating the critical mass for quality and safety needed for passenger and cargo services that can support internal trade, transport, and postal services. During this stage, it is anticipated that the Civil Aviation authority will attain membership in the ICAO and ratify necessary agreements for regional cooperation in air services.

15.100 The third stage will be an integrated strategy of commercial air services development with cooperative endeavours that include tourism, trade, business, cargo, and ground support development. Many of these linkages will be pursued at the outset of this planning period but can only be realistically initiated when the airport facilities and qualified staff operations have attained the “critical mass” required to participate.

Division of Civil Aviation Programs and Projects

15.101 Programs are focused on priority issues of Comoro Airport operations, rehabilitation, and support facilities. The East Timor Civil Aviation Authority is also concerned with institutional development as a sustained authority for passenger and cargo services.

Program 1: Institutional Development

15.102 Institutional development is concerned with legislative framework for an Aviation Law and transition from UN operational management to East Timor authorities. In addition, a structure of fees and assessment must be developed, and East Timor must establish regional and international relationships for air services.

Projects

- a) Enactment of Aviation Law
- b) Organisation and Structural Development for East Timor Civil Aviation Authority
- c) Regional Affairs for Air Service and Cargo
- d) Membership in the ICAO
- e) ICAO Compliance Regulations and Practices

Program 2: Comoro Airport Operations

15.103 This program provides for the safe and efficient operation of Comoro Airport in accordance with ICAO standards. With the approaching end to the Memorandum of Understanding, responsibility will shift from UNTAET and the Government of Portugal to an East Timor Civil Aviation Authority requiring changes in services, fees, facilities, administration, and safety.

Projects

- a) Comoro Runway Overlay Rehabilitation
- b) TFET Project 1 Comoro Runway Structural Evaluation
- c) Bilateral Project 1 Training/Supervising Staff for Comoro
- d) Multilateral Civil Aviation Authority assistance for Operations
- e) Air Traffic Control, Navigational Lighting, and Communications
- f) Airport Emergency Procedures, Fire Fighting Facilities
- g) Airport and Customs Security
- h) Infrastructure and Ground Maintenance
- i) Finance and Administrative Systems Development

Program 3: Improvement of National Services

15.104 A second phase of airport development late in the current planning period will build on core of services and capabilities at Comoro. District air services and cargo will continue to be privately contracted but expanded, including capacity development.

Projects

- a) Runway Development and Rehabilitation
- b) Directional Guidance and Navigation Support Systems
- c) Aircraft Maintenance and Support Facilities at Comoro and Regional Airports
- d) Fees and Tariffs on Cargo and Passenger Services
- e) Air Cargo and Postal Facilities
- f) National Plan for Air Routes and Private Support Facilities
- g) Communications, Air Controller Systems, and Emergency Procedures Systems
- h) Fire Prevention and Fire Fighting Systems

Program 4: Capacity Building

15.105 Substantial training and staff development has been taking place through bilateral projects and UNTAET/ETTA activities. Programs for continued training, specifically in highly technical areas and critical emergency situations, are only now in planning stages. The East Timor authority has been heavily reliant on donor and international assistance, which will continue to be necessary.

Projects

- a) Bilateral Project 1 Training & Supervising Staff
- b) Air Controller Training and Certification
- c) Emergency Services and Fire Fighting
- d) Administration and Airport Management
- e) Ground Maintenance

Table 15.9: Division of Civil Aviation Performance Indicators

Objectives	Performance Indicators
1. Attain a high standard of safe and efficient passenger service	<ul style="list-style-type: none"> • Maintain 100% incident and accident free air and ground operations • Join ICAO by year end 2002 • Compliance with ICAO Guidelines by 2003 • Civil aviation laws and regulations 100% enacted and approved by end of 2003
2. Establish effective air cargo systems for international and national transport	<ul style="list-style-type: none"> • 100% rehabilitation of Dili facilities by 2005 • 90% of cargo facilities renovation by 2002 • Create mobile off-loading and conveyer cargo and passenger systems by 2003
3. Generate a reliable staff with qualifications required to ensure safe and effective operations	<ul style="list-style-type: none"> • 80% of ground and CA staff recruited and trained by end of 2002 • 100% of staff hired and trained by end 2003
4. Establish the reliable and secure systems needed for efficient mail & postal expediting	<ul style="list-style-type: none"> • With Post Office, establish fully secure and efficient air mail and post by end of 2002 • Establish with Post Office and postal ministry fees for all postal handling and shipping by 2003
5. Establish an appropriate financial system that allows full cost recovery of operations	<ul style="list-style-type: none"> • System implemented database with donor support by 2003 • Fee structure and budgeted system by 2003

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| 6. Promote a favorable environment for development with confidence among the Division staff | <ul style="list-style-type: none"> • 80% of development studies completed 2002 • 100% of assessment developments by 2005 • 100% training for ICAO and Civil Aviation laws and regulations |
| 7. Provide ground facilities required for military air and land priorities | <ul style="list-style-type: none"> • Compliance with military requirements as specified and maintained |
| 8. Support national development priorities and poverty reduction initiatives through staff recruitment, training, employment, and air-assisted district services | <ul style="list-style-type: none"> • Public promotion and competition for main and secondary air service locations • Private contractor requirements for capable local hiring and training • Coordinated support program for air service to rural airports and access to population |
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TELECOMMUNICATIONS (SUB-SECTOR TO DIVISION OF TELECOMMUNICATIONS AND POST)

15.106 Telecommunications represents a part of the Division of Telecommunications and Post, and is treated here as a sub-sector (postal services are treated separately below). Like most ground-based telephonic communication systems, there are five components to manage: buildings and exchange facilities; technical operating systems; external transmission networks including towers, wires, and reception equipment; installation and maintenance equipment; and administrative services. The existing system began post-1999 with 60-to-90 percent of all physical telecommunications infrastructure severely damaged or destroyed; less than 10 percent was maintained well enough to be put into service with severe staff shortages.

15.107 Today public services are provided through an Australian telecommunications company under a short-term contract subject to renewal. Most telephone services are mobile, although a limited land line network has been installed. UNTAET maintains its own stand-alone system that may be withdrawn as the UN mandate expires. The main challenge facing the telecommunications sector is to provide basic services to all districts and thereby ensure realistic access to telecommunications for all citizens.

Telecommunications Objectives

15.108 Although early transition efforts have focused on rehabilitation projects, the extent of damage often has meant starting from scratch to rebuild capacity with the communications support needed for the country to operate at a very basic level. Attention will now be directed toward legislative initiatives, investments, and expanded operations, which reflect the main objectives for the planning period. These are:

- a) To complete ongoing restoration projects of telecommunications infrastructure and culminate the transition training and development programs.

- b) To initiate currently planned projects for controlling radio frequency electro-magnetic emissions in the country and other functions of the Communications Regulatory Authority.
- c) To attain by mid-2003 the implementation of a telecommunications network with the capacity to satisfy the minimum telecommunication needs of the nation.
- d) To extend basic telecommunication services to all districts by the end of 2004.
- e) To promote the formation a sufficient number of Internet Service Providers to realistically serve all of East Timor by the end of 2002.
- f) To create a regulatory and fiscal authority, the Communications Regulatory Authority for control of radio frequency electro-magnetic emissions and standards.
- g) To build capacity to the level of self-sufficient management and technical operational control by the end of 2003.
- h) To complete legislative guidelines and operating standards for telecommunications by the end of 2002, and to obtain approval for national implementation thereon.
- i) To pursue capacity building and recruitment programs that ensure the sector has well-qualified staff in telecommunications and information technology.
- j) To institute a supervisory and coordination process for district operators and service technicians.

Constraints, Problems and Issues

15.109 Telecommunications is a capital-intensive industry and will require high levels of investment to finance the development of infrastructure. As with other sectors, the sector faces human resource shortages and attention to capacity development. Perhaps the most important consideration is the topology of East Timor that poses major constraints on land-based tower-and-wire development.

15.110 Under current operating constraints and the realities of funding, staff capabilities, and potential support from international donors, incremental development of land-based wire telephone systems and current-generation PABX systems may be the only option. This should not prevent the sector (and the donor community) from considering the cost-benefit trade-off of pursuing the latest technological systems.

Telecommunications Strategies

15.111 The highest priority after current rehabilitation projects are completed is to establish the legislative framework for regulating telecommunications. The Division will pursue laws and operating regulations to become an autonomous agency in terms of self-financing, and in the long-term, create an impact fund capital development.

15.112 The sector can achieve its objectives best through a BOT contract with an experienced major private international company. This would entail contracting with government backing with a 20-25 year amortisation and BOT completion horizon. This would permit state-of-the-art telecommunications development from the start of the contract, consistent and thorough training of local technicians and administrative staff, and a full transparent telecommunication system with rapid capital development. Under the BOT contractor, optimal use of local human and

material resources would be realised with a final “handing over of keys” to an already-competent staff. This strategic approach would fully meet the component parts of a domestic strategy that would address all five aspects of telecommunications.

15.113 If a BOT strategy cannot be implemented, the Division must plan independent programs for each of the five components – buildings and exchange facilities, operational systems, external network infrastructure, equipment and maintenance, and staff capabilities. The Division will address these components within its programs.

Telecommunications Programs and Projects

15.114 The directorate has several program areas but few individually identified projects apart from overall operations. Two priorities stand out. The first is concerned with establishing the regulatory authority. The second is concerned with maintaining appropriate operational contracts until government can negotiate a major investment for private telecommunications development through a build-operate-transfer process.

Program 1: Regulation

15.115 The Communications Regulatory Authority will be fully established and empowered as the government regulator of all communications services in East Timor.

Projects

- a) Public and Private Policy Development
- b) Radio Frequency Electro-Magnetic Emissions and Standards
- c) Regulations Pertaining to Post and Internet

Program 2: Telecommunications Operations

15.116 The rehabilitation of national services will continue with systematic transition of assets and infrastructure services from UNTAET as East Timor progresses.

Projects

- a) Rehabilitation of Towers, Lines and Exchanges
- b) Capital Upgrade of Equipment and PABX
- c) Provision of Customer Service Centre
- d) Maintenance of Facilities and Transmission Distribution Systems

Program 3: Capacity Building

Projects

- a) Recruitment and Staff Training in Administrative Services
- b) District Operations Training and Staffing of Exchanges
- c) Maintenance Workshops and Skills Development

Table 15.10: Telecommunications Performance Indicators

Objectives	Performance Indicators
1. Complete ongoing restoration projects and culminate transition training and development programs	<ul style="list-style-type: none"> • 100% restoration of Dili infrastructure by 2003 • 50% of service to rural areas complete in 2003 • 100% of training initiatives completed by 2003
2. Initiate controls for radio frequency electro-magnetic emissions	<ul style="list-style-type: none"> • 100% completed projects by 2003
3. Implement a telecommunications network with the capacity to satisfy the minimum telecommunication needs of the nation	<ul style="list-style-type: none"> • Network implemented by July 2003 • Network districts and populated areas by 2004 • Install 75% of planned public telephone booths in capital by 2002, 100% by end of 2003 • 100% of rural telephone booths end of 2004
4. Extend basic telecommunication services to all districts by 2004	<ul style="list-style-type: none"> • Expansion of basic telecommunications services to all districts by end of 2004
5. Promote sufficient Internet Service Providers to serve all of East Timor	<ul style="list-style-type: none"> • Target coverage of all subscribers by 2004
6. Create a regulatory and fiscal authority, the Communications Regulatory Authority (CRA)	<ul style="list-style-type: none"> • Enabled and operational by end of 2002
7. Build capacity to the level of self-management, operational control	<ul style="list-style-type: none"> • Complete all Dili/district staff training by 2004 • Qualified maintenance staff recruited by 2004
8. Complete legislative guidelines and operating standards	<ul style="list-style-type: none"> • Complete slate of regulations by end of 2002 • Draft regulations for operation standards 2002
9. Pursue capacity building and recruitment programs	<ul style="list-style-type: none"> • Sector staff can meet self-sufficiency in information technology and telecom technical advancements
10. Institute a supervisory and coordination process for districts	<ul style="list-style-type: none"> • Implemented in district capitals by end of 2002 • 100% of urban/rural areas participate by 2003

POSTAL SERVICES (SUB-SECTOR TO DIVISION OF TELECOMMUNICATIONS AND POST)

15.117 Postal services are currently operating in eight districts following early transition support for reconstruction and bilateral assistance from Portugal. The remaining districts are serviced by road through infrequent routes by existing staff. A large part of the population has no

easy access to postal services, nor can they afford to use mail services. In Oecussi, an agency operates mail service in a UNTAET building, and the UN has supported airmail and government-related postal services.

15.118 Although governmental approval has been given for expanded district services, the regulations needed for postal services administration have not yet been developed. This plan is an early step to generate comprehensive postal services with enabling postal policies that provide efficient and affordable services to everyone.

Postal Services Objectives

- a) Repair the postal infrastructure to provide basic postal services within the current program framework for rehabilitation.
- b) Recruit, train and enable postal staff to be able to offer high quality services currently being developed and planned for long-term expansion.
- c) Increase the quality of postal service coverage, extending the range of service to communities that have not yet been incorporated to the postal map.
- d) Create community agencies with the objective of delivering to all a range of general services. These will be public-funded activities under the postal authority.
- e) Establish “peoples stores” as private, fee-based services in rural areas to provide postal contract systems coordinated with public works and other agencies for mail transactions, banking networks, and various forms of transfer payments.
- f) In the long term, pursue a postal financial intermediation process, and if approved and consistent with banking laws yet to be developed, provide various cash and demand accounts, payment capability, and certain approved lending.
- g) Initiate professional training and development to enhance human resource capacity among postal officers.
- h) Pursue alternatives for postal administration, including scenario plans for a fully private, quasi-governmental, and fully public postal service.

Constraints, Problems and Issues

15.119 The major constraints are those that face all other sectors, namely lack of funding to generate the capital improvements required for a national postal service, and insufficient human resources capable of administering the postal service or operating the district services. Virtually all other limitations stem from these two situations, including lack of equipment, unreliable service, poor (or no) access for much of the rural population, and the inability to support other government functions.

15.120 In the near term, and perhaps well into the future, development costs and the operating costs of maintaining district offices with decent access to postal services will far exceed revenues. A regime of rates must be competitive on an international scale, yet also be domestically modest so that a vast majority of citizens can afford to use the mail as its means of communication and various transactions.

Postal Services Strategies

15.121 Because postal services were nearly totally destroyed, it is necessary to gradually develop new services throughout the country. The strategy will be incremental development as the Division continues as a public postal authority. However, the Division will study alternatives for private postal services or a quasi-governmental agency through joint-contractual agreements.

15.122 The first phase of development will be carried out with the support and financing of CTT-Correios of Portugal, allowing the re-establishment of postal flows and the creation of postal centres in Dili, Baucau, and Oecussi. During this stage (through 2003), a central national postal sorting and forwarding office will be established. During phase two (through 2007), the challenge will be to widen postal services, branching out from the district capitals to realistically provide access to all areas of the population. Access will still be limited for many rural households, but the aim is to at least provide access through small agencies or private service points.

15.123 Clearly, a priority will be to develop proposals for bilateral or multilateral assistance with essential capital improvements and with capacity development and human resources. In addition, the Division will seek technical assistance to develop planning scenarios for privatisation of postal services or a quasi-government agency.

Postal Services Programs and Projects

15.124 The Postal sector has three program areas, each with several projects that require resources and support activities throughout the five-year planning cycle. The ultimate aim of the programs is to restore 90 percent of the infrastructure and be able to provide the full range of postal communications services required, with realistic access to all populated areas, by the end of the planning period.

Program 1: Restoration and Development

Projects

- a) Renovation of District Capital Offices
- b) Restoration of Central General Post Office in Dili
- c) Installation of Street Post Boxes in Urban Centres
- d) Initiation of Mail Pick Up and Delivery
- e) Mobile Post Office Program

Program 2: Human Resource Capacity

Projects

- a) Recruitment for Public Service Staffing
- b) Training of District Staff and Delivery Personnel
- c) Contracting Private Rural Carriers and Access Services

Program 3: Innovations and Expansion

Projects

- a) Postage Stamp Printing and Distribution
- b) Vehicle Acquisitions for Rural Services
- c) Electronic Service Centres
- d) Establish Postal Banking Services

Table 15.11: Postal Service Performance Indicators

Objectives	Performance Indicators
1. Repair the postal infrastructure to provide basic postal services	<ul style="list-style-type: none"> • 30% completed by end of 2002 • 70% completed by end of 2003 • 100% completed by end of 2005
2. Recruit, train and enable postal staff to be able to offer high quality services	<ul style="list-style-type: none"> • 30% staffing level achieved end of 2002 • 70% recruited and trained by end of 2003 • 100% human resource competency and staffing level by end of 2005
3. Increase the quality of postal service coverage, extending services to communities that have not yet been incorporated to the postal map	<ul style="list-style-type: none"> • General Post Office and district offices with electronic counter services by end of 2003 • Rural postage and counter service coverage 90% by end of 2003 • Street post boxes installed in Dili, 2003 • District capital street post boxes by 2003 • Mobile Post Van services by end of 2002 • Rural home or core point delivery and pick-up initiated in 2003 • Urban route pick up and delivery 100% by end of 2003
4. Create community agencies with a range of general services for suburbs and districts	<ul style="list-style-type: none"> • 50% of all regional offices or kiosks operated under public service staff by end of 2003 • 50% of mobile services by adjunct staff contracts
5. Establish “peoples stores” as private sector, fee-based services for rural areas	<ul style="list-style-type: none"> • 50% of rural postal services in private enterprise stores with extended fax, phone, copy, and other services plus postal

- | | |
|---|--|
| <p>6. Create a postal financial intermediation process consistent with banking laws to provide various cash and demand accounts, payment capability, and certain approved lending</p> | <ul style="list-style-type: none"> • Legal mandate achieved by end of 2002 • 50% of banking or extended services offered by end of 2003 • 100% coverage in sector post offices by end of 2005 |
| <p>7. Ensure professional training and development to enhance human resource capacity among postal officers.</p> | <ul style="list-style-type: none"> • Annual participation problems with 100% attendance by all staff in training • Special course/workshops supervision and management for all eligible, 100% annual |
| <p>8. Pursue alternatives for postal administration, including a fully private, quasi-governmental, and fully public postal service</p> | <ul style="list-style-type: none"> • Draft business plan for privatisation or quasi-public administration by end of 2002 • Proposal approved for implementation in 2003 |
-

DIVISION OF METEOROLOGY

15.125 The meteorological sector is in the process of being completely rebuilt as virtually all material infrastructure and instrumentation that existed prior to 1999 was destroyed. Current staff members were never part of the previous technical or administration cadre. In effect, meteorology is a new ground-up Division, and it has defined its responsibilities and core functions of the directorate as follows.

- a) Providing advice to the Government on climatic conditions and forecasts.
- b) Monitoring weather and seismographic data for advance alerts of hazards.
- c) Providing atmospheric information and forecasts for road transport, the armed forces, agriculturalists, and public dissemination.
- d) Providing timely alerts to the nation of potential natural disasters.

Division of Meteorology Objectives

15.126 As an extension of the sector vision, the Division of Meteorology will ensure adequate services for weather forecasting and seismology throughout the country utilising advanced technology and methods that will guarantee precision and quality in forecasting comparable to developed countries of the region. Primary objectives are as follows.

- a) To maintain and develop the national network of meteorological and seismological monitoring and warning systems.
- b) To ensure study and training by Division technical and scientific staff at national and international levels in the areas of meteorology and seismology.
- c) To assure timely and accurate delivery of services in the areas of meteorology and seismology to all government agencies.

- d) To implement a system of information for relevant conditions in East Timor that can be transmitted to international counterparts.
- e) To develop international relations and cooperation in the areas of meteorology and seismology to better inform East Timor of relevant conditions within the region.
- f) To develop the appropriate physical means of monitoring and communicating information on meteorological conditions (targeted for end of plan-year 2003).
- g) To establish the human resource capabilities for using instruments and monitoring systems for meteorology and seismology (targeted for end of plan-year 2003).
- h) To attain the necessary level of management and administration for the Division through recruitment and training (by year-end 2002).
- i) To define programs and procedures for technical assessments and monitoring, thus establishing the systems for forecasting and analyses (by year-end 2002).
- j) To complete a network of observation and warning stations with operational services required for national meteorology service (by year-end 2004).
- k) To establish the means of collaboration with environmental constituents to monitor climatic changes vital to the protection of the natural environment.

Constraints, Problems and Issues

15.127 With total destruction of the infrastructure and destruction of all meteorological instruments, the capital funding requirements are exceptional. Lack of skilled staff and both scientific and technical expertise will impede progress toward achieving the Division's objectives. Without adequate systems or procedural policies, East Timor is fully dependent on other countries for weather forecasts, which provide no emergency alert capabilities. Communication systems in East Timor cannot be adequately employed for alerts or weather transmission to government agencies, military, district or rural areas, or the public at large. Without having a credible level of monitoring and forecasting, East Timor cannot be part of a larger reciprocal regional network of such services, thus remaining hostage to whatever climatic conditions occur.

Division of Meteorology Strategies

15.128 The strategy of the Division has two main thrusts. The first is to simply build (from scratch or by rehabilitating what can be redeemed) the meteorological infrastructure of basic observation, monitoring, and information forecasting networks. This will have an early stage (completed by 2004), and a latter stage of national expansion of observation points and services (extending through the planning period and beyond). This is largely a "capital development" component but will be mirrored by a capability building effort to recruit and train Division staff and local technicians.

15.129 The second component concerns pervasive activities that begin now and will extend throughout the planning period. This includes regulatory planning and Division structuring of communications, emergency procedures, and rapid-response alert systems. These systems and networks will define the scientific and technical staffing patterns that evolve over the next few years.

15.130 Neither component to the strategy is feasible without first having approval through enacted laws and regulations for a national meteorological service, and the support for recurrent operating budgets. The Division’s director general will subsequently be responsible for securing these enabling approvals and budgets while providing administrative oversight to the proposed strategic initiatives.

15.131 It is safe to assume that capital assets and technical expertise required are not in East Timor, not can they be attained without international assistance. Therefore, the Division will organise a round table meeting with a view to obtaining international support for the development of the sector following approval of this development plan. The Division will seek direct technical assistance for both development and operations over the course of the planning period, sufficient to ensure membership in the World Meteorological Organisation, and to sustain a high level of quality services.

Division of Meteorology Programs and Projects

15.132 Building the service from the ground up requires attention to three program areas, but no specific projects beyond implementing the programs summarised below.

Program 1: Operational Infrastructure

15.133 The combined efforts of construction and equipment installation will proceed to achieve a basic capacity for all services by the end of 2002, and be fully functional by the end of 2004. Expansion will then target district stations and equipment. Part of this program will be to identify policies required for emergency procedures, alerts, and communications concerning all meteorology and seismology circumstances. Instrumentation must be obtained through international assistance and installed and maintained under international certification standards.

Program 2: Capacity Building

15.134 Concurrent with infrastructure development and equipment installation, local staff will be recruited and trained to achieve 50 percent of targeted capabilities by the end of 2002 and fully competent skilled staff by the end of 2004. External technical assistance through donor programs is assumed to be needed for higher level technical and scientific positions, thus complementing local staff with the service levels required for forecasting, international cooperation, and developing emergency alert systems.

Table 15.12: Division of Meteorology Performance Indicators

Objectives	Performance Indicators
1. Develop a national network of meteorological and seismological monitoring and warning systems	<ul style="list-style-type: none"> • 50% rehabilitated stations by 2002 • 100% of new construction by end of 2004
2. Ensure study and training by Division technical and scientific staff at national and international levels	<ul style="list-style-type: none"> • 25% of selected technical and scientific staff recruited or trained by end of 2002 • 100% staff credentialed by year end 2004
3. Assure timely and accurate delivery of services in the areas of meteorology and seismology to all government agencies	<ul style="list-style-type: none"> • 100% forecasts and communication of weather or other information delivered within time of International Meteorology Standards

- Demonstrated accuracy within International Meteorology Standards
4. Implement a system of information for conditions in East Timor for international counterparts
 - By year-end 2003, reliable telephonic linkage with instrument data to international agencies with reciprocal networks
 5. Develop international relations and cooperation in the areas of meteorology and seismology
 - Coordinated air and sea weather services on climatic conditions by end of 2003
 - Subscription to international weather and climatic networks by end of 2002
 6. Establish the human resource capabilities for using instruments and monitoring systems
 - 80% local operational control by 2004, 100% by end of 2005 for instrumentation forecasting and scientific monitoring
 7. Attain levels for management and administration for the Division through recruitment and training
 - 100% staffed with administrative capabilities by end of 2002 in main centre operations
 - 100% in district/rural stations by end 2004
 8. Define programs and procedures for technical assessments and monitoring
 - Strategic plan defined in 2002 for scientific lab and database research
 - Scientific capability in staff by 2004
 9. Complete development of a network of observation and warning stations
 - Subsidiary stations for emergency disaster information, national alert system by 2004
 10. Establish a public information system that supports agriculture, tourism, aeronautical, marine, military, and other requirements
 - Specialised tourist services by 2003
 - Climatic and seismology data for farmers and herders 2003
 - Weather/alert system for military by 2003
 11. Establish the means of collaboration with environmental constituents to monitor climatic changes
 - Joint weather and seismology assessment procedures with environmental agency by 2003
-

THE ROAD MAP

(for the Implementation of NDP Programs)

Final Draft



República Democrática de Timor-Leste
Dili, 15 April 2003





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INTRODUCTION

Timor-Leste has prepared its first five-year National Development Plan (NDP) in record time. Implementation of the Plan began on 01 July 2002 with the FY03 budget.¹ Early on, the Government recognised the need to prioritise and sequence the NDP activities and prepare a “Road Map” to guide their implementation. Also, the requirement to fill some of the gaps in the Plan and address the urgent needs of the people through expansion and improvements in services delivery became evident.

This paper on the “Road Map” summarises the results of the Prioritisation and Sequencing exercise and the conclusions. It explains why and how the prioritisation and sequencing has been undertaken and what the main issues influencing the process were.

The paper is divided into two parts. The first part (Part One) covers the planning background and performance, rationale for prioritisation and sequencing and the process dimensions, while Part Two summarises the results of the submissions by ministries and agencies.

PART ONE

A. The Planning Process: Progress Thus Far

Prior to independence on 20 May 2002, Timor-Leste's Second Transitional Government began to formulate the country's first National Development Plan (NDP). Eight Ministerial Working Groups in areas such as poverty reduction and rural and regional development, human development, agriculture and infrastructure prepared the Plan. They drew upon the results of the Countrywide Consultation, in which more than 38,000 citizens from all walks of life spread in all parts of the country were asked to express their vision for the country to the year 2020 and identify their priorities and development needs. The Working Groups recognized that the people of Timor-Leste needed virtually everything and incorporated a wide range of strategies, policies, programs and actions to address their needs during the five-year Plan period (2002/03 to 2006/07) within a twenty-year perspective.

The Plan incorporates the vision (see Box 1) and set of inter-related development goals and priorities of the people of Timor-Leste, and specified a number of strategies, policies, laws, regulations, programs, projects and activities. It also highlights the key constraints on the attainment of these goals and vision, and provides performance indicators through which progress can be assessed. The Plan was finalized in early May 2002 and adopted by the Parliament after independence.

Since its formulation, the NDP has become the basis for the country's national development and budgeting process. At the recent semi-annual Meetings with Development Partners, in May and December 2002, representatives of all external Partners (bilateral and multilateral donors, UN agencies and others) commented favourably on the NDP as the basis for Timor-Leste's development.

¹ FY03 refers to the fiscal year beginning on 01 July 2002 and ending on 30 June 2003.

**Box 1. TIMOR-LESTE: VISION 2020***

For the next generation, in the year 2020:

- ? Timor-Leste will be a democratic country, with a vibrant traditional culture and a sustainable environment;
- ? It will be a prosperous society with adequate food, shelter and clothing for all people;
- ? Communities will live in safety, with no discrimination;
- ? People will be literate, knowledgeable and skilled. They will be healthy, and live long, productive lives. They will participate actively in economic, social and political development, promoting social equality and national unity;
- ? People will no longer be isolated, because there will be good roads, transport, electricity, and communications in the towns and villages, in all regions of the country;
- ? Production and employment will increase in all sectors –agriculture, fisheries and forestry;
- ? Living standards and services will improve for all East Timorese, and income will be fairly distributed;
- ? Prices will be stable, and food supplies secure, based on sound management and sustainable utilisation of natural resources;
- ? The economy and finances of the state will be managed efficiently, transparently, and will be free from corruption; and
The state will be based on the rule of law. Government, private sector, civil society and community leaders will be fully responsible for those by whom they were chosen or elected.

* Timor-Leste's Vision is taken from the introduction to the National Development Plan, adopted officially by the National Parliament as the basis for the nation's development.

The Plan gave hope to the people about their future as well as that of their children and raised expectations. It recognized the likely direct and indirect adverse impacts of the reduction of the international presence due to the scale-down of the UN operations in mid-2002 on the demand for goods and services and employment. The unemployment rate was estimated to be of the order of about 17%. The economy was estimated to contract by about 4.8% in 2002 and 6.8% in 2003 and recover somewhat (by 3.5%) in 2004.²

As the next step in the planning process, the Council of Ministers requested that all ministries prepare and submit Annual Action Plans (AAPs) and Quarterly Reporting Matrices (QRMs) for their Programs and Projects, for the first year of Plan implementation. The aim of this exercise was to link the programs in the Annual Budget for FY03³ with the goals and objectives of the NDP.

To prepare the ministries for drafting their AAPs and QRMs, staff from the Planning and External Assistance Management Division (PEAMD) and the Budget Division (BD) of MPF, together with external facilitators and trainers provided workshop sessions in July and August 2002.⁴ These workshops introduced the formats for AAPs and QRMs, and advised lead officials and focal persons in the ministries on the provision of the necessary material and data required for their completion.

During August and September 2002, PEAMD consultants and staff worked intensively with Ministry focal persons on their AAPs and QRMs, providing written recommendations for improvements. Individual assistance was given to ministries, with consultants spending time

² All rates in nominal terms. The Budget Paper for FY03 (April 2002) indicates the GDP in real terms to decline by 0.5% in calendar 2002 and 2% in calendar 2003, but recover (increase) by 1.2% in 2004, and continue to grow at 3.3% and 5.1% respectively during calendar 2005 and 2006.

³ FY03 refers to the fiscal year beginning on 01 July 2002 and ending on 30 June 2003.

⁴ UNDP, UNICEF and the World Bank funded the facilitators and trainers.



on areas such as performance targets. Additional workshops were held in September, focusing in particular on outputs, benchmarks and indicators. Reports from these sessions indicated a high degree of involvement by Ministry officials, and progress in building capacity within ministries for the drafting of future programs.

Following this training, ministries submitted completed AAPs and QRMs to PEAMD. Staff in PEAMD, working with international consultants, then assessed these documents. Comments and recommendations were provided to Ministry focal persons, who then undertook revisions, which were finalized and submitted to the Council of Ministers.

B. Preliminary Results of Plan Monitoring

Based on the reporting system developed through the use of AAPs and QRMs, the Government, through PEAMD, MPF and individual ministries, has been able to monitor plan implementation during the first six months of the first year of NDP. Some 742 activities were monitored of which 44 actions were included in the Transition Support Program⁵. The results of the first five months of this monitoring were presented to the December 2002 Meeting with Development Partners.

In summary, monitoring indicated that there had been some early successes in a number of sectors. In education, for example, primary school enrolments increased, particularly for girls, and for the poorest groups in the villages. In health, targets for restoring the public health network and drafting a national health policy framework were met. In agriculture, programs were set in place to increase crop cultivation, and to meet the particular needs of the poorer upland areas, especially in the center of the country. In infrastructure, a comprehensive set of programs was initiated, in areas such as water supply and sanitation, roads, bridges, and flood control. Additionally, the Government developed a range of new programs, notably for improved governance.

Given Timor-Leste's conditions, however, it rapidly became apparent that there were crucial constraints on development. For example, the Government inherited a power sector that was technologically inadequate, with no serious means for cost recovery. A judicial system had to be built, virtually from nothing. Capacity building through the funding of advisers to provide expertise to crucial posts in government and public service developed very slowly⁶. In several areas, budgets were under-spent due to limited capacity and the somewhat complex procurement and other regulations.

These developments should be seen in the context of the transfer of governance from the United Nations Transitional Administration in East Timor (UNTAET) to the National Government in May 2002, and the withdrawal of the substantial administrative, technical and other support provided by UNTAET to the Government. Recruitment of international advisers for the 100 stability positions and the 200 development positions to augment the capacity of the Timorese staff was slow at best. Thus, by 01 July 2002, only about a third of the 100 stability positions were filled largely through continuation of some international advisers that served under UNTAET. The progress was less encouraging on securing the resources and filling the 200 development positions.

⁵ The Transition Support Program (TSP) is a three-year budgetary support program, in which the Government undertakes to monitor a set of activities, particularly in relation to areas of poverty reduction and governance.

⁶ For a detailed assessment of the first five months of NDP implementation, see the *Background Paper* prepared for the December 2002 Timor *Leste and Development Partners Meeting*, available from PEAMD, MPF.



Assisted by the Brettonwoods institutions (IMF and World Bank), Timor-Leste adopted a Twenty-first Century fiscal system with checks and controls that would ensure transparency and accountability, especially in such areas as procurement. While this is commendable, the system has been beyond the capacity of the Timorese officials and required the retention of international advisers in some line management positions in MPF. Support to line ministries and agencies in such areas as procurement (e.g. explaining the procurement guidelines, assistance including providing necessary information on ‘specifications’ for such items as equipment and supplies and in tendering and tender evaluation) proved inadequate, although some international advisers were provided in these areas.

Notwithstanding, the Timorese officials, most of whom lacked any experience in governance, did manage to get the government machinery moving and began to implement the Plan. The performance during the first eight months of FY03, measured in terms of budget execution, albeit lower than the pro-rata target, is encouraging. In fact, budget execution during FY01 and FY02 under UNTAET was also lower than expected. Overall budget execution by the National Government in the first eight months was about 56% as compared to a pro-rata target of 67%. This is commendable for a nascent Government facing significant capacity problems and other constraints.

C. Lessons from Plan Implementation: Planning Gaps and the Need to Prioritise

Government ministries and agencies drew up their Annual Action Plans (AAPs) for the first year of implementation of the Plan. During the preparation of the AAPs, it became clear that some activities specified in the NDP either did not indicate or there was some ambiguity about which division or agency was to be responsible for implementing the activities (e.g. regional development, rural development, job creation, developing Tetun and introducing Portuguese language), while in other cases, some divisions and agencies established did not have activities specified for them in the NDP (e.g. for some Divisions in the Ministry of Justice and the Timor Sea Office). In mid-January 2003, the Council of Ministers reviewed the sector chapters of the NDP in general and the chapters on “Political Development, Foreign Relations, Defence and Security” and “Poverty Reduction and Rural and Regional Development” in particular, and assigned responsibility for implementation of the activities to specific ministries and agencies.

Implementing the NDP during the first six months also made it clear that there were important gaps in programs and activities, notably in areas such as water resources, infrastructure development, literacy, and technical and vocational education. While capacity building including the establishment and/or strengthening of government institutions and civil servants received considerable attention, delivery of services to the people was lagging.

Also, employment, especially in the urban areas and among youth, declined precipitously in the latter half of 2002 after withdrawal of a significant proportion of the UN personnel. The country is facing difficulties in attracting foreign direct investment, and in rapidly creating an enabling environment for private sector development. Also, the Government has not yet been able to address adequately the provision of social services for vulnerable groups. In general, delivery of services has not expanded to meet the high expectations of the people due to various factors that included (i) capacity limitations and technical difficulties in putting in place the necessary legislation and regulations supporting good governance, (ii) time



absorbed in setting up the administrative and service delivery systems, and (iii) lack of prioritization and sequencing of the activities in the NDP.

Early on, the Government realized some of the constraints and began in October 2002 to see the need to refocus the development efforts on a limited number of priority activities. The events of 4 December 2002 added urgency to address the immediate needs of the people through tangible delivery of goods and services that are visible to the people.

D. Immediate Priorities and Stability program

In the semi-annual meeting with Development Partners in December 2002, the Prime Minister alluded to the need to address the urgent needs of the people and indicated the types of priorities around which the Government intended to focus its efforts in the short-term. In January 2003, the Council of Ministers refined the immediate priorities taking into account the feedback from the people in both the urban and rural areas. A tentative list of immediate priorities was shared with Development Partners in a meeting on 21 January 2002. The suggestions emerging from the Partners were taken into account in finalizing the immediate priorities, which were approved by the Council of Ministers on 22 January 2003.

Elaborating on the immediate priorities, and in consultation with key Ministers and other stakeholders, the Stability Program was developed and presented in a document accompanying the Road Map, focusing on specific areas to be taken into account in program prioritisation. This was intended to ensure focus by the ministries on immediate improvements in service delivery to the people for poverty reduction and rejuvenation of the economy. The specific immediate priority areas include:

- a. The Governance area where the Government aims to:
 - ? Strengthen the administrative structures of the State and legitimise the local authorities beginning with the election of Chefes de Suco so as to enable them to address local priorities;
 - ? Strengthen the justice system including both formal and customary systems aiming at improving the provision of judicial services, through increasing the number of jurists, and enhancing the quality and delivery of services including provision of adequate legal assistance;
 - ? Strengthen the capacities of security involving support to the Timor-Leste Police Force (PNTL) and Defence Force (FDTL) as well as mobilising and organising the local communities for self-defence;
- b. In the Stability area, the Government aims to:
 - ? Encourage job creation - especially for youth and veterans. This would include expansion of vocational training in general and in particular to promote integration of the disabled people in the development process. Further, it would involve formulating a national policy on employment linking relevant ministries and public and private investments;
- c. In the Development area, the Government aims to:
 - ? Support the development of the agriculture sector, ensuring food security and enhancing access to markets through the
 - o Family (farming) sector
 - o Cooperative sector



- Private sector, and in particular small and medium enterprises
- Private sector with the state's participation such as through joint ventures;
- ? Develop trade through cooperatives and private sector via
 - Promotion of domestic trade
 - Import of basic products, and
 - Export of local products such as cumin and copra;
- ? Improve educational access, particularly to primary education, in both public and other schools as well as requiring higher quality in all levels of education; and
- ? Promote health through extension of the mobile clinics and delivery of services to the remote areas through the implementation of the public health system.

In prioritization and sequencing, ministries had been asked to take into account the immediate priorities approved by the Council of Ministers on 22 January 2003. Further, in assessing their programs, ministries were requested to ensure that criteria for incorporation of the programs included:

- ? Addressing at least one of the immediate priority areas in governance, stability and/or development; and
- ? Generating tangible benefits through improved delivery of services.

Additionally, ministries were reminded of their continuing overall objectives to:

- ? Justify their programs in relation to medium and long-term NDP priorities;
- ? Promote sustainability - both fiscally and in development terms; and
- ? Pursue strategies for poverty reduction and economic growth.

E. Prioritization and Sequencing

During the first quarter of calendar 2003, the Government has embarked on a process of readjustment in NDP implementation. The process drew upon the experiences in implementing programs in the first half of the first year of the NDP. Also, it took into account the imperatives to deliver urgently needed services to the people as indicated by the immediate priorities. The process entailed prioritization and sequencing of the development programs for the remaining four years of the Plan period (FY04 to FY07). This has involved both the Council of Ministers and individual ministries. It included ranking of the programs in order of priority, and planning the sequenced introduction and implementation of these programs. Ministries have examined their programs and identified actions that could contribute tangible results, in terms of meeting requirements of the immediate priorities, and filling gaps in existing service provision.

In the prioritisation of their programs for the remaining four years of the Plan, ministries were made aware of the financial resources likely to be made available from the CFET budget, TFET,⁷ and Bilateral and Multilateral sources, for the remaining years of the Plan period (i.e. FY04 to FY07). The latter were outlined in assessments of forward estimates of allocations for the ministries provided by the Budget Division in MPF.

⁷ The Trust Fund for East Timor (TFET) receives contributions from Australia, Finland, Ireland, Italy, Japan, New Zealand, Norway, Portugal and the United Kingdom. TFET provides grants for economic reconstruction and development activities in Timor-Leste that are prepared and supervised by the World Bank and the Asian Development Bank. The World Bank is the trustee of the fund. Ministries are designated to implement TFET projects.



Prioritisation was influenced by the experiences during the first half of the first year of NDP implementation and the need to address the immediate priorities approved by the Council of Ministers on 22 January 2003. Programs to meet the immediate priorities are articulated in detail in the Stability Program, which will be implemented within the next eighteen months. The Stability Program is presented in Annex 2.

F. Process Dimensions of Prioritisation and Sequencing

In prioritisation and sequencing, ministries were assisted by some Development Partners (UNDP, UNICEF, World Bank, AusAid and USAID) mobilising technical specialists and facilitators to support key ministries in the prioritization and sequencing process. An international consultant (or in the case of larger ministries, two consultants) was assigned to work with senior staff and focal persons in each ministry to advise and oversee the process. This was accompanied by a series of workshops, held during February 2003. The workshop presentations outlined the proposals for prioritisation and sequencing of programs. The trainers familiarised the participants with the criteria and formats for prioritisation, and helped the latter to relate these to budget submissions for FY04.

The prioritization and sequencing of activities was guided by several criteria. They included such aspects as (i) importance of the activity for improved service delivery and the demand for the service by the people (clients), (ii) when the service is needed (e.g. now, next year or four years from now), (iii) capacity of the ministry or agency to deliver the service and need for technical assistance, if any, (iv) sustainability of the activity or facility, (v) linkages with and involvement of other ministries, civil society organizations, communities and the private sector, (vi) whether Government involvement would encourage or discourage similar activities by other actors, and (vii) whether deferring the implementation of the activity to future years would improve the benefit streams. The ministries and agencies took these criteria seriously and applied them as much as possible in the prioritisation and sequencing of their programs. Some ministries achieved outstanding results; some others produced average outcomes, while a few encountered difficulties in applying the criteria. Overall, the criteria helped the Government officials to begin to think in strategic terms in assessing their programs.

Additional workshops were held on Annual Action Plans and Quarterly Reporting Matrices, followed by sessions on devising appropriate indicators for monitoring program implementation.

The prioritisation and sequencing exercise, lasting from mid-January to late-March 2003, resulted in the ministries developing a definite set of priority programs for the remaining four years of the NDP. These program priorities were then used as the basis for formulation of AAPs for FY04, feeding into the budget preparation. The final step in the process was the refining of the indicators developed for assessing progress on implementation of the AAPs, and the devising of a set of key development indicators to measure overall Plan implementation in the remaining years of the NDP.

G. Structural Constraints

Prioritisation and Sequencing was carried out with an awareness of the key structural economic problems currently facing Timor-Leste that include (i) widespread poverty,



unemployment and underemployment, (ii) dependence on external grant finance, due to substantial trade and budget deficits, (iii) relatively high price levels that are incommensurate with the nation's level of development, (iv) low levels of skills and productivity, and (v) high levels of illiteracy.

H. Financial Constraints: Budget Parameters

Prioritisation and sequencing was undertaken with also an awareness of the financial constraints imposed by budget parameters. The Council of Ministers has stressed the need to formulate the prioritisation and sequencing based upon a sustainable medium-term fiscal framework that is intended to ameliorate future funding shortages.

Table 1 (see Annex at end of Part One) provides mid-year budget update (MYBU) estimates of CFET⁸ revenue for the six-year period FY02 to FY07, and compares it to MYBU forward estimates of CFET expenditures. Revenues excluding those from First Tranche Petroleum (FTP) but including external budgetary support under the three-year TSP (covering FY03, FY04 and FY05), are indicated to range between \$70.6 million and \$75.0 million during the first three years, decline there after to \$57.5 million in FY06, and recover moderately to \$60.3 million in FY07. Revenues with FTP are projected to increase from \$71.6 million in FY03 to \$96.6 million in FY05, decline to \$83.0 million in FY06 and increase slightly to \$86.5 million in FY07. CFET expenditures are projected to increase from \$74.2 million in FY03 to \$80.0 million in FY04, \$92.9 million in FY05, \$102.4 million in FY06 and reach \$105.0 million in FY07. The data indicate an anticipated funding gap between revenues (excluding those from FTP) and expenditures ranging from \$5.0 million in FY04, \$20.2 million in FY05, \$45.1 million in FY06 and \$44.7 million in FY07. However, including the FTP revenues, funding gaps of \$19.4 million and \$18.5 million emerge only in FY06 and FY07 respectively.

It will be necessary to develop a credible strategy for addressing the funding gaps. In pursuit of this aim, ministries were asked by the Council of Ministers to keep their CFET budgets within the limits of two scenarios presented by the Council of Ministers. The Budget Division in MPF developed these scenarios, on the basis both of forward revenue estimates and on the results of discussions with some Development Partners. Ministries were asked, if possible, to keep within the lower scenario (Scenario 2). The two scenarios are summarized in Table 2 (see Annex 1).

Scenario 1 in Table 2 follows existing CFET forward estimates, and includes an increased subsidy for the Power Authority, allowing for the limited progress made so far in revenue collection in FY03. This scenario is not affordable within CFET, given the latest revenue estimates. Scenario 2 is based on a significantly reduced growth in expenditures as compared to Scenario 1, with the expenditure indicated to decline from \$74.2 million in FY03 to \$72.0 million in FY04 and \$73.9 million in FY05, but increase to \$80.4 million and \$85.0 million respectively in FY06 and FY07.

For the prioritisation and sequencing of their programs, ministries were also requested to consider the CFET allocations given to them, based upon the two scenarios, in providing their cost estimates for the programs. CFET allocations for the ministries, based on the two scenarios, are presented in Tables 3 and 4 (see Annex 1).

⁸ The Consolidated Fund for East Timor (CFET) is the Government's central account, structured to reflect revenue, operating and capital income budget. Revenues are derived from Government taxes, Timor Sea revenues, and direct budget support from Development Partners.



Taking these two CFET allocations into the Combined Sources⁹ Budget for the remaining years of the Plan period, ministries were then provided with overall indicative Combined Sources funding envelopes for each of the remaining years of the NDP, highlighting the two scenarios, as outlined in Table 5 (see Annex 1). They were requested to prioritize and sequence their programs with reference to these overall Combined Sources funding envelopes, and to the two alternative CFET scenarios (tables 3 and 4) within these envelopes. The Combined Sources Budget Funding Envelopes are outlined in Table 5 (see Annex 1), together with the high and low case CFET expenditures scenario limits italicized.

Bilateral and Multilateral Funding: Ministries were also asked to refer to current forward estimates for bilateral and multilateral expenditure, since some of these allocations may not match either the immediate priorities of the Stability Program or the medium and long-term development priorities. Current Bilateral and Multilateral allocations are outlined in Table 6 (see Annex 1).

I. The Millennium Development Goals

Recently, the Government has also commenced a process of internalising the Millennium Development Goals (MDGs), to provide a means to assess the nation's development against that of other countries in the region and elsewhere, and disseminate information on this. This exercise was facilitated by the fact that the goals and objectives of the National Development Plan already overlap to a large extent with those covered by the MDGs.

As is well known, the MDGs comprise eight goals, most of them to be achieved by 2015. Each of the MDGs addresses some key dimensions of poverty and/or sustainable development and the enabling environments at the national and global levels for helping the countries to achieve the goals. The targets and indicators under many of the goals are quantifiable, and provide a global blueprint that can be tailored to specific national conditions. Commensurate with their circumstances, countries and their development partners can develop strategies for both achieving goals and measuring progress in reaching them.

Ministries currently are engaged in the process of assessing their sectoral objectives and aims, in relation to the long-term achievement of the MDGs. This also influenced their process of program prioritisation, by providing comparative human development criteria - particularly in relation to the East Asia and Pacific region - through which the relevance of programs could be assessed further.

J. The Road Map

The Road Map summarises the results of the Prioritisation and sequencing exercise undertaken by the ministries during the first quarter of calendar 2003. It presents the programs that the Government of Timor-Leste has prioritised as most crucial for the development of the country.

The Road Map describes the main development issues faced by each ministry, and outlines the programs they have prioritised to address these issues. It shows the way forward for implementation of the NDP over the next four years (FY04 to FY07).

⁹ The Combined Sources are CFET, TFET, bilateral and other multilateral sources, and UN Assessed Contributions.



Within the Road Map document, each ministry has prioritised a set of programs, and has sequenced their implementation for the remaining years of the NDP. It provides estimates of total funding required to implement the programs annually over the four-year period. Expenditure estimates are provided by Ministry for each individual program, and for each year of its implementation in Annex 3.

The Government will utilise the Road Map as a basis for its Policy Dialogue with the Development Partners and expects the latter to use the Road Map in their funding decisions and the devising of their country assistance strategies for Timor-Leste.

In particular, the programs and their estimated costs specified in the Road Map will be extremely useful in the discussions between the Government and Development Partners and in the decisions on which programs the Development Partners wish to support during the next four years (FY04 to FY07).

K. NDP, Stability Program and Road Map

The links and overlaps between the National Development Plan, the Stability Program and the Road Map are illustrated in Figures 1 to 3.

Figure 1. Illustration of NDP and Gaps

FY03	FY04	FY05	FY06	FY07
NDP – Year1 Part of AAPs Strategies Policies Laws Regulations Programs Projects Activities	NDP – Year 2 Part of AAPs Strategies Policies Laws Regulations Programs Projects Activities	NDP – Year 3 Part of AAPs Strategies Policies Laws Regulations Programs Projects Activities	NDP – Year 4 Part of AAPs Strategies Policies Laws Regulations Programs Projects Activities	NDP – Year 5 Part of AAPs Strategies Policies Laws Regulations Programs Projects Activities
NDP Gaps Part of AAPs Activities	NDP Gaps Part of AAPs Activities	NDP Gaps Part of AAPs Activities	NDP Gaps Part of AAPs Activities	NDP Gaps Part of AAPs Activities

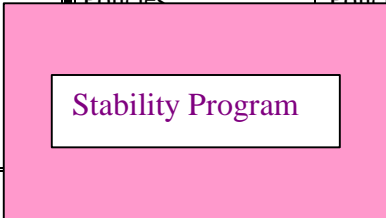
Figure 2. Illustration of Overlaps between NDP, Gaps and Road Map

FY03	FY04	FY05	FY06	FY07
NDP – Year1 Part of AAPs Strategies Policies Laws Regulations Programs Projects Activities	NDP – Year 2 Part of AAPs Strategies Policies Laws Regulations Programs Projects Activities	NDP – Year 3 Part of AAPs Strategies Policies Laws Regulations Programs Projects Activities	NDP – Year 4 Part of AAPs Strategies Policies Laws Regulations Programs Projects Activities	NDP – Year 5 Part of AAPs Strategies Policies Laws Regulations Programs Projects Activities
NDP Gaps Part of AAPs Activities	NDP Gaps Part of AAPs Activities	NDP Gaps Part of AAPs Activities	NDP Gaps Part of AAPs Activities	NDP Gaps Part of AAPs Activities



Figure 3. Illustration of Overlaps between NDP, Gaps, Road Map and Stability Program

FY03	FY04	FY05	FY06	FY07
NDP – Year1 Part of AAPs Strategies Policies Laws Regulations Programs Projects Activities	NDP – Year 2 Part of AAPs Strategies Policies Laws Regulations Programs Projects Activities	NDP – Year 3 Part of AAPs Strategies Policies Regulations Programs Projects Activities	NDP – Year 4 Part of AAPs Strategies Policies Laws Regulations Programs Projects Activities	NDP – Year 5 Part of AAPs Strategies Policies Laws Regulations Programs Projects Activities
NDP Gaps Part of AAPs Activities	NDP Gaps Part of AAPs Activities	NDP Gaps Part of AAPs Activities	NDP Gaps Part of AAPs Activities	NDP Gaps Part of AAPs Activities





PART TWO

The main results from the Prioritisation and Sequencing exercise are presented in the following sections.

For each ministry, they include the broad areas of the programs prioritised, the timeframe for their implementation, and the justification of their importance. They address the immediate (short-term) priorities as well as the medium and long-term development requirements. For Government Structures,¹⁰ a brief summary is provided.

The Road Map provides estimated costs for each year for all the programs prioritised by each Ministry in the prioritisation and sequencing exercise and the total funding requested for the remaining four-year Plan period (FY04 to FY07). Detailed annual and total cost estimates by program, including the costs of the programs intended to address the immediate priorities, are provided for each of the ministry's programs in the Programme Matrix (see Annex 3).

The cost projections presented in the Programme Matrix are estimates. Some of them have funding commitments, while others have been identified as program of interest to be funded by Development Partners. For most of the sequenced programmes however, the Government is currently negotiating with the Development Partners. Given this situation, the Government recognizes that it will not be in the position to finalize this part of the document until after all negotiations with the Development Partners have been completed this year.

A. Ministry of Agriculture, Forestry and Fisheries

The agricultural sector dominates Timor-Leste's economy. It contributes 21% of GDP, and is the main source of income in 94% of villages. It provides 80% of the food and subsistence requirements of rural households.

The goals of the Ministry of Agriculture, Forestry and Fisheries (MAFF) are intrinsically linked with NDP priorities, to achieve food security, poverty reduction, rural employment and agricultural diversification. These are also essential elements of the Stability Program. Additionally, the Ministry's programs have significant linkages with programs in other sectors including infrastructure, education, natural resources management, and commerce and industry.

It is important to recall that the CFET allocations to the agricultural sector (i.e. MAFF) are modest as compared to those provided through TFET and bilateral and multilateral sources. For example, for FY03, MAFF's Combined Resources Budget was \$25.3 million, of which CFET allocation comprised only \$1.4 million. MAFF prioritised its programs in relation to the requirements of the prioritisation and sequencing exercise, but also added to this

¹⁰ The Government Structures include the Office of the Prime Minister and Council of Ministers, Capacity Development Co-ordination Unit (CDCU), Provedor de Direitos Humanos e Justica (Ombudsman and Human Rights), Office of the Inspector General, Office for the Promotion of (gender) Equality, Independent Electoral Commission, Banking and Payments Authority, and Timor Sea Office.



programs and projects based on community needs as well as programs (to be) funded under TFET and other bilateral and multilateral sources in the agricultural sector.

MAFF has prioritised and ranked its programs in a systematic manner adhering to the criteria specified for prioritization and sequencing. The programs are presented in Annex 3. They are sequenced over the remaining four years of the Plan period, with estimated costs for each program for each year. The priority programs of MAFF fall in the broad areas of (i) policy development, (ii) development of irrigation including community irrigation and water user associations, (iii) construction of feeder roads, (iv) development of research and extension capabilities, (v) inputs supply and support for food crops production, (vi) improving storage, processing and marketing of food crops including better utilisation of coconut for, among others, edible oil extraction, (vii) development of commercial and industrial crops including replanting of coffee and coconut and encouraging private sector to establish oil palm as appropriate, (viii) fisheries legislation and licensing and promoting off-shore fisheries through foreign investments, (ix) forestry regulation and development including forest replanting and protection of watersheds, (x) establishing and implementing revolving credit systems and training youth for managing co-operatives in sucos and postos, (xi) Promoting cattle rearing and co-operative dairying, and (xii) examining trade and tariff issues affecting rice and other important crops. Many of the activities will be carried out in cooperation and/or coordination with civil society organisations including the Church and development partners.

The Ministry requires \$38.8 million to implement its programs during the remaining four years of the NDP, divided into the following indicative amounts for each year, in millions of dollars:

	FY03	FY04	FY05	FY06	FY07	Total FYs 04 to 07
Combined Sources Envelope	25.3	12.4	13.2	8.9	8.3	42.8
Proposed P and S Expenditure		17.7	9.5	6.6	5.0	38.8
CFET Expenditure (scenario2)	1.4	1.3	1.5	1.5	1.6	5.9
External Financing sought		16.4	8	5.1	3.4	32.9

B. Ministry of Development and Environment

Within the Ministry of Development and Environment (MDE), the prioritisation and sequencing exercise resulted in several changes, both to existing programs and to their sequencing. Individual matrices were prepared for the Divisions of Tourism, Investment and Environment and for the Directorate of Natural and Mineral Resources.

In addition to prioritisation of the programs, the Ministry also discussed a series of possible future actions, which could improve the enabling environment for the private sector. These helped them to develop a framework for establishing priorities. The actions include (i) enactment of company and investment laws, after appropriate public consultation, (ii) increased donor assistance to advise on economic policy and private sector development, (iii) establishment of an internationally staffed business promotion centre, and (iv) exploration of opportunities for backward linkages to offshore investments from companies investing in oil and gas operations.



The Ministry's main priority programs/projects by Divisions are as follows:

In the Division of Tourism:

- ? Website development for Tourism Promotion; and
- ? Legal and Regulatory Framework for Tourism.

In the Division of Investment:

- ? Production of Investment Literature including an Investor Information Kit;
- ? Organisation of Investment Forums; and
- ? Feasibility Studies for Investment Sectors.

In the Environment Division:

- ? Establishment of Environmental Impact Assessment (EIA) Regulations and Pollution monitoring and control regulations; and
- ? Formulation of a National Environment Policy.

In the Directorate of Natural and Mineral Resources:

- ? Develop a core of 20 Highly-Skilled Oil and Gas Professionals; and
- ? Formulation of Mining and Petroleum Laws.

Details of the Ministry's programs and their sequencing are outlined in Annex 3, together with estimated costs for each program, for each of the remaining four years of NDP implementation.

The Ministry requires \$ 3,210,682 million to implement its programs for the remaining years of the NDP, divided into the following indicative amounts for each year, in millions of dollars:

	FY03	FY04	FY05	FY06	FY07	Total FYs 04 to 07
Combined Sources Envelope	7.9	2.4	1.5	1.5	1.5	6.9
Proposed P and S Expenditure		1.5	0.5	0.5	0.4	3.2
CFET Expenditure(scenario2)	0.5	0.4	0.4	0.4	0.5	1.7
External Financing sought		1.1	0.1	0.1	-0.1	1.5

C. Ministry of Education, Youth, Culture and Sport

The programs implemented by the Ministry of Education, Youth, Culture and Sport (MECYS) are crucial in meeting the aims of the NDP, particularly in the promotion of poverty reduction. In the Countrywide Consultation, a majority Timor-Leste's population consulted ranked education as its number one priority among the top three priorities for the country.

The Combined Sources budget allocations for the Ministry are the highest of any of the ministries, for each of the remaining years of NDP implementation. About a quarter of the CFET budget is allocated to MECYS for education. Similarly, more than a fifth of the projected bilateral aid from FY02 to FY06 is for education, as are one-fifth of the TFET resources.



The Ministry's current general priority requirements are to (i) build more primary and secondary schools to achieve universal basic education, (ii) improve the quality of education through teacher development and curriculum and textbook development, and (iii) strengthen the Ministry's capacity to plan and manage the provision of education.

Thorough rigorous prioritisation and sequencing, the Ministry identified the most important gaps in the strategies and programs presented in the NDP. Building on this, they decided on program activities to be commenced during FY04 and subsequent years of the Plan period.

The Ministry was concerned particularly with the mechanisms of service delivery for the main levels of education – at pre-primary, primary, junior and senior secondary levels, and technical and vocational education. It has also become concerned in recent months, at the low levels of execution of the Ministry's FY03 budget, particularly in the goods & services and capital development areas.

In discussions with staff through workshops and meetings, Department Directors in MECYS produced a sequencing of their priority programs with estimated costs. They indicated the level of priority for each of the activities in their area, the year they should commence, and an indicative cost for the activity in the medium-term.

The Ministry's proposed expenditures of \$53.5 million for FY04 are somewhat above the Combined Sources Indicative Envelope of \$45.8 million, but are below the latter for subsequent years, notably in FY07. This reflects the aim of the Ministry to focus expenditures on improving service delivery in the next two years. The Ministry's priority programs for the remaining Plan period cover the broad areas of (i) managing and delivering education including at early childhood, primary, junior secondary and secondary levels as well as technical and vocational education, (ii) managing and delivering teacher training, (iii) managing and administering the Ministry's functions at the central and district levels, (iv) developing an Education Management Information System (EMIS), (v) implementing the literacy program, (vi) development of textbooks and teaching materials, and (vii) implementation of cultural, youth and sports programs.

The Ministry has selected a number of programs within the above areas on which it intends to focus in FY04. This emphasis in sequencing reflects the Ministry's concern to improve educational delivery in the short-term. The programs include (i) design and introduction of an information campaign on the importance of schooling, (ii) implementation of measures to reduce school drop-out and repetition rates, (iii) introduction of a Teaching Diploma and teacher, headmaster and educational manager training, (iv) language of instruction development (Tetun and Portuguese), (v) curriculum review and development including rehabilitation of the Institute of Continuing Education and strengthening its capacity, (vi) building the capacity of the Ministry for policy formulation, planning and project development, (vii) improving school quality through the Fundamental School Quality program, (viii) literacy campaign, (ix) training and structural support for youth employment, and (x) structuring and capacity building for sports institutions.

Church, other private and community schools, which account for more than a fifth of all schools in the country, play an important role in the provision of primary and secondary education. In spite of the significant expansion of public schools visualised, it would be difficult for MECYS to meet the exponentially increasing demand for schooling brought



about by the population dynamics.¹¹ Church, other private and community schools will continue to be important in delivery of education for the foreseeable future. Accordingly, the Ministry's programs incorporate continued support to Church, other private and community schools.

Details of the Ministry's programs and their sequencing are outlined in Annex 3, together with estimated costs for each program, for each of the remaining years of NDP implementation.

The Ministry requires \$194.9 million to implement its programs for the remaining years of the NDP, divided into the following indicative amounts for each year, in millions of dollars:

	FY03	FY04	FY05	FY06	FY07	Total FYs 04 to 07
Combined Sources Envelope	45.8	39.4	33.9	33.7	33.2	186
Proposed P and S Expenditure		53.5	49.3	46.7	45.4	194.9
CFET Expenditure (scenario2)	18.3	16.2	17.9	18.8	19.5	96.4
External Financing sought		37.3	31.4	27.9	25.9	98.5

D. Ministry of Foreign Affairs and Cooperation

The Ministry of Foreign Affairs and Cooperation (MFAC) has identified nine sub-programs, corresponding to its nine organisational divisions. Within these, areas are prioritised and sequenced for implementation in the remaining years of the NDP. The main areas/activities are (i) establishing the Office of the Director General, (ii) provision of policy advice to the Minister's Office, (iii) management of the Ministry, (iv) establishing three Embassies with appropriate support facilities, (v) support for participation in international events, (vi) regional capacity building, (vii) development of Protocol Guidelines, (viii) completion of international treaties and national legislation ratifying these treaties, (ix) finalising country agreements with Development Partners, (x) strengthening the capacity of the Ministry, and (xi) finance, administration and human resources management.

Details of these areas are presented in Annex 3, where the Ministry's programs are sequenced over the remaining Plan years, together with sources of funding.

Much of the Ministry's work will be funded from grants from external Partners including international organisations, for particular activities fundamental to the Ministry's work, such as attendance at international events and Embassy support.

The Ministry requires \$US 11.6 million to implement its programs for the remaining years of the NDP, divided into the following indicative amounts for each year, in millions of dollars:

	FY03	FY04	FY05	FY06	FY07	Total FYs 04 to 07
Combined Sources Envelope	1.2	1.1	1.1	1.1	1.1	4.4
Proposed P and S Expenditure		4.1	3.8	1.8	1.9	11.6
CFET Expenditure(scenario2)	1.2	1.1	1.0	1.0	1.1	4.2
External Financing sought		3	2.8	0.8	0.8	7.4

¹¹ About half the population of Timor-Leste is estimated to be below 16 years.



E. Ministry of Health

Health provision is crucial for poverty reduction. Health was ranked second only to education in importance by the people of Timor-Leste in the Countrywide Consultation. In its implementation of NDP, the Ministry of Health has pursued several key strategies. Most notable among these are (i) emphasis on preventive and promotive health care, provided close to the community, with an additional aim of limiting expenditure on health care, (ii) adoption of primary health care policies that enable increased accessibility and coverage, and (iii) adoption of policies for integrating the health care system with other sectors. The strategies have been defined and further elaborated in *East Timor's Health Policy Framework*, published by the Ministry in June 2002.

In particular, the *Framework* defines a basic package of services for delivery within the districts. It outlines policies to decentralise the health service through more effective participation by local health workers and communities in the development and implementation of health programs. These two policy aims have been important for the Ministry in assessing its programs for prioritisation and sequencing. Monitoring of the activities in the FY03 AAPs including those covered under the Transition Support Program has also highlighted the importance of extending health care including through mobile clinics, particularly in poorer and more remote areas.

In prioritisation of its programs, the Ministry has paid attention particularly to the objective of bringing health services closer to the population. It has also included proposals for improving both basic training for community health workers and the mobility of health personnel to facilitate service delivery to remote areas, which is one of the immediate priorities. Additionally, the Ministry has focused on identifying gaps in its programs within the framework of the NDP.

In its prioritisation for the next four years, the Ministry will be implementing programs on (i) child health including immunisation, nutrition, growth monitoring, micronutrient distribution, breast-feeding and nutritional education, (ii) maternal health including antenatal care and safe motherhood, (iii) reproductive health, (iv) health promotion, with particular attention to schools, (v) control of communicable diseases including malaria and treatment of tuberculosis and diarrhoea, (vi) environmental health promotion, (vii) drugs and medical supplies, (viii) laboratory services, (ix) rehabilitative services, (x) establishment of a Health Information System, and (xi) support for logistics and finance administration. Given their importance, these programs will continue throughout the remaining four years of the Plan period.

Details of these programs and their sequencing are outlined in Annex 3, together with estimated costs for each program, for each of the remaining years of NDP implementation.

The Health Sector requires \$83.8 million to implement its programs for the remaining four years of the NDP, divided into the following indicative amounts, in millions of dollars:



	FY03	FY04	FY05	FY06	FY07	Total FYs 04 to 07
Combined Sources Envelope	30.2	16.1	10.7	15.4	15.9	58.1
Proposed P and S Expenditure		24.6	28.6	15.3	15.2	83.8
CFET Expenditure(scenario2)	7.1	8.7	9.5	15.2	15.7	49.9
External Financing sought		15.9	19.1	0.1	-0.5	33.9

F. Ministry of Interior and State Administration

Following a recent decision by the Council of Ministers, two new ministries have been created - the Ministry of the Interior and the Ministry of State Administration. The responsibilities and programs of the former Ministry of Internal Administration have been divided between these two new ministries.

Consequently, the priorities decided upon by the former Ministry of Internal Affairs have now become priorities in the two new ministries, depending upon which areas of the former Ministerial portfolio have become their respective responsibilities.

Prior to the Ministerial reorganisation, the former Ministry of Internal Administration (MIA) carried out a thorough assessment of its programs in relation to the requirements of the NDP. It identified gaps and focussed on the key issue of service delivery. Further, the Ministry paid attention to the immediate priorities including the need to legitimise the role of the Chefes de Suco and empower functionaries at the sub-national levels.

1. Ministry of Interior

The new Ministry of Interior will be implementing former MIA programs in the areas of (i) Civil Security, (ii) Fire Rescue and Emergency Services, and (iii) National Disaster Management.

Details of these programs and their sequencing are outlined in Annex 3, together with estimated costs for each program, for each of the remaining years of NDP implementation.

The new Ministry of Interior requires US\$ 62.1 million to implement its programs for the remaining years of the NDP, divided into the following indicative amounts for each year, in millions of dollars.

	FY03	FY04	FY05	FY06	FY07	Total FYs 04 to 07
Proposed P and S Expenditure		18.7	13.2	14.8	15.2	62.1

2. Ministry for State Administration

In the key area of local government administration, the ministry is concerned with improving the quality of its staff through detailed programs of training and capacity -building, and to improve the delivery of services to local communities. In this regard, the enactment of the law on local government and its implementation are considered crucial. This is rated to be a major priority for the Ministry.



Similarly, there is a strong focus on supporting and building the capacity of District Community Development Committees, and enabling local institutions and community-based groups to participate. In the local government area, the priority programs include (i) enactment of the Law on Local Government, specifying the roles and responsibilities of sub-national government administrations, (ii) strengthening the capacity of the Administration of Local Government staff in administration, management, finance and budgeting, (iii) creation and strengthening of institutional mechanisms for coordination of development activities in relatively disadvantaged regions/districts, and (iv) promotion of popular participation in economic, social and political processes, particularly by the poor and vulnerable groups.

These areas will become the main priorities in the portfolio of the new Ministry for State Administration, which will also be implementing the former MIA programs for the Civil Service Academy, Public Service, Government publications including the Gazette, and maintenance and development of the National Archives.

Details of these programs for the new ministry, and their sequencing are outlined in Annex 3, together with estimated costs for each program, for each of the remaining years of NDP implementation.

The Ministry of State Administration requires US\$ 30.1 million to implement its programs for the remaining years of the NDP, divided into the following indicative amounts for each year, in millions of dollars:

	FY03	FY04	FY05	FY06	FY07	Total FYs 04 to 07
Proposed P and S Expenditure		11.7	4.1	6.1	8.1	30.1

3. The Two Ministries Combined

Since neither CFET expenditures nor Combined Sources Indicative Envelopes are available as yet for the two new ministries, their combined P and S Submission, together with their original CFET and Combined Sources envelopes, are presented below.

	FY03	FY04	FY05	FY06	FY07	Total FYs 04 to 07
Combined Sources Envelope	11.9	5.0	4.6	5.0	5.1	19.7
Proposed P and S Expenditure		30.4	17.3	20.9	23.3	92.2
CFET Expenditure(scenario2)	4.3	3.7	4.0	4.4	4.6	16.7
External Financing sought		26.7	13.3	16.5	18.7	75.5

The former Ministry of Internal Administration was and the present Ministry of Interior is also responsible for the Timor Leste Police Service (PNTL).

4. Timor Leste Police Service

Considerable time has been spent by Timor Leste Police Service (PNTL) Section Heads in discussing the NDP planning process, with attention particularly to gaps in the programs specified originally in the NDP.



Of particular concern has been a growing realisation of gaps within the main administrative functions of PNTL. Additionally, the Police Service is acutely aware of the need to strengthen its capacity to meet its responsibilities in ensuring security, as indicated in the immediate priorities and elaborated in the Stability Program. These centre not only on regular policing in the community, but also on PNTL's responsibilities for border patrol and immigration. Also, they focus on the need to improve the response of the Police Force to civilian protest including management of such incidents as exemplified in the riots in Dili on 4 December 2002.

Additional funding is being sought for developing the Field Training Program and to support newly recruited graduates. Assistance is also required to develop a program of specialist training courses in areas such as criminal investigation.

PNTL proposed that its activities for implementation be presented in one program, with six components. Details of their sequencing, sources of funding, and estimated costs, are presented in Annex 3. The prioritised program components are (i) the Police College and providing field, specialist, and management training, (ii) police operations including community policing, criminal investigations and internal security, (iii) administration including human resources development, planning and finance, (iv) establishment of an effective Immigration Service, (v) development and maintenance of the Rapid Intervention Units in Dili and Baucau, and (vi) maintenance of the Border Patrol and Marine Unit.

An outline of these programs and their sequencing is presented in Annex 3, together with estimated costs for each program, for each of the remaining years of NDP implementation.

The PNTL requires US\$ 59.4 million to implement its programs for the remaining years of the NDP, divided into the following indicative amounts for each year, in millions of dollars:

	FY03	FY04	FY05	FY06	FY07	Total FYs 04 to 07
Combined Sources Envelope	10.0	10.5	10.0	8.7	9.0	38.2
Proposed P and S Expenditure		18.1	12.6	14.1	14.6	59.4
CFET Expenditure(scenario2)	7.8	8.0	8.0	8.2	8.4	24.6
External Financing sought		10.1	4.6	5.9	6.2	34.8

At the time of completion and submission of the priority programs by PNTL, the Council of Ministers approved the recruitment, training and equipping of 500 cadets for the Rapid Deployment Group (RDG). The cost of this is estimated to be \$5.0 million in FY04 with recurrent costs of \$1.0 million per year during the next four years and is incorporated in the proposed P and S expenditure for PNTL.

G. Ministry of Justice

As noted in the Background Document prepared and circulated by the Government to the participants in the December 2002 Meeting with Development Partners, the Ministry of Justice has made some progress in establishing key institutions, notably the courts system, the offices of the Prosecutor General and Public Defender, and a framework for judicial training. Recently, the Superior Council for the Judiciary has also been established. However, severe problems remain. Service delivery is still limited, resulting in substantial delays in the



presentation of cases, a large backlog of unresolved cases, inconsistent decision-making, and a limited legitimacy of legal authority.

In its assessment of its programs, the Ministry has paid attention particularly to gaps in NDP implementation, notably in capacity building via recruitment and training. Addressing these needs is also intended to meet the requirements of the immediate priority to strengthen the justice system including both formal and customary systems in order to improve the provision of judicial services, through increasing the number of jurists, and enhancing the quality and delivery of services including provision of adequate legal assistance. Further, it is to cater to improved institutional co-ordination and increased community awareness of laws and legal procedures.

The Ministry has prioritised a set of programs for implementation in the remaining four years of the Plan period. These are presented in Annex 3, with sequencing and indicative funding requirements.

The priority programs are in the following areas:

- a. Service Delivery through District Courts, Public Defender's Office, Office of the Prosecutor-General, Appeals Court, and the Superior Council for the Judiciary. This will include the recruitment of international judges, prosecutors, defence lawyers, court clerks and interpreters, promoting the use of functional registries, and improving internal reporting systems;
- b. Improving the Prison system including recruitment of international trainers to train Timorese trainers of Prison Guards, and organising vocational training, work programs and literacy classes for detainees;
- c. Capacity building through the Judiciary Training Centre;
- d. Framework for legal Consistency through assessment and legislation;
- e. Land and Property, Civil Registry, Notary, and Administration; and
- f. Strengthening and providing assistance for mediation and resolution mechanisms at national, district, sub-district and community levels.

The Ministry requires \$21.5 million to implement its programs for the remaining years of the NDP, divided into the following indicative amounts for each year, in millions of dollars:

	FY03	FY04	FY05	FY06	FY07	Total FYs 04 to 07
Combined Sources Envelope	9.2	4.4	3.9	3.8	3.7	15.8
Proposed P and S Expenditure		8.7	4.8	4.4	3.6	21.5
CFET Expenditure(scenario2)	2.2	2.2	2.2	2.2	2.3	8.9
External Financing sought		6.5	2.6	2.2	1.3	12.6

H. Ministry of Planning and Finance

For implementation of NDP, the Ministry of Planning and Finance (MPF) has established a framework for sustainable public sector financial management, administration and accountability. The Ministry has eight Divisions: Treasury, Budget, East Timor Revenue Service, Customs, Government Procurement Supply and Inventory, Statistics, Macroeconomic and Taxation Policies, Administration and Information Technology, and Planning and External Assistance Management. Several of these Divisions are proposing new initiatives for funding during the remaining years of the NDP, based upon their



implementation experiences during FY03, and taking into consideration the immediate priorities.

In addition to its ongoing functions of budget formulation and management, the Budget Division aims to focus on substantial capacity building activities for national staff, through the provision of on-the-job training, mentoring, short courses, and targeted training in financial management and budget execution.

Similarly, in tandem with its work to oversee and report on the execution of the budget, payroll and maintenance of public accounts, the Treasury is developing systems for mentoring and on-the-job training for local staff.

In addition to its functions of overseeing tax collection and developing the Government's taxation administration system, the East Timor Revenue Service intends to spend 25% of its budget on developing capacity for Timor Sea taxation officers through attendance at courses, workshops and in-house training.

Similarly, a substantial proportion of the expenditure of the Division of Administration and Information Technology will be devoted to designing and carrying out a needs assessment study and a human resources development plan for strengthening IT provision within the Ministry.

To improve its work in revenue policy and forecasting, the Macroeconomic and Tax Policy Program intends to devote approximately a quarter of its budget to improving local staff knowledge of international best practices.

The Procurement Unit is devoting over half of its planned expenditures for FY04 to revising procurement regulations, in an attempt to improve levels of transparency and competitiveness and increased conformity with international guidelines.

In developing a strategy for wider information gathering by agencies, and for improved co-ordination and dissemination, the Statistics Department is focusing on the need to develop the National Accounts required by the NDP, both sectorally and in relation to the overall measurement of economic growth and poverty reduction.

The Planning and External Assistance Management Division (PEAMD) performs a crucial role within the Ministry, overseeing and monitoring NDP implementation, mobilising support for the Plan, engaging donors, detailing donor funding, and disseminating information to stakeholders. Its priority programs/program components are particularly important for planning and mobilising resources for Plan implementation. The latter includes notably the establishment and maintenance of an effective data management system to register and facilitate monitoring of all external assistance.

The programs prioritised by the Ministry of Planning and Finance are presented in Annex 3, with sequencing, estimated costs, and indicative sources of funding, for each of the remaining years of NDP implementation.

The Ministry is requesting \$ 22.4 million to implement its programs for the remaining years of the NDP, divided into the following indicative amounts for each year, in millions of dollars:



	FY03	FY04	FY05	FY06	FY07	Total FYs 04 to 07
Combined Sources Envelope	13.0	20.0	16.0	6.2	6.2	48.4
Proposed P and S Expenditure		6.9	5.2	5.0	5.1	22.4
CFET Expenditure(scenario2)	5.1	3.9	4.1	4.1	4.3	16.4
External Financing sought		3.0	1.1	0.9	0.8	6.0

I. Ministry of Transportation, Communications, and Public Works

Within the Ministry of Transportation, Communications, and Public Works (MTCPW), the Department of Water and Public Works aims to provide essential infrastructure to support the economic and social development of Timor-Leste. The Ministry's rural water supply programs are designed to complement and build on those already included in donor programs supported by development partners, and will focus on building capacity for the sustainability of these schemes. A new initiative within the Department is the provision of models of low-cost bamboo housing, and training packages to communities to build such housing in an attempt to improve the housing/living conditions.

The Ministry's plans for building, improving and maintaining roads during the next four years are crucial not only for maintaining transport links and communications, but also are important particularly in enhancing market access for farm households. These plans comprise the bulk of its expenditure proposals.

Equally important, however, are its programs for controlling floods and rehabilitation of public buildings for community use. All of these will provide opportunities for employment creation, managed through community involvement.

In addition, the Transport and Communications Department is putting forward larger-scale programs, which are vital both for maintaining transport and communications connections within the country including with the enclave of Oecussi, and Timor-Leste's links to other countries. Amongst the most important of these are projects to improve postal services.

The priority programs of the Ministry span the areas including (i) rural water and sanitation, with components in institutional and capacity building, (ii) urban water supply and sanitation, (iii) flood control, (iv) road and bridge rehabilitation and improvement, (v) postal services, and (vi) land transport.

Details of these programs and their sequencing are outlined in Annex 3, together with indicative estimated costs for each program, for each of the remaining years of NDP implementation.

The Ministry requires \$255.2 million to implement its programs for the remaining years of the NDP, divided into the following indicative amounts for each year, in millions of dollars:



	FY03	FY04	FY05	FY06	FY07	Total FYs 04 to 07
Combined Sources Envelope	40.5	31.9	30.1	27.3	25.7	115.0
Proposed P and S Expenditure		68.9	61.7	60.6	63.9	255.2
CFET Expenditure(scenario2)	4.7	6.9	7.1	6.9	7.1	28
External Financing sought		62.0	54.6	53.7	56.8	227.2

J. Secretary of State for Defence

The Secretary of State for Defence (SSD) has undertaken a thorough review of its programs, particularly in relation to the requirements of the NDP and the immediate priorities. It has put forward three programs, all of which it considers to be of equal priority. These are (i) Defence Organisation, with components covering recruitment and training, (ii) procurement of equipment and supplies, and (iii) facilities development and maintenance.

Details of these programs and their estimated sequenced costings are outlined in Annex 3. The first program, Defence Organisation, is the overarching program in the effort to improve Timor-Leste's defence. The other two programs underpin this effort.

Sequencing is particularly important in the implementation of SSD's programs. For example, current facilities for the Defence Force of Timor-Leste (FDTL) are inadequate, and the strategic location and training of battalions is dependent on the construction and refurbishment of buildings, planned during FY04.

Total expenditure proposed by SSD for FY04 is \$10.6 million as compared to the current indicative Combined Sources Funding Envelope of \$8.4 million. However, for subsequent years, proposed expenditures are within indicative envelopes.

The Secretary of State for Defence requires \$29.1 million to implement its programs for the remaining years of the NDP, divided into the following indicative amounts for each year, in millions of dollars:

	FY03	FY04	FY05	FY06	FY07	Total FYs 04 to 07
Combined Sources Envelope	6.6	8.4	7.8	7.9	8.0	32.1
Proposed P and S Expenditure		8.7	6.8	6.8	6.8	29.1
CFET Expenditure(scenario2)	4.4	6.0	6.1	6.1	6.3	24.5
External Financing sought		2.7	0.7	0.7	0.5	4.6

K. Secretary of State for Labour and Solidarity

The Secretary of State for Labour and Solidarity (SSLS) has undertaken a detailed review of its programs implemented within the NDP, noting in particular gaps in its provision, and the requirements of the immediate priorities. The latter is particularly important, in that Labour and Solidarity has been developing programs in important areas such as vocational training including the setting up and strengthening of training centers, the development of a labour market database, and the dissemination of information on employment opportunities.



In other crucial areas such as the provision of social services for children and the disabled, programs have been redefined to improve service delivery. The women's unit is placing greater emphasis in its programs on the provision of skills training to women for setting up small businesses.

The Secretary of State's prioritised and sequenced programs reflect the results of its program review, with a strong emphasis on the funding requirements for assisting the veterans. In each of the remaining years of NDP implementation, almost one-half of the expenditures will be devoted to veterans' programs.

The priority programs fall in the areas of (i) Veterans' Affairs, (ii) employment and skills development, (iii) worker protection and industrial relations, (iv) staff training and skills development, (v) provision of social services for children, (vi) development of the Women's Unit, (vii) provision of social services for the disabled, and (viii) development of the Emergency and Humanitarian Assistance Unit.

An outline of the programs put forward by the Secretary of State for Labour and Solidarity, together with sources of funding and the expenditure required in each year of NDP implementation are provided in Annex 3.

The Secretariat requires \$25.9 million to implement its programs for the remaining years of the NDP, divided into the following indicative amounts for each year, in millions of dollars:

	FY03	FY04	FY05	FY06	FY07	Total FYs 04 to 07
Combined Sources Envelope*	10.9	10.3	10.0	10.0	9.2	39.5
Proposed P and S Expenditure		17.2	2.8	2.8	3.0	25.9
CFET Expenditure(scenario2)	0.5	0.4	0.4	0.5	0.5	1.8
External Financing sought		16.8	2.4	2.3	2.5	24.1

* The Combined Sources indicative envelope figures presented in this table contain significant bilateral funds, of approximately US\$ 9.5 million annually, provided to the Secretary of State for emergency food distribution.

CFET allocations for the Secretary of State are limited, at a projected average of less than \$0.5 million for the remaining years of the NDP. Hence, substantial bilateral funding will be required for the implementation of its prioritised programs.

L. Secretary of State for Commerce and Industry

The Secretary of State for Commerce and Industry comprises two Divisions – Industry and Trade. The priorities for each of the Divisions are:

In the Division of Industry:

- ? Regulatory Requirements for Industrial and Economic Zones;
- ? Development Policy Framework for Micro-Finance/Credit for small and medium size enterprises.

In the Division of Trade:

- ? Support for Export-related Industry Inclusion in an Industrial Zone;
- ? Domestic Trade Promotion and Domestic Market Linkages.



An outline of the programs put forward by the Secretary of State for Commerce and Industry, together with sources of funding and the expenditure required in each year of NDP implementation are provided in Annex 3.

The Secretariat requires \$ 1,154 million to implement its programs for the remaining years of the NDP, divided into the following indicative amounts for each year, in millions of dollars:

	FY02-03	FY03-04	FY04-05	FY05-06	FY06-07	Total FYs 04 to 07
Combined Sources Envelope		0.19	0.14	0.17	0.17	0.66
Proposed P and S Expenditure		0.27	0.27	0.29	0.31	1.15
CFET Expenditure(scenario2)		0.1	0.1	0.1	0.2	0.5
External Financing sought		0.17	0.17	0.19	0.11	0.65

M. The Office of the President

Following independence, the Government established the President's Office, funded with resources from the CFET budget. The Office will be implementing two programs for the remaining years of the NDP, centring on the further development of its Secretariat, and on the provision of support for Presidential duties.

In both these areas, a major focus will be on capacity-building. In the Secretariat, there will be a prioritisation of the areas of protocol, the provision of advisers, and information technology support. Details of the programs put forward by the President's Office, and their sequencing are outlined in Annex 3.

Programs will be funded from CFET and bilateral and multilateral sources. The President's Office is requesting \$ 0.8 million from the CFET budget and additional resources from bilateral and multilateral sources to implement its programs for the remaining years of the NDP, divided into the following indicative amounts for each year, in millions of dollars:

	FY03	FY04	FY05	FY06	FY07	Total FYs 04 to 07
Combined Sources Envelope	0.4	0.3	0.3	0.3	0.3	1.2
CFET Expenditure(scenario2)	0.4	0.2	0.2	0.2	0.2	0.8
External Financing sought		0.1	0.1	0.1	0.1	0.4

N. The National Parliament

Resources for the National Parliament cover remuneration of Members of Parliament and funding for the Parliament's Secretariat. In the programs for the remaining years of NDP implementation, funding is focused primarily on capacity building for improved communication with Government, and for dissemination of Parliamentary activities and decisions.

Outlines of the proposed programs of the Parliament are given in Annex 3, together with indicative estimated costs for each program, for each of the remaining years of NDP implementation. Programs will be funded from CFET and bilateral and multilateral sources.



The Parliament is requesting \$9.4 million to implement its programs for the remaining years of the NDP, divided into the following indicative amounts for each year, in millions of dollars:

	FY03	FY04	FY05	FY06	FY07	Total FYs 04 to 07
Combined Sources Envelope	3.4	1.0	1.0	1.0	1.0	4.0
Proposed P and S Expenditure		1.2	6.2	1.0	1.0	9.4
CFET Expenditure(scenario2)	0.9	0.8	0.8	0.8	0.8	3.2
External Financing sought		0.4	5.4	0.2	0.2	6.2

O. State National Security Service

The formation of the Servico Nacional de Seguranca do Estado (SNSE) was approved in September 2002 (under Organic Law 3/2002). As stated in its prioritisation and sequencing documentation, the objective of the SNSE is to provide early warning of politically motivated violence and other actions detrimental to national security.

Initial funding for the SNSE was provided from the Prime Minister's Contingency Fund. SNSE is requesting funding for the collection and analysis of information, and for the dissemination of intelligence.

Details of SNSE's programs and their sequencing are outlined in Annex 3, together with indicative estimated costs for each of the remaining years of NDP implementation. The SNSE requires \$ 0.4 million to implement its programs for the remaining years of the NDP, divided into the following indicative amounts for each year, in millions of dollars:

	FY03	FY04	FY05	FY06	FY07	Total FYs 04 to 07
Proposed P and S Expenditure		0.1	0.1	0.1	0.1	0.4
Combined Sources Envelope						
CFET Expenditure(scenario2)						

Figures for the SNSE's CFET budget and indicative Combined Sources Funding Envelopes are not yet available.

P. Government Structures

The Government Structures Portfolio represents those organisations that are not overseen directly by a Minister or Secretary of State. Their functions are described in detail in the *Combined Sources Budget Document (2002-03)*.

For the prioritisation and sequencing exercise, a number of changes have been made in constituent programs, in relation particularly to observed gaps in NDP implementation, and the immediate priorities. New initiatives are the creation of the Timor Sea Office to provide legal and negotiating advice to the Prime Minister and the Council of Ministers, and the moving of the Capacity Development and Co-ordination Unit into the Prime Minister's Office. This move reflects the priority given to CDCU's work in co-ordinating capacity building in the ministries through the appointment of focal persons to deal specifically with capacity building in each ministry and agency (Secretary of State).



The Office for the Promotion of Equality has reorganised its programs to create a more effective approach to gender mainstreaming in policy development through ongoing training in both government institutions and civil society organisations.

Details of the constituent organisations of the government structures, and their sequencing, together with sources of funding, are outlined in Annex 3, together with indicative estimated costs for each of the remaining years of NDP implementation. These are summarised in the following:

Structure		FY03	FY04	FY05	FY06	FY07	Total FYs 04 to 07
Office of the Prime Minister and Council of Ministers	CS	22.3	19.0	14.8	14.8	14.8	63.4
	PS						
	CFT		7.0	8.7	8.7	8.7	33.1
Capacity Development Co-ordination Unit (CDCU) *	CS						
	PS		30.12	20.05	10.05	0.052	60.27
	CFT						
Provedor de Direitos Humanos e Justica	PS						
	CS						
	CFT	0.06	0.05	0.05	0.07	0.07	0.24
Office of the Inspector General	CS	0.05	0.37	0.09	0.09	0.09	0.64
	PS		0.13	0.07	0.07	0.07	0.34
	CFT	0.63	0.05	0.05	0.05	0.05	0.20
Office for the Promotion of Equality	CS	0.29	0.12	0.04	0.04	0.04	0.24
	PS		0.07	0.03	0.03	0.03	0.16
	CFT	0.04	0.04	0.04	0.04	0.04	0.16
Independent Electoral Commission	CS	2.09	0.54	0.64	0.63	0.63	2.44
	PS						
	CFT	0.06	0.06	0.06	0.06	0.06	0.24
Banking and Payments Authority	CS	2.22	1.18	0.58	0.54	0.54	2.84
	PS						
	CFT	1.08	0.61	0.58	0.54	0.54	2.81
Timor Sea Office	CS						
	PS	0.22	0.22	0.22	0.22		0.66
	CFT	0.13		0.24	0.22		0.68

CS – Combined Sources Envelope;

PS - Proposed P and S Expenditure; and

CFT - CFET Expenditure (scenario2)

* No figures are yet available for CDCU indicative envelopes or CFET expenditure.

Q. The Oecussi Enclave

In addition to the programs prioritised above, the Government is also requesting funding for programs to be implemented in Oecussi, due to the difficulties of its current situation. These are to be implemented during the next eighteen months. The programs are:

- ? Ferry Service;
- ? Communications;
- ? Cattle Raising;
- ? Improving Rice Yields;
- ? Small-Scale Agro-Processing, including improved rice-milling;
- ? Tourism Development;
- ? Bricks and other construction materials to supply to the local market;
- ? Furniture production for the local market;
- ? Development of small-scale industries and services;
- ? Strengthening of new Vocational Training Centre;
- ? Aquaculture;
- ? Production of Eucalyptus oil; and,



- ? Replanting of sandalwood

Total funding required for these activities is estimated at \$2.4 million.

The rationale for some of programs and the cost estimates for each of these programs are provided in the Stability Program in Annex 2. These programs have not yet been allocated to the respective ministries.

CONCLUSION

In presenting the Government's priorities in each sector, the Road Map has attempted to provide a basis for the Policy Dialogue between the Government and its Development Partners.

The document has outlined both the main development priorities for each ministry, and the reasons for their prioritisation, under conditions of resource constraints.

The information in the Road Map provides the detailed knowledge and understanding required for Government ministries and Development Partners to work together to finalise the funding arrangements for Timor-Leste's programs for the remaining years of the NDP.



Annex to Part One

Table 1: CFET Revenue and MYBU Forward Estimates of Expenditure

	FY02	FY03	FY04	FY05	FY06	FY07*
Revenue (not FTP)	52.0	70.6	75.0	72.7	57.5	60.3
Timor Sea (not FTP)	6.5	23.8	36.2	35.6	37.8	39.6
Domestic Revenue	20.5	17.5	17.5	18.5	19.7	20.7
TSP Grants	26.0	29.3	21.3	18.6	0.0	0.0
Expenditure (MYBU)	53.1	74.2	80.0	92.9	102.4	105.0
Capital & Development	0.0	7.0	10.0	20.0	25.0	25.0
Recurrent	53.1	67.2	70.0	72.9	77.4	80.0
Funding Shortage			5.0	20.2	45.1	44.7
Revenue (with FTP)	56.3	71.6	86.8	96.6	83.0	86.5
Funding Shortage					19.4	18.5

FTP – First Tranche of Petroleum (revenues).

* The MYBU had no estimates for FY07. Recurrent expenditure is estimated to grow by 2.5 per cent. The MYBU forward estimates do not include revisions due to any changes in wages, or in subsidies to the Power Authority.

Table 2: MYBU and Reduced Expenditure Scenarios

	FY03	FY04	FY05	FY06	FY07
Scenario 1 (MYBU)					
Expenditure Total	74.2	82.0	92.9	102.5	105.0
Recurrent	60.7	67.1	70.3	77.4	80.0
Power Subsidy	6.5	4.9	2.6	0.0	0.0
Capital & Development	7.0	10.0	20.0	25.0	25.0
Funding Shortage		5.0	20.2	45.1	44.7
Scenario 2					
Expenditure Total	74.2	72.0	73.9	80.4	85.0
Recurrent	60.7	62.1	65.3	72.4	75.0
Power Subsidy	6.5	4.9	2.6	0.0	0.0
Capital & Development	7.0	5.0	6.0	8.0	10.0
Funding Shortage			1.2	18.0	24.7



Table 3. CFET Allocations for Scenario 1

Ministry/Agency	FY03	FY04	FY05	FY06	FY07
President	0.4	0.3	0.3	0.3	0.3
Parliament	0.9	0.9	0.9	0.9	0.9
Govt Structures	2.8	2.3	2.3	2.2	2.3
FDTL	4.4	6.8	6.8	6.8	7.1
Internal Admin	4.3	4.2	4.6	5.0	5.1
PNTL	7.8	8.6	8.6	8.7	9.0
Justice	2.2	2.3	2.3	2.3	2.4
Devel & Env	0.3	0.3	0.3	0.3	0.4
Trade & Ind	0.2	0.1	0.1	0.2	0.2
Agriculture	1.4	1.4	1.5	1.6	1.6
Education	18.3	17.6	19.4	20.2	20.9
Health	7.1	8.9	9.7	15.4	15.9
Labour & Solid	0.5	0.5	0.5	0.5	0.5
Foreign Affairs	1.2	1.1	1.1	1.1	1.1
Plan & Finance	5.1	4.2	4.4	4.4	4.6
Tran, Com & PW	4.7	7.7	7.8	7.6	7.9
Power Subsidy	6.5	4.9	2.6	0.0	0.0
Total	67.7	72.0	72.9	77.4	80.0

Table 4. CFET Allocations for Scenario 2

Ministry/Agency	FY03	FY04	FY05	FY06	FY07
President	0.4	0.2	0.2	0.2	0.2
Parliament	0.9	0.8	0.8	0.8	0.8
Govt Structures	2.8	2.2	2.2	2.1	2.2
FDTL	4.4	6.0	6.1	6.1	6.3
Internal Admin	4.3	3.7	4.0	4.4	4.6
PNTL	7.8	8.0	8.0	8.2	8.4
Justice	2.2	2.2	2.2	2.2	2.3
Devel & Env	0.3	0.3	0.3	0.3	0.3
Trade & Ind	0.2	0.1	0.1	0.1	0.2
Agriculture	1.4	1.3	1.5	1.5	1.6
Education	18.3	16.2	17.9	18.8	19.5
Health	7.1	8.7	9.5	15.2	15.7
Labour & Solid	0.5	0.4	0.4	0.5	0.5
Foreign Affairs	1.2	1.1	1.0	1.0	1.1
Plan & Finance	5.1	3.9	4.1	4.1	4.3
Tran, Com & PW	4.7	6.9	7.1	6.9	7.1
Power Subsidy	6.5	4.9	2.6	0.0	0.0
Total	67.7	67.0	67.9	72.4	75.0



Table 5: Indicative Combined Sources Budget Funding Envelopes

Ministry/Agency	FY03	FY04	FY05	FY06	FY07
President	0.4	0.3	0.3	0.3	0.3
<i>CFET Scenario 1</i>	<i>0.4</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>
<i>CFET Scenario 2</i>	<i>0.4</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>
Parliament	3.4	1.0	1.0	1.0	1.0
<i>CFET Scenario 1</i>	<i>0.9</i>	<i>0.9</i>	<i>0.9</i>	<i>0.9</i>	<i>0.9</i>
<i>CFET Scenario 2</i>	<i>0.9</i>	<i>0.8</i>	<i>0.8</i>	<i>0.8</i>	<i>0.8</i>
Govt Structures	15.9	10.9	7.2	7.2	6.8
<i>CFET Scenario 1</i>	<i>2.8</i>	<i>2.3</i>	<i>2.3</i>	<i>2.2</i>	<i>2.3</i>
<i>CFET Scenario 2</i>	<i>2.8</i>	<i>2.2</i>	<i>2.2</i>	<i>2.1</i>	<i>2.2</i>
FDTL	6.6	8.4	7.8	7.9	8.0
<i>CFET Scenario 1</i>	<i>4.4</i>	<i>6.8</i>	<i>6.8</i>	<i>6.8</i>	<i>7.1</i>
<i>CFET Scenario 2</i>	<i>4.4</i>	<i>6.0</i>	<i>6.1</i>	<i>6.1</i>	<i>6.3</i>
Internal Admin	11.9	5.0	4.6	5.0	5.1
<i>CFET Scenario 1</i>	<i>4.3</i>	<i>4.2</i>	<i>4.6</i>	<i>5.0</i>	<i>5.1</i>
<i>CFET Scenario 2</i>	<i>4.3</i>	<i>3.7</i>	<i>4.0</i>	<i>4.4</i>	<i>4.6</i>
PNTL	10.0	10.5	10.0	8.7	9.0
<i>CFET Scenario 1</i>	<i>7.8</i>	<i>8.6</i>	<i>8.6</i>	<i>8.7</i>	<i>9.0</i>
<i>CFET Scenario 2</i>	<i>7.8</i>	<i>8.0</i>	<i>8.0</i>	<i>8.2</i>	<i>8.4</i>
Justice	9.2	4.4	3.9	3.8	3.7
<i>CFET Scenario 1</i>	<i>2.2</i>	<i>2.3</i>	<i>2.3</i>	<i>2.3</i>	<i>2.4</i>
<i>CFET Scenario 2</i>	<i>2.2</i>	<i>2.2</i>	<i>2.2</i>	<i>2.2</i>	<i>2.3</i>
Devel & Env	7.5	2.2	1.4	1.3	1.3
<i>CFET Scenario 1</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	<i>0.4</i>
<i>CFET Scenario 2</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>
Trade & Ind	0.4	0.2	0.1	0.2	0.2
<i>CFET Scenario 1</i>	<i>0.2</i>	<i>0.1</i>	<i>0.1</i>	<i>0.2</i>	<i>0.2</i>
<i>CFET Scenario 2</i>	<i>0.2</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>	<i>0.2</i>
Agriculture	25.3	12.4	13.2	8.9	8.3
<i>CFET Scenario 1</i>	<i>1.4</i>	<i>1.4</i>	<i>1.5</i>	<i>1.6</i>	<i>1.6</i>
<i>CFET Scenario 2</i>	<i>1.4</i>	<i>1.3</i>	<i>1.5</i>	<i>1.5</i>	<i>1.6</i>
Education	45.8	39.4	33.9	33.7	33.2
<i>CFET Scenario 1</i>	<i>18.3</i>	<i>17.6</i>	<i>19.4</i>	<i>20.2</i>	<i>20.9</i>
<i>CFET Scenario 2</i>	<i>18.3</i>	<i>16.2</i>	<i>17.9</i>	<i>18.8</i>	<i>19.5</i>
Health	30.2	16.1	10.7	15.4	15.9
<i>CFET Scenario 1</i>	<i>7.1</i>	<i>8.9</i>	<i>9.7</i>	<i>15.4</i>	<i>15.9</i>
<i>CFET Scenario 2</i>	<i>7.1</i>	<i>8.7</i>	<i>9.5</i>	<i>15.2</i>	<i>15.7</i>
Labour & Solidarity	10.9	10.3	10.0	10.0	9.2
<i>CFET Scenario 1</i>	<i>0.5</i>	<i>0.5</i>	<i>0.5</i>	<i>0.5</i>	<i>0.5</i>
<i>CFET Scenario 2</i>	<i>0.5</i>	<i>0.4</i>	<i>0.4</i>	<i>0.5</i>	<i>0.5</i>
Foreign Affairs	1.2	1.1	1.1	1.1	1.1
<i>CFET Scenario 1</i>	<i>1.2</i>	<i>1.1</i>	<i>1.1</i>	<i>1.1</i>	<i>1.1</i>
<i>CFET Scenario 2</i>	<i>1.2</i>	<i>1.1</i>	<i>1.0</i>	<i>1.0</i>	<i>1.1</i>
Planning & Finance	13.3	20.0	16.0	6.2	6.2
<i>CFET Scenario 1</i>	<i>5.1</i>	<i>4.2</i>	<i>4.4</i>	<i>4.4</i>	<i>4.6</i>
<i>CFET Scenario 2</i>	<i>5.1</i>	<i>3.9</i>	<i>4.1</i>	<i>4.1</i>	<i>4.3</i>
Trans, Com & PW	40.5	31.9	30.1	27.3	25.7
<i>CFET Scenario 1</i>	<i>4.7</i>	<i>7.7</i>	<i>7.8</i>	<i>7.6</i>	<i>7.9</i>
<i>CFET Scenario 2</i>	<i>4.7</i>	<i>6.9</i>	<i>7.1</i>	<i>6.9</i>	<i>7.1</i>



Table 6: Bilateral and Multilateral Expenditures from Forward Estimates

Ministry/Agency	FY03	FY04	FY05	FY06
President	0.0	0.0	0.0	0.0
Parliament	2.4	0.1	5.1	0.2
Govt Structures	11.2	7.7	5.0	5.0
FDTL	2.2	1.7	1.0	1.0
Internal Admin	0.5	0.0	0.0	0.0
TNPL	2.2	1.9	1.4	0.0
Justice	1.4	1.4	1.6	1.5
Devel & Env	1.7	1.0	1.1	1.0
Trade & Ind	0.0	0.0	0.0	0.0
Agriculture	16.5	9.4	11.7	7.4
Education	18.3	16.8	14.5	13.5
Health	5.3	2.1	1.1	0.0
Labour & Solid	10.3	9.8	9.6	9.5
Foreign Affairs	0.0	0.0	0.0	0.0
Plan & Finance	3.9	13.8	11.6	1.8
Tran, Com & PW	20.4	20.8	22.3	19.7
Total	96.2	86.4	85.9	60.5

Stability Program



República Democrática de Timor-Leste



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INTRODUCTION

Timor-Leste formulated its first National Development Plan (NDP) in record time with the participation of more than 38,000 citizens from all walks of life spread in all parts of the country. The Plan recognized that the people of Timor-Leste needed virtually everything and incorporated a wide range of strategies, policies, programs and actions to address their needs during the five-year period (2002/03 to 2006/07) within a twenty-year perspective. The Plan was finalized in early May 2002 and adopted by the Parliament after independence. Implementation of the Plan began with the FY2003 budget in July 2002.

The Plan gave hope to the people about their future as well as that of their children and raised expectations. It recognized the likely direct and indirect adverse impacts of the reduction of the international presence due to the scale-down of the UN operations in mid-2002 on the demand for goods and services and employment. The unemployment rate was estimated to be of the order of about 17%. The economy was estimated to contract by about 4.8% in 2002 and 6.8% in 2003 and recover somewhat (by 3.5%) in 2004.

The actual situation may have been somewhat worse than projected. Employment, especially in the urban areas and among youth, declined precipitously in the latter half of 2002 after withdrawal of a significant proportion of the UN personnel. The country is facing difficulties in attracting foreign direct investment, and in rapidly creating an enabling environment for private sector development. Also, the Government has not yet been able to address adequately the provision of social services for vulnerable groups. In general, delivery of services has not expanded to meet the high expectations of the people due to various factors that included (i) capacity limitations and technical difficulties in putting in place the necessary legislation and regulations supporting good governance, (ii) time absorbed in setting up the administrative and service delivery systems, and (iii) lack of prioritization and sequencing of the activities in the NDP. The Government realized the constraints and began (in October 2002) to see the need to refocus the development efforts on a limited number of priority activities. The events of 4 December 2002 added urgency to address the immediate needs of the people through tangible delivery of goods and services that are visible to the people.

In the semi-annual Meeting with Development Partners held during 9-10 December 2002, the Prime Minister alluded to the types of priorities around which the Government intended to focus its efforts. In January 2003, these priorities were refined taking into account the feedback from the people in both the urban and rural areas and a possible list of immediate priorities was shared with Development Partners in a meeting on 21 January 2002. The suggestions emerging from the Partners were taken into account in finalizing the immediate priority areas, which were approved by the Council of Ministers on 22 January 2003.

Eight immediate priorities in the three broad areas of governance, stability and poverty reduction have been identified and approved by the Council of Ministers (Government) in January 2003. The priorities are: in Governance area: (i) strengthening the respective institutions of the State and legitimizing the local authorities at the suco level first; (ii) strengthening the administrative capacities of the justice system including both customary and formal systems; (iii) strengthening the capacities of the institutions responsible for internal and external security (including appropriate equipment for communication and transport for Police) and Defense; in Stability area: (iv) job creation, which will be part of all



programs from every sector, with particular emphasis on youth and ex-combatants; and in the Poverty Reduction area: (v) supporting the development of the agriculture sector to ensure food security and enhanced access to markets & distribution in the family (farming) sector, cooperative sector, private sector and private sector with the State's participation (joint ventures); (vi) developing trade through cooperatives including domestic trade, import of basic products and export of local products such as cumin and copra; (vii) improving primary and secondary education and vocational training; and (viii) promoting health including extension of access to basic health services through increasing the number of mobile clinics and / or health posts in inaccessible areas.

The Stability Program is formulated in the priority areas to cater to the urgent needs of the population over the next 18 months. The Government's Prioritization and Sequencing exercise covering the remaining four years of the National Development Plan (NDP) takes into account explicitly the above immediate priorities, which are in tune with the priorities in the NDP. The Annual Action Plans for FY2004 draw upon the results of the Prioritization and Sequencing exercise. Thus, the activities in the Stability Program will form a subset of the actions in the AAPs and an integral part of the development efforts during FY2004. The initial implementation of the Program in the remaining three months (fourth quarter) of FY2003 is to be funded from reallocation of resources from the CFET budget and other sources while additional resources are being mobilized in the FY2004 combined sources budget. This paper provides the details on the objectives, scope, indicative costs, financing modalities, and implementation, coordination and monitoring arrangements for the Stability Program.

STABILITY PROGRAM

Objectives

The overall objectives of the stability program are to restore and sustain civil and economic security (including food security) and harmony in all parts of the country and empower the local communities and administrations.

Scope

The criteria for selection of programs and activities in different sectors for incorporation in the Stability Program include the following:

1. Address at least one of the immediate priorities
2. Generate tangible and visible benefit flows including improved and expanded delivery of services in the next 3 to 15 months
3. Linked to medium and longer-term priorities and programs
4. Sustainable in the medium and longterm from both fiscal and development perspectives
5. Promote poverty reduction and overall economic growth

The stability program should be seen as the first step to recovery, poverty reduction and accelerated economic growth in the medium and long-term. Good integration between sectors and programs, hitherto weak, is an important dimension to promote, especially under the Stability Program. The programs under the different priorities are presented in the following:



GOVERNANCE AREA

1. **Strengthening the respective institutions of the State and legitimizing the local authorities at the Suco level first.**

This would include strengthening the four organs of the State – President, Executive, Parliament and Judiciary – with appropriate assistance. In particular, strengthening the civil service including legislation and pay policy will receive priority. At the local level, election of the Chef de Sucos and strengthening the administrations at the sub-district level will be a priority. To start in this direction, the Government has recently appointed 65 Sub-District Administrators to guide, facilitate and monitor development activities undertaken by the Government, private sector, communities and civil society organizations. At the suco level, the legitimacy of the Chef de Sucos in the sucos numbering about 450, has to be clarified. Also, in some sucos, more than one person claims to be the Chef de Suco. This needs to be resolved. Election of the Chef de Sucos is seen as a means to resolve this problem and legitimize the role of the Chef de Suco.

The appointment of district and sub-district administrators and the election of Chef de Sucos is an important step. They need to be provided with resources to respond to the complaints, concerns and priorities of the people in the districts, sub-districts, and sucos.¹ The Government will initiate a block grants program to enable the suco, sub-district and district administrations to respond to complaints and local priority concerns. Initially, the grants will be modest. The funds could be used for eligible interventions such as minor repairs, rehabilitation and upgrading of public facilities including markets, roads, culverts, canals, channels, schools and community halls, and to ameliorate calamities such as pests and livestock diseases.²

The Decentralization Options study is to be launched in the latter part of March 2003 and completed by the end of May 2003. Based on a review of the options, the Government would consider the formation of a local development fund that would be administered within the existing Government structures, with appropriate technical assistance to the Government and other agencies. The Fund would cater to the populations at the grassroots, especially the rural residents, on a wide range of development priorities including employment generation, agriculture, education, health and infrastructure.

2. **Strengthening the administrative capacities of the justice system including both customary and formal systems to improve service delivery.³**

In August 1999, the judicial system in Timor-Leste had some 70 persons with legal training. By 2000, after some intensive training, 25 judges, 13 public prosecutors, 10 public defenders and 12 registrars/clerks were appointed by UNTAET on a probationary basis.⁴ Today there are 17 trial judges, 6 investigating judges, 9 public prosecutors and 9 public defenders

¹ The Chefes de Suco are provided a modest monthly allowance to cover the costs of travel, etc., for them and their colleagues from the aldeias, to attend meetings at the sub-district and district headquarters.

² A list of eligible activities will be prepared in consultation with the people in each of the districts to cater to their specific circumstances.

³ The presentation in this sub-section draws heavily on the Joint Government-UNDP Assessment Mission (draft) Report on “Support to the Justice System in Timor-Leste,” Dili, 26 January 2003.

⁴ These figures do not take into account the number of international judges, prosecutors and public defenders appointed that were mostly assigned “Serious Crimes” cases.



operating in four district courts (in Dili, Oecussi, Baucau and very recently in Suai). Apart from these state employees, there is still a general dearth of jurists in the country – a shortage that is likely to continue for some time. In addition, the UNTAET established Special Panels for Serious Crimes as part of the Dili District Court.

The service delivery in the justice sector has encountered considerable problems giving rise to (i) a mounting backlog of unresolved cases,⁵ inconsistent rulings and illegal orders by the courts; (ii) the frequent ignoring of legal orders issued by judicial authorities; (iii) a relatively large prison population with a majority awaiting trial;⁶ (iv) inadequate legal assistance to the accused; and (v) low quality of services, among others. The factors contributing to this situation include

a. Capacity and Complexity aspects

- ✍ Inadequate number of judges, prosecutors, public defenders and court clerks and insufficient preparation (legal capacity) of these personnel;
- ✍ Insufficient support services including interpreters, translators and record keeping;
- ✍ Transition from a Bahasa-based Indonesian legal system to a Tetun and Portuguese-based national, civil law system and associated language difficulties;
- ✍ Lack of uniformity in procedures and weak case management practices;
- ✍ Difficulties in striking a balance between issues regarding abuses of the past; immediate needs in the period of transition; and medium- and long-term development of an effective, independent, professionalized justice system operated by skilled professionals of highest professional integrity;
- ✍ Limited facilities and equipment;
- ✍ Gaps and inadequacies in existing laws;
- ✍ Lack of community awareness of the judicial process and the rights protected by the judicial system and the Constitution;

b. Management and Institutional aspects

- ✍ Difficulties in striking a balance between exercise of authority in the interest of accountability and real or perceived interference with the independence and autonomy among the institutional components of the justice system;

⁵ For example, records maintained by prosecution administration staff indicate that from January to November 2002, 1285 cases were reported to the ordinary crimes Public Prosecution Service office. There is some concern regarding the accuracy of this information, as efficient case management systems are not currently in place in the ordinary crimes prosecution office. Of the total 1,285 cases reported from January to November 2002, 377 cases were solved by mediation and did not proceed through the formal court system. Despite frequent use of mediation to resolve criminal cases, there is no regulation or statute in Timor-Leste authorizing the use of mediation to settle such matters. Indictments were filed in only 140 cases. Of these indicted cases, the courts have so far finalized only 43. It should be noted that these figures do not include cases from 2001 that have yet to be indicted or tried. Some estimates put the total backlog of unresolved cases to be in excess of 2,300. At the Court of Appeal, currently there is no President and the Court is comprised of only one probationary judge. As a result, it has temporarily ceased to function leading to a backlog of 39 cases in October 2002.

⁶ There are three prisons operating in Dili (Becora Prison), Baucau, and Gleno. In October 2002, the prison population was estimated to be about 292 of whom 207 prisoners (71%) were awaiting trial. Of those awaiting trial, 79 prisoners (38% of the pre-trial population and 27% of the total prison population) were held without warrant.



- ✍ A general atmosphere of lack of trust, confidence and willingness to communicate, much less cooperate, among the institutional components of the justice system;
- ✍ Tensions between some nationals and internationals working in the justice sector.

The Ministry of Justice has made considerable progress in establishing the institutional structures including the (i) Superior Council for the Judiciary, the Court of Appeals and four District Courts; (ii) Office of the Prosecutor-General, (iii) Office of the Public Defender, and (iv) Judicial Training Center. Most of these are in the early stages and need substantial technical assistance to fully function.

The Ministry has formulated plans to strengthen the capacity of the various institutions in the Justice sector, which is likely to generate benefits, including improved service delivery, in the medium and long-term. In the short-term, it is necessary to improve the delivery of services including especially the resolution of the backlog of cases and the high proportion of detainees awaiting trial for very long periods (many held well beyond the legally allowed duration).⁷ This cannot be handled by the formal justice system with the present complement of Timorese professionals and it will be necessary to seek help from international personnel in the short and medium-term. The specific activities in the Justice sector in the Stabilization Program will include the following:

- ✍ Recruit additional staff to fill the authorized positions in the Ministry of Justice;
- ✍ Train Judges, Prosecutors and other personnel in Portugal and other CPLP (Comunidade dos Países de Língua Portuguesa or Portuguese-speaking) countries and in countries that adopted and practice Civil Law;
- ✍ Recruit international Judges, Prosecutors, Defense Lawyers and Court Clerks from countries that adopted and practice Civil Law to work together with Timorese colleagues in teams in handling the work-load while some of the other Timorese personnel are away on training and reduce the backlog of cases;
- ✍ Provide additional interpretation and translation services to support the smooth functioning of the courts;
- ✍ Provide additional assistance for mediation,⁸ for example to assist the proposed Commission to resolve land rights in the districts;
- ✍ Promote the use of functional registries for selection and tracking of cases, and adequate filing systems;
- ✍ Improve internal reporting systems in each entity including the Courts, Prosecutor-General's Office, Public Defender's Office, Prisons and the Ministry;
- ✍ Formulate necessary regulation(s) to allow for resolution of the less serious and minor cases through mediation;
- ✍ Strengthen the mediation and resolution mechanisms (including the customary ones) at the national, district, sub-district and community levels;
- ✍ Recruit trainers (from Malaysia) to train Timorese trainers to continue training of prison guards;⁹
- ✍ Help provide vocational training for detainees in collaboration with public and private vocational training centers;

⁷ In October 2002, about 77% of the prison population (total of about 207 prisoners) was awaiting trial. Of this number, 79 prisoners (38% of the pre-trial population and 27% of the total prison population) are held without warrant.

⁸ Already, an adviser is provided by the Canadian International Development Agency (CIDA) to assist the Land and Property Unit in the Ministry of Justice on mediation of land and property disputes.

⁹ About 170 prison guard positions were authorized of which about 120 has been recruited.



- ✍ Provide literacy classes to illiterate detainees, possibly using as teachers other detainees with secondary schooling;
- ✍ Organize work programs for detainees to upgrade their skills and produce goods and services that could contribute to their upkeep; and
- ✍ Jointly with the Ministry of Education, Culture and Youth and the media (including Radio Timor-Leste), organize civic education on nationality, citizenship, essential elements of civil and penal code, land law, and rights and obligations of citizens.

3. Strengthening the capacities of the institutions responsible for internal and external security (including appropriate equipment for communication and transport for Police) and Defense.

The institutions responsible for internal security include the National Police of Timor-Leste (PNTL) and the UN Police, while the Defense Force (F-FDTL) and the UN Peace-Keeping Forces or PKF are responsible for external security. In addition, the National State Security Service (Servico Nacional de Seguranca do Estado or SNSE) employing about 18 staff is involved in intelligence collection. Further, a cadre of unarmed Civil Security Guards numbering some 300 are deployed throughout the country to guard public buildings, facilities and property.

The Constitution of Timor-Leste stipulates that internal security is the responsibility of the Police and external security the responsibility of F-FDTL. The main goal of the police (PNTL) is to provide service to the people and communities through protection of personnel and property, ensuring compliance with all laws, preventing crime and maintaining public order. The full strength of (ETPS) PNTL was indicated to be 3,500 in the FY2001/02 budget document. In light of the capacity and resource constraints, the FY2002/03 budget document targeted to mobilize a total of 2,830 officers during FY2002/03.¹⁰ In addition, provision has been made to recruit 25 cadets for the newly created Immigration Police Unit. The PNTL has already recruited and trained about 2,530 officers and another 325 cadets are to be recruited and trained during the rest of FY2003/03. In addition to normal police work, the PNTL's responsibilities include border patrol and immigration. The Border Patrol Unit (BPU) was activated in June 2002 to enforce laws and regulations along the borders and ports, establish rapport and maintain liaison and cooperation with counterparts, and assist the Defense Force (F-FDTL) in cases of external threats. The BPU has 200 officers of whom 174 are deployed in the three border districts – Bobonaro (75), Cova Lima (46) and Oecussi (53) – with the rest at headquarters in Dili. The Immigration Police Unit too has been activated and the officers deployed alongside the border patrol in the border districts and at Comoro Airport and the Port in Dili. A Special Police Unit (now converted to the Rapid Intervention Unit or RIU) with 180 officers, of whom 120 are in Dili and 60 in Baucau, has been set up to respond to public/civil disorder situations and tactical responses, primarily in the two urban centers.¹¹

¹⁰ This gave rise to some confusion regarding the authorized strength of the NPPL.

¹¹ The Special Investigation Unit has been converted to the Rapid Intervention Unit. The responsibilities of the Unit include crowd control, riot control and management during outbreaks of massive civil disorder, control of protest actions by crowds, control of passive protest and clashes between rival gangs; and tactical response actions including assistance to SNSE during VIP outer layer escort, provision of initial response to bombing incidents, tackling barricaded armed criminals, assistance in apprehending violent armed criminals including through house entry and assault, mass arrest and escort of suspects, tackling hostage situations, responding to prison outbreaks and prisoner escape, and search and rescue operations during mishaps.



Recent incidents in Los Palos and Ermera (Atsabe) were handled through the deployment of F-FDTL to restore order. However, there is a consensus that the F-FDTL should not be utilized to deal with internal security problems.¹² Instead, a Rapid Deployment (Police) Group (RDG) of about 500 officers will be set up to address the internal security concerns in the Districts, such as the recent incidents in Los Palos, Ermera and Maliana. The RDG concept replaces the previously proposed Border Patrol Unit Specialist Response Team. Of the 500 officers in the RDG, 300 will be recruited and trained in FY2003 and the rest in FY2004. The RDG will be deployed in designated districts experiencing high-risk security threats.

The allocation for the PNTL in the approved budget for FY2002/03 was US\$7.8 million. Funding for the BPU and RIU was incorporated in the above budget, although the amounts allocated for these units may not be adequate.¹³ Funding for the recruitment and training of the 300 RDG officers is included in the revised FY2002/03 budget (following the Mid-Year Budget Review). Preliminary estimates indicate that it might cost around US\$5 million to set up and equip the 500-strong RDG and the recurrent costs will be significant.

The Defense Force (F-FDTL) was established in January 2001 with an authorized strength of 1,500 regular forces and 1,500 reservists. By early 2003, the actual strength has reached about 1,400 regular forces organized into two battalions¹⁴ and command and headquarters staff. There has been no recruitment of the reservists so far. The mission of F-FDTL is to defend Timor-Leste. Three overarching principles guide the achievement of this mission: (i) the country's military strategy be defensive, (ii) the Force be capable of defending against small-scale incursions by hostile groups and of larger invading forces until external assistance arrives, and (iii) support the Government during natural disasters and other emergencies. The development of the F-FDTL has been occurring gradually and slowly with assistance from bilateral donors. However, there is considerable need for strengthening the forces with further training to renew the skills as well as provision of additional equipment and facilities.

The mandate of United Nations Police is to maintain law and order in Timor-Leste and establish and train a professional National Police Service. The maximum authorized strength was 1,640 officers. In April 2002, there were 1,287 UN Police officers from 38 countries of whom 239 officers were in the Special Police Units in Dili and Baucau. The downsizing policy of the UN Police involves a gradual handover (transfer) of the police functions in the District to the National Police with a concomitant decrease in the number of international police officers. Thus, by early 2003, the police functions in five districts were handed over to PNTL and the number of UN Police officers has declined to about 700. Further withdrawal of the UN Police will be suspended and their numbers may be maintained at those prevailing in March/April 2003 until the end of December 2003.

Recently, the Border Police Units have been deployed in the border areas in Bobonaro, Cova Lima and Oecussi Districts and are patrolling the borders side-by-side with the UN PKF. As

¹² The Constitution of Timor-Leste mandates the use of F-FDTL to address external threats.

¹³ For example, the budget allocations and projections from FY2003 to FY2006 for the BPU are significantly lower than that required (e.g. to establish offices and housing and acquire additional equipment) for it to assume full responsibility for border security from the PKF.

¹⁴ The 1st battalion is located in temporary facilities previously occupied by the PKF in the Los Palos region and will move to the permanent facilities in Baucau after their refurbishment is completed. The 2nd Battalion, which is at the Training Center in Metinaro, will move into the temporary facilities (to be) vacated by the 1st Battalion in Los Palos, until a permanent base becomes available.



with the UN Police, the schedule for further withdrawal of the UN PKF will be deferred and their numbers maintained at the prevailing level until the end of December 2003. However, the BPU will continue to operate side-by-side with the PKF in the border Districts. The BPU do not have adequate supplies (e.g. boots and uniforms), equipment (e.g. communications equipment, pepper spray, holsters for pepper spray, small arms and rifles), housing and furniture (e.g. beds) and transport.¹⁵ These need to be procured and supplied immediately to the BPU.

At the time of independence in May 2002, the security situation in Timor-Leste has been relatively stable and the incidence of crime was low. The situation has deteriorated somewhat since then brought about largely by the economic downturn. The circumstances worsened in the first two months of 2003 with, among others, armed insurgency incidents. It is understood that further reductions in the UN Police numbers and the withdrawal of UN PKF will proceed in close observance of the law and order situation and social stability in the country.

In order to be fully functional and fulfill its mandate, the PNTL needs support, among others, in the areas of training, management including human resources management, additional equipment and facilities. Adequate resources will be made available to meet the urgent needs through reallocation in the FY2003 budget and through the combined sources budget (CFET, TFET and Bilateral sources) to meet these requirements over the next four years.

STABILITY AREA

1. Job creation will be part of all programs in every sector, with particular emphasis on youth and ex-combatants.

It will include employment in the private sector and in the informal sector as well as training including vocational training, with particular emphasis on youth and ex-combatants. Examples of activities include (i) promotion of the private sector through such enabling legislation as investment and company laws on the one hand and rigorous implementation of existing regulations and laws including the new land law on the other, (ii) negotiation of preferential trade arrangements with main trading partners and/or major markets including Australia, and (iii) development of tourism and offshore fisheries through foreign direct investment and joint ventures.

Other sources of demand for labor in the economy would be rejuvenated as well. One avenue is the introduction of “domestic content” requirements for successful bidders that provide out-sourced goods and services to the Government. The purpose is to require the successful bidders to add value domestically through training and employment of staff/labor and perhaps use some locally made products. A second avenue is to adopt policies that encourage development partners to subcontract to the maximum extent feasible the civil works components of their aid programs to local contractors/businesses. A third option is to request development partners and require line Ministries to tender civil works under a set of procurement rules that give generous preference to local contractors and/or foreign contractors that have partnerships with local contractors. For example, local contractors may

¹⁵ Information collected from field visit to Junction Point 3 In Oecussi.



be given a 30% preference in procurement while foreign contractors partnering with local contractors may receive a 15% preference.¹⁶

A further initiative will encourage the oil and gas industry to utilise local materials and workers during the construction phase and source the supply of produce (fruits, vegetables and fish) to the offshore oil and gas workers from Timor-Leste. Further, the oil and gas companies would be encouraged to develop other enterprises that would have forward and backward linkages, which would be in the long-term interest of these industries and demonstrate the social responsibility of these companies to the people of Timor-Leste. A further initiative would involve inviting select groups of investors to discuss and develop niche areas such as in trade (e.g. organic coffee, sandalwood and other exotic products) and tourism including eco-tourism.

In public infrastructure, employment creation will be promoted through

- ✍ Maintenance of primary roads, rehabilitation and maintenance of secondary roads and construction and maintenance of farm to market roads using labour-intensive technologies and with community participation;
- ✍ River-training to protect bridges and roads and reduce damage due to floods;
- ✍ Other infrastructure rehabilitation and construction including public buildings, schools and community centers; and
- ✍ Expansion and improvement of water, sanitation and environment schemes.

Government would create the enabling environment including policies and incentives with private sector, NGOs, Church, communities, groups and individuals implementing the activities. An inter-ministerial group for employment creation would be created to coordinate the activities.

a. Technical and Vocational Training

Currently, the responsibility for vocational training is spread across the Ministry of Education, Culture, Youth and Sports (MECYS) and the Secretary of State for Labour and Solidarity (SSLS). MECYS should provide technical training such as in engineering towards diplomas and degrees to expand the pool of skilled personnel in the medium and long term; while SSLS will promote provision of vocational training (lasting between a few weeks to a few months) by capable local institutions (e.g. Don Bosco Center). The need for training in different areas will be determined by employment and livelihood opportunities in these areas (i.e. demand driven). Training to youth in organization and management of road maintenance and rehabilitation operations will be undertaken.

A Vocational Training Council would be established to undertake coordination, set standards, certification and regulation. Incentives would be provided for private sector including contractors to provide training. Trainees would be provided support including credit to build businesses individually and in groups/cooperatives. The private sector will be supported through training of managers of small and medium enterprises (SMEs), business associations and others.

¹⁶ Variations on this have been or are a common practice in many developing countries in the Asia Pacific Region.



Much of the training will be implemented through existing NGO, Church and other organizations, which will be strengthened. In the medium-term, Government will develop policy for investment, laws and regulations on land and property, and a national policy on employment.

b. Communications and credit services will be improved through

- ✍ Provision of a radio-receiver set with solar batteries and a megaphone to each aldeia;
- ✍ Supply of two-way radios to sucos, sub-districts and districts for multi-purpose use including for administration, health emergencies, security and disasters; and
- ✍ Expansion of the Postal System with savings/money disbursement facilities initially to each district and later to all sub-districts as a means to facilitate mobilization of savings, disbursement of funds/credit, collection of repayments and provide other financial services (e.g. money-orders). These would work as *de facto* financial intermediaries until such time that commercial banks expand to these areas.

In addition, the Government has initiated the Open Governance Program under which the Council of Ministers spend time (between one and two weeks) in each district talking and listening to the people, familiarising with the challenges and opportunities on the ground, and exploring means to address the priority concerns of the people.

PLANNING FOR POVERTY REDUCTION

1. Agriculture

Supporting the development of the agriculture sector to ensure food security and enhanced access to markets & distribution in the family (farming) sector, cooperative sector, private sector and private sector with the State's participation (joint ventures)

Poverty in Timor-Leste is primarily a rural phenomenon with almost nine-in-ten poor located in rural areas. Supporting the development of the agriculture sector to ensure food security and enhanced access to markets and distribution will be an important means to poverty reduction in the short-term. This will include support to family farms,¹⁷ cooperatives, private sector and joint venture enterprises.

The agriculture sector suffers from several handicaps including low access to inputs, minimal extension services, virtually no credit supply, rudimentary postharvest facilities and practices, poor quality of produce and uncompetitive prices. The coffee and coconut plantations are old and not well maintained. Utilization of other produce (eg. coconut) through appropriate processing is minimal. Certified seed imported from Surabaya was not good. The Ministry of Agriculture, Fisheries and Forestry (MAFF) are working with farmers to produce seeds. Although some irrigation systems have been rehabilitated at considerable expense, no significant increase in production of rice has materialized due to competition from imported rice and inadequate extension and inputs supply. Improving yields and post harvest processing are important to enhance the competitiveness of domestic rice.

¹⁷ More than 85% of food production is from household (family) farming.



Recognizing the challenges, the Government established the agricultural research and extension service only last year and a Horticulture unit is being established. Although the MAFF suggested the development of cooperatives, markets and transport to the Small Enterprise Project or SEP (funded through TFET), no action has been taken so far. Similarly, replanting coffee to allow for intercropping at least during the initial three years was proposed to SEP, with no follow-up so far. The World Bank has been requested to assist in obtaining information on markets for niche products.

Some foreign private investors have expressed interest in replacing coconut with oil palm. Some Japanese and Korean firms as well as some Thai and Hong Kong (China) investors are interested in the fisheries sector. The companies/investors will also develop infrastructure including storage and processing. The University of Hawaii has been asked to help on mungbean and other agronomic aspects (under USAID support). In collaboration with the NCBA, which is doing good work on coffee and vanilla, planting of vanilla on 80 ha is being implemented. The Ministry has authorized import and distribution of Bali cattle to 500 families in Liquica, Dili and Manatto districts. Cattle-raising in Oecussi, which is a traditional activity in the district will be improved as well.

Building upon the above initiatives and experiences of MAFF and others in the public, NGO and private sectors, the following activities will be promoted under the Stability Program:

- ✍ Coffee plantation-renovation through replanting of new coffee crops
- ✍ Establishing and implementing and revolving rural credit system
- ✍ Stabilization of run-of river system's for irrigation
- ✍ Increasing rice and vegetable production through access and utilization of fertilizer in irrigated areas
- ✍ Improving the storage processing and marketing of food crops
- ✍ Promote cattle production – Cooperative
- ✍ Promoting dairy cooperatives
- ✍ Training youth for managing cooperatives *insucos* and *postos*
- ✍ Promoting forest re-planting
- ✍ Developing offshore fisheries utilizing foreign investment
- ✍ Improving the storage and marketing of fish
- ✍ Promoting the replanting of new coconut varieties in agriculturally neglected areas
- ✍ Developing oil palm (nucleus estate) plantations, in cooperation with the private sector
- ✍ Procuring and distributing oil extraction machine for copra and candlenut to cooperatives and farmers' groups (pilot project)
- ✍ Developing trade through cooperatives, including domestic trade, the import of basic food products, and the export of local products
- ✍ Animal traction
- ✍ Development of Agro-tourism
- ✍ Development of value-added agriculture product for domestic market and possibly for export
- ✍ Community irrigation

2. Food Security

Food security can be considered at the national, district, community and household levels. At present, Timor-Leste imports about 40% of its rice and a substantial proportion of cooking oil and other foodstuffs. The country aims to meet its food requirements through a combination



of domestic production and imports. Food security at the district and community levels is often seen in terms of availability of adequate supplies. At the household level, food security involves the availability of adequate food (supply) at reasonable prices and the ability to buy the available food (income). Increasing production contributes to increased availability (supply) and incomes. However, many households do not have adequate incomes to buy the food and seasonal hunger is a common phenomenon throughout the country.

Timor-Leste received some food aid (mainly rice, cooking oil and canned fish) and has been distributing this to the people during the lean months. However, the supplies were limited and inadequate to meet fully the requirements. Virtually all the stocks have been depleted and the Government will seek additional food aid to address hunger.

3. Cooperatives

Developing trade through cooperatives including domestic trade, import of basic products and export of local products such as cumin and copra

Promotion of trade within the country including through construction of markets and warehouses. This would include promotion of cooperatives to undertake import of basic products and exports of local products drawing upon such successful examples as in coffee. Training will be provided to youth and ex-combatants in the organization and management of marketing, production and other service (e.g. eco-tourism) cooperatives. Credit cooperatives should be developed later on building upon the successful experiences of the marketing and other cooperatives. Seed capital for the operation of the cooperatives would be mobilized from the commercial banks, where feasible, and other sources including the Postal System in due course.

For import and export trade, the cooperatives would establish linkages with their counterparts in other countries, and seek partnerships for mutual benefit.

4. Improving Education

Improving primary and secondary education and vocational training¹⁸

Improving primary and secondary education including increasing access as well as improving quality is an immediate priority. Also, delivery of vocational training that has a direct link to employment is a priority under the Stability Program.¹⁹ The background and actions on these areas are discussed in the following.

Increased access to primary education has been identified as one of the immediate priorities. Almost half the population of Timor-Leste is below 16 years old²⁰ and the demand for primary education will grow exponentially as the population dynamics work out. There has

¹⁸ This subsection draws heavily on the analysis presented in the final report of the Household Living Standards Measurement Survey or LSMS (2001), which is one of the three components of the Poverty Assessment.

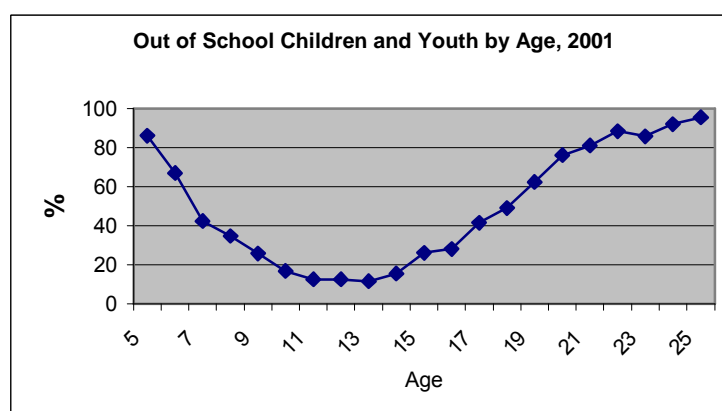
¹⁹ It is recognized that employment generation could also be promoted through supply side interventions in certain areas of vocational training (supply-driven). However, it is difficult to identify the areas and the initial thrust will be demand-driven.

²⁰ According to the Household LSMS (2001), about 47% of the population is below the age of 16 years; and the Multiple Indicator Cluster Survey (MICS) conducted in the latter half of 2002 estimates that about half the population are aged 15 or lower.



been a significant increase in primary school enrollment overall and by the poor and girls in particular during the past two years, most likely due to abolition of school fees, requirements for uniform, and mandatory Parent-Teacher Association (PTA) contributions, as well as the distribution of free textbooks on the one hand and improved security on the other. This indicates that household demand for education is potentially strong and the Government is doing the right thing in expanding access to primary education through the rehabilitation of (old) schools and construction of (new) schools.

Notwithstanding the recent increases in enrolment, the percentage of out-of-school children between 5 and 17²¹ is still high and follows an elongated U-pattern (see chart below). The proportion declines from a high of 86% among 5-year olds to 67% or two-in-three among 6-year olds, 42% among 7-year olds and 35% among 8-year olds; to lows of 12.5% among 11 and 12-year olds and 11.5% among 13-year olds. The trend reverses thereafter and the proportion increases to 42% among 17-year olds, more than 60% among 19-year olds and more than 80% among 21-year olds.



The gross enrollment ratio in primary schools is high (102%) due to overaged students. Most Timorese children, especially in rural areas, start school late at age 7 or later largely due to the difficult access (walking distance of more than one hour from home to the nearest school). The net enrolment rate is only 64% if the starting age is at 6 and 73% if the starting age is at 7; that is, between one-in-three to one-in-four children of school age are not in school. Therefore, in spite of the increase in enrollment in recent years, a large number of children are still not in school, most of them 6 and 7-year-olds. The late start and the entry into the school system of those who did not enroll in the school years 1998/99 and 1999/2000 due to the insecurity and turmoil have resulted in the vast majority of students being over aged for their grade. The years of schooling for late-starters are shorter than those who start earlier (e.g. at age 6) as they reach adolescence and start leaving school. They are learning very low skills. Further, the high repetition (over 20 %) and dropout (10%) rates per grade in primary education result in substantial wastage and high cost per graduate. Although the gross primary enrolment ratio is high (102%), only two-in-three students reach grade 4 and about one-in-two reach grade 6. About 47% of those entering grade 1 complete grade 6; or more than half the students that enter the primary school (grade 1) drop out without completing grade 6.

²¹ These are the relevant age groups for early childhood development (5-year olds), primary education (6 to 11-year olds), junior secondary education (12-14 year-olds) and senior secondary education (15 to 17-year olds).



The objectives are to encourage the enrolment of those who are still not in primary education, starting with the 6-year-olds and progressively involving the 6year-olds; continue to align age by grade by encouraging new comers to start at age 6 and by reducing repetition (but not automatic promotion); reduce dropout of existing students and make sure that they complete the primary cycle; and ensure that students become literate and numerate by the end of the primary cycle.

According to the findings of the 2001 Suco Survey (Census), public schools (all levels) accounted for about 78% of the total (of 992 schools in 2001) with 19% of the schools run by the Church, 3% by private operators and less than 1% by others (civil society organizations including NGOs and communities). Primary schools accounted for 82% of the total, with 11% junior-secondary and 3% senior secondary schools. About 4% of the schools were not classified in the Suco Survey (Census)

a. Primary Schools

Public Schools: The Prioritization and Sequencing exercise in the Ministry of Education, Culture, Youth and Sports rightly gives priority to expansion of primary schooling through the rehabilitation and construction of more than 65 primary and presecondary schools, four Escolas Basicas and 7 Nucleus Schools (serving surrounding schools for improving quality), expansion of teacher training, and revision of curriculum (to begin in March 2003). At the same time, it is recognized that this would not be adequate to meet the increasing demand for primary education.

Private/Community Schools: Private groups including communities have started a number of schools to provide education for their children. Often, these are in areas where access to public schools is difficult. Many of these schools have inadequate basic facilities (e.g. desks, tables, chairs and blackboards), textbooks and supplies. Most of the teachers are not trained. The fact that the private groups and communities have started these schools is a clear indication that the demand for education is high. The Government will assist these private/community schools with textbooks, essential facilities and supplies. Also, the teachers in these schools will be provided shortterm training through the Nucleus Schools and other facilities.

At the same time, in isolated and remote communities (aldeias) that lack adequate access to primary schools, the Government will encourage the communities to set up community schools with the help of two or three youth (people) from the area that have at least some secondary schooling. These community schools could admit 6, 7 and 8year olds and teach from grades one to three. Upon completion of grade three in these schools, students should have adequate academic preparation and physical stamina to walk to the nearest public school in the area and continue in grade 4. As in the case of existing private/community schools, the Government will assist these community schools in isolated/remote communities (aldeias) with textbooks, essential facilities and supplies; and provide short-term training to the teachers working in these schools through the Nucleus Schools and other facilities.

Church-run Schools: According to the 2001 Survey (Census) of Sucos, more than 15% of the primary schools are run by the Church. They provide access to quality schooling for a significant proportion of the children including especially the poor. The Ministry of Education, Culture, Youth and Sports have been providing support to these schools through, among others, supply of textbooks and payment of salaries of some teachers. Recently, there



has been some concern about the lack of resources to continue this support (especially payment of teachers' salaries) to the Church-run Schools. If required, additional resources will be allocated under the Stability Program to continue the support to Church-run schools.

b. Secondary Education

The high gross enrollment rate in primary due to over-aged students (102%) declines precipitously to 48% in junior secondary and 26% in senior secondary schools. If the starting age is at 7 as is the current practice, the net enrollment rates are 73% in primary, 25% in junior secondary, and 17% in senior secondary. If the starting age is at 6 as proposed, the net enrollment rates are 64% in primary, 16% in junior secondary, and 7% in senior secondary. Repetition and dropout rates are high in junior secondary as in primary education. There are no great differences between boys and girls, although girls are more persistent in schools with lower repetition and dropout rates and higher promotion rates. Senior secondary education has lower dropout and repetition rates than primary and junior secondary because students who move up to that level are more persistent and also tend to come from wealthier families who do not need their labor to support the family. The Government is trying to address this issue with the involvement of communities including through Parent-Teacher Associations.

Public Schools: The Ministry will continue to improve access to secondary education through expansion of capacity and provision of scholarships to students from poor families including orphans and ex-combatants (veterans). This would enable older primary school children with necessary skills to enroll in the grade suitable for their age in junior secondary education, who hitherto were unable to do so due to a shortage of space and teachers in junior secondary schools. It would help maintain the transition rate from primary to secondary to accommodate the increasing number of students coming out of primary education; eventually provide education opportunity to adolescents; and preempt the problems of youth-at-risk (which would have implications for crime and violence and for public expenditures on police and correctional services).

At the same time, improvements in the quality of secondary education through teacher training and more relevant curriculum will be pursued in order to impart the necessary skills and attitudes that would make them productive citizens.

Church-run schools: These schools play a relatively larger role in secondary education, both in terms of quality and quantity, as compared to that in primary education. Government budgetary constraints are a significant factor in continuing support to these schools. However, the option of providing extra spaces to cater to the increasing demand for secondary education, including those that may be forced to move to public schools due to a decline in Government support to Church-run schools is recognized. Accordingly, additional resources will be located to assist the Church-run schools with textbooks, supplies and teachers' salaries.

c. Vocational Education

There are two Government operated Vocational Training Centers in the country – one at Becora (in Dili) managed by the Ministry of Education, Culture, Youth and Sports (MECYS) and the other at Tiba (on the outskirts of Dili), which is managed by the Secretary of State for Labour and Solidarity (SSLS). In addition, there are a number of other Vocational Training Centers operated by Church groups and NGOs, some of which are being utilized for training



by the SSLS. Further, there are a few Agricultural Training Centers including the one at Natabora, which are managed by the MECYS in cooperation with the Ministry of Agriculture, Fisheries and Forestry. The focus of MECYS will be on providing technical education offering diploma and degree courses to improve the skills of the Timorese in the medium and long-term. At the same time, the SSLS will focus on improving vocational skills through short-term vocational courses (ranging from a few days to a few months) in collaboration with the private sector and civil society organizations.

d. Adult Literacy

The adult population of Timor-Leste has a low level of education and about 46% of the population of all ages has never attended school. Among the age group of 19-29, 31% has never attended school. Among the age group of 30 and above, 72% has never attended school. Among the 19-29 age group that have attended school, 15% have completed Grade 6, 14% Grade 9, and 26% Grade 12. The rates vary among income classes, with those completing Grade 12 ranging from a low of 12% for the poorest 20% to a high of 32% for the richest 20%. Very few go beyond Grade 12, except the richest.

Among the 30 plus age group, 20% completed Grade 6, 13% Grade 9, and 23% Grade 12. The grade level completed by the largest percentage among the poorest is Grade 6; for the richest, it was Grade 12. Almost half (49%) the total population cannot either read or write. More than one-in-three (37%) of those who claim to be able to read have difficulty reading. The younger age group is more literate due to higher levels of educational attainment.

Recognizing that adult literacy is an important ingredient for improving productivity and reducing poverty, the Government has initiated adult literacy programs. However, these have encountered problems due, among others, lack of adequate resources and teachers and high dropout rates. The MECYS intends to rejuvenate the adult literacy programs and extend literacy classes in tandem with other livelihood skills training (e.g. weaving, agriculture and animal husbandry). Further, support will be provided to communities to organize adult literacy classes using educated youth in the communities/areas as teachers. Also, civil society organizations will be encouraged and supported to organize, continue and expand their adult literacy programs.

PROMOTING HEALTH

Extension of access to basic health services through increasing the number of mobile clinics and / or health posts in inaccessible areas.

The objective is to bring services closer to the people and respond to their most frequent complaints. The existing benchmark for access is a maximum of a two-hour walk to reach the nearest health facility. People claim that they don't get such access.

At present, the number of health personnel is limited, as are transport facilities. Under the circumstances, two main options will be considered. The first involves increasing the number of health posts (fixed facilities) and the second, increasing the number of mobile clinics. The latter may not work in the rainy season. One possibility is to phase out mobile facilities, replacing them with fixed facilities. This may be carried out gradually in the medium and long-term. It has significant implications for capital and operating costs. The Ministry of Health is in the process of replanning the available resources.



Some proposals for consideration in the Health Sector in the Stability Program are:

- ✍ Community-based health services to be provided by trained community health workers, who could be youth or young adults with some education. They would receive short-term training in diagnosing and administering to common (minor) ailments such as cold, cough and fever. The activity should be promoted through Church or civil society organizations to avoid the risk of getting the community health workers (para-medics) on the Government payroll. There are some successful pilot experiences in Aileu, Same and Liquica on these types of activities which may be suitable for replication in other areas/districts. Church organs and other civil society organizations will be supported to prepare communities. Ministry of Health personnel, in collaboration with Church and other civil society organizations with appropriate capacity, will provide basic training to community health workers. Ministry of Health will supply Health Kits to the community health workers and replenish them as appropriate.
- ✍ To improve the mobility of existing health personnel for service delivery, additional transport facilities such as horses and motorcycles with necessary support for operation and maintenance would be provided.
- ✍ Two-way radios in the communities/villages (sucos) will be provided and operated by the Ministry of Internal Administration to get emergency medical help. Health centers, posts and mobile clinics are already equipped with such radio communication facilities.
- ✍ Health professionals will be encouraged to be leaders in their communities

SPECIAL SITUATION OF THE ENCLAVE OF OECUSSI

The lack of access to markets is an overriding constraint facing the people in Oecussi. Access to East Nusa Tenggara (NTB) or West Timor, which has been the traditional market and transit point (e.g. Kupang) for the products and services generated in Oecussi is virtually non-existent. The district is largely cut off from the rest of Timor-Leste with no regular ferry service and travel by land through West Timor is unsafe. The UN operates air services (fixed wing and helicopter) primarily to serve the UN PKF and other personnel and there is inadequate capacity (space) to cater to the ordinary citizens.

Similarly communications within Oecussi and with the outside including the rest of Timor-Leste is lacking. The existing Government systems are confined to Oecussi town and have very limited range (about 100 meters?). The UN facilities (PKF and UN Police) are the sole means for communication within Oecussi and with outside. It is necessary to put in place Government and/or private sector communications facilities before the withdrawal of the UN from Oecussi.

Local markets in the district are flooded with goods from West Timor/Indonesia and local businesses complain that they can't compete with the imports not only in urban centers but also in the sub-districts. A number of income and employment generation schemes have been promoted by civil society organizations and projects/programs funded by bilateral donor and TFET. The success of these initiatives depends critically on their ability to market the products and services or access to markets. Many of the initiatives are said to face difficulties in marketing their products due to lack of access to the markets in West Timor and lack of transport and high transport costs to send the goods to Dili or other parts of East Timor.



At least two options are available to address the constraints. The first involves negotiations with Indonesia [including the local authorities in NTB such as the *Bupati* and those who control the border (TNI)] to allow traditional export of such items as garlic, onions and cattle and movement of people from Oecussi to West Timor with minimal restrictions. A second option is to provide regular and reliable ferry service linking Oecussi to the rest of Timor-Leste at affordable prices. This may involve state subsidy, but can be justified on the basis of providing essential service (like roads) to an integral part of the nation. Action on both options (fronts) would be necessary to put the economy of Oecussi back on a sustainable growth path. Action on these should precede any new initiatives on income and employment generation.

The income and employment generation activities for which support under the Stability Program would be appropriate include the following:

- ✍ Garlic and onion production to supply to the rest of Timor-Leste and export to Indonesia;
- ✍ Improving rice yields and production to meet local demand (largely substitution for imports from Indonesia);
- ✍ Small-scale agro-processing including improved rice milling;
- ✍ Tourism development to cater to visitors from Indonesia (NTB), other parts of Timor-Leste and from other countries;
- ✍ Bricks and other construction materials to supply local market;
- ✍ Furniture to supply local market;
- ✍ Other small-scale industries and services;
- ✍ Strengthen the new Vocational Training Center established by a civil society organization;
- ✍ Aquaculture;
- ✍ Production of eucalyptus oil; and,
- ✍ Re-planting of sandalwood.

A number of other activities to be implemented in all districts under the Stability Program will also be implemented in Oecussi.

INDICATIVE COSTS AND FINANCING MODALITIES

Indicative Costs

The indicative costs of the various components of the Stability Program are presented in the following. Implementation of some of the activities within the ambit of the Government while the others depend critically on the active participation of other stakeholders including the beneficiary groups, communities and civil society organizations including the Church.

As a result, it is more difficult to provide cost estimates on the latter.



Table 1. Indicative Costs of Stability Program

Area/Component	Indicative Costs (in thousands of dollars)		
	FY02-03	FY03-04	Total
1. Governance Area			
a) Strengthening the respective institutions of the State and legitimizing the local authorities at the Suco level first.			
i) Election of Chef de Sucos	975	250	250
ii) Block grants		2,105	3,080
iii) Local development fund	100	5,000	5,000
iv) Other		500	600
Sub-total	1,075	7,855	8,930
b) Strengthening the administrative capacities of the justice system including both customary and formal systems to improve service delivery		3,650	3,650
c) Strengthening the capacities of the institutions responsible for internal and external security (including appropriate equipment for communication and transport for Police) and Defense.			
i) Police		5,000	5,000
ii) Defense		150	150
Sub-total		5,150	5,150
d) Open Governance		200	200
Governance Area Total	1,075	16,855	17,930
2. Stability Area			
a) Job creation will be part of all programs in every sector, with particular emphasis on youth and ex-combatants			
i) Job Creation		2,330	2,330
ii) Vocational Training		2,100	2,100
iii) Organisation of Cooperatives		350	350
iv) Communications		1,175	1,175
Stability Area Total		5,955	5,955
3. Planning for Poverty Reduction			
a) Agriculture		6,420	6,420
b) Food Security		10,000	10,000
c) Developing trade through cooperatives			
i) Domestic Trade		150	150
ii) Import of basic goods		250	250
iii) Export of niche commodities		100	100
Sub-total		500	500
d) Improving Education			
i) Primary Education			
Community Schools		250	250
Church Schools		500	500
ii) Secondary Education			
Church schools		1,250	1,250
Education Sub-total		2,000	2,000
e) Promoting Health			
i) Community health services		150	150
ii) Support to health personnel		450	450
Health Sub-total		600	600



f) Special Situation of the Enclave of Oecussi			
i) Transport (Ferry)		1,000	1,000
ii) Communications		750	750
iii) Other support services		680	680
iv) Sub-total		2,430	2,430
Planning for Poverty Reduction Total		21,950	21,950
Grand Total	1,075	44,760	45,835

Financing Modalities

Most of the costs presented in Table 1 are over and above those included in the FY2003/04 CFET budget requests presented by the Ministries and Agencies. Assistance from development partners is needed to cover most of the costs. The resources required in the balance of FY2002/03 will be mobilized from the current year CFET Budget. The funding for some components or subcomponents for the following 15 months in FYs 2003/04 and 2004/05 could be accommodated through adjustments in ongoing bilateral and multilateral programs and projects. New assistance for other activities under the Stability Program could be made available through a range of funding modalities including the following: (i) direct funding through Government, (ii) channeling the funds through an intermediary such as a multilateral agency, (iii) direct funding by development partner(s), and (iv) a combination of two or more above options.

The Government accords the highest priority to implementation of the activities proposed under the Stability Program. It welcomes support from development partners for the Stability Program under modalities most appropriate to the activities and in tune with the preferences of the partners.

IMPLEMENTATION AND COORDINATION

The Stability Program will be coordinated by the Council of Ministers. Inter-Ministerial Sub-committees will be set up to facilitate day-to-day coordination of activities in different areas of the Program [i.e. on Governance, Stability (Job Creation) and Development].

Implementation of the Program will be carried out by line Ministries and Agencies in collaboration with private sector, civil society organizations (including the Church) and communities. The emphasis will be on strengthening and utilizing existing Government and other stakeholder institutions and mechanisms as much as possible.

RISKS

Political commitment by the Council of Ministers to the Stability Program is clear and many of the activities proposed under the Program have been successfully piloted in the country. However, implementation of the Program may encounter a number of risks. These are discussed in the following:

- ✍ It is necessary for the Ministries and Agencies to work together on a number of activities. This is new for most of them and requires significant coordination and interface between their activities. Overall coordination of the activities at the national level is to be facilitated through inter-ministerial committees or working groups. District and Sub-district Administrators would carry out coordination at the district and sub-district levels.



- ✍ Implementation of some of the activities involves the active participation of and partnerships with civil society organizations including the Church as well as communities and beneficiary groups. While experience on such partnerships is available from pilot projects, many Government officials have limited orientation and exposure to and experience in nurturing them. It will require understanding (including attitudinal change) capacity and commitment to promote such partnerships. Training and technical assistance are included under the Program to facilitate this process.
- ✍ Several components in the Stability Program entail entrusting funds and provision of equipment and supplies to beneficiary groups and civil society organizations. Appropriate mechanisms for ensuring transparency and accountability in these transactions are essential. Examples of these are available from successful pilot projects in the country and will be drawn upon as appropriate.
- ✍ Legitimising *Chefe de Sucos* and empowering them as well as the Sub-district and District Administrators is a new initiative. It too requires appropriate mechanisms for ensuring transparency and accountability, especially in the use of block grants. The criteria for use of the funds including eligible activities in each district will be determined in consultation with the people to cater better to local needs and priorities. Information about the block grants and their utilization will be made available widely to the public to ensure accountability to the people.
- ✍ The Stability Program requires substantial additional resources outside the CFET budgets. Adequate assistance from development partners is necessary to mobilize the funds. The proposed policy dialogue with development partners (in the context of formulation of their country assistance strategies) scheduled for April 2003 would provide an opportunity to seek the latter's interest in and commitment to provide the funds.

Overall, the Stability Program, which is somewhat ambitious when viewed in the context of the Government's capacity and implementation performance so far, can be implemented in partnership with other stakeholders, with appropriate resource support and technical assistance.

REPORTING AND MONITORING

Progress on implementation of the activities under the Program will be through the Quarterly Reporting Matrices (QRMs) as the Stability Program will be an integral part of the Government's Annual Action Plans (AAPs). Monitoring indicators by Program component/sub-component will be specified in consultation with the Ministries and Agencies.²² The Program will be monitored by the Council of Ministers each quarter and more frequently, if the need arises.

Line Ministries and Agencies will monitor the activities through normal administrative channels. Any constraints encountered will be resolved either at the individual

²² Examples of indicators include reduction in number of security incidents, reduction in backlog of pending cases in the judicial system, number of jobs created, number of people trained and number employed, increases in rice production, increases in primary and secondary enrolment, and increases in number of cases attended by health personnel. Given the short 18-month duration of the Program, it will be more difficult to capture its impacts, which take a longer time to show up in the data.



Ministry/Agency or by the concerned Inter-Ministerial Sub-committee, as appropriate, and reported to the Council of Ministers each quarter.

An overall review of the program will be undertaken in the Third Quarter of FY2003/04. This would be based on a survey of and/or focus group discussions with beneficiary groups. The results including follow-up actions will be discussed with key stakeholder representatives.



Programme Matrix



República Democrática de Timor-Leste

Programme Matrix

Road Map -- Annex 3

Ministries (and SS)	FY 02-03		Ministries (and SS)	FY 03-04			FY 04-05			FY 05-06			FY 06-07			Totals (4-year)
		Combined		CFET	T-B-A	Combined	CFET	T-B-A	Combined	CFET	T-B-A	Combined	CFET	T-B-A	Combined	
Ministry of Agriculture, Fisheries and Forestry (MAFF)		25,266,000	Ministry of Agriculture, Forestry and Fisheries (MAFF)	1,637,005	9,505,700	17,722,705	1,831,985	7,656,450	9,488,435	2,166,435	4,500,000	6,666,435	2,351,300	2,600,000	4,951,300	38,828,875
Ministry for Economic Affairs and Planning		7,497,000	Ministry for Development and Environment (MDE)	500,682		1,575,682	522,000		522,000	549,000		549,000	564,000		564,000	3,210,682
Office of Tourism, Environment and Investment	5,136,000		Secretary of State for Tourism, Environment and Investment (SSTEI)													
Office of Mineral Resources and Energy	2,361,000		Secretary of State for Energy and Mineral Resources (SSEMR)													
Ministry of Education, Culture, Youth and Sports (MECYS)		45,812,000	Ministry of Education, Culture, Youth and Sports (MECYS)			53,530,000			49,310,000			46,730,000			45,420,000	194,990,000
			Secretary of State for Education, Culture, Youth and Sports (SSECYS)													
Ministry of Foreign Affairs and Cooperation		1,187,000	Ministry of Foreign Affairs and Cooperation (MFAC)	1,515,000	2,547,000	4,062,000	1,507,000	2,313,000	3,820,000	1,679,000	155,000	1,834,000	1,717,000	155,000	1,872,000	11,588,000
Ministry of Health (MOH)		30,185,000	Ministry of Health (MOH)			24,690,000			28,590,000			15,300,000			15,240,000	83,820,000
Ministry of Internal Administration (MIA)		21,926,000	Ministry of Interior (MOI)	640,344		18,740,344	641,196		13,241,196	699,356		14,849,356	699,356		15,299,356	62,130,252
East Timor Police Service	10,031,000															
Department of Internal Administration	11,895,000															
Ministry of Justice (MOJ)		9,160,000	Ministry of Justice (MOJ)	986,000		4,846,000	1,009,000		1,169,000	1,015,000		1,175,000	1,045,000		1,205,000	8,395,000

Programme Matrix

Road Map -- Annex 3

Ministries (and SS)	FY 02-03		Ministries (and SS)	FY 03-04			FY 04-05			FY 05-06			FY 06-07			Totals (4-year)
		Combined		CFET	T-B-A	Combined	CFET	T-B-A	Combined	CFET	T-B-A	Combined	CFET	T-B-A	Combined	
Office of the Inspector-General	634,000		Office of the Inspector-General													
Promotion of Equality	288,000		Office of the Promotion of Equality													
Independent Electoral Commission	2,087,000															
Banking and Payments Authority (BPA)	221,000															
East Timor Defense Force	6,600,000															
			Secretary of State for Parliament Affairs (SSPA)													
			Capacity Development Coordination Unit													
			Timor Sea Office													
			National Security Service of the State (NSSS)													
			Secretary of State for the Council of Ministers (SSCOM)			0		0			0			0	0	
Office of Trade and Industry		367,000	Secretary of State for Commerce and Industry (SSCI)	239,000		274,000	273,000		273,000	297,000		297,000	310,000		310,000	1,154,000
			Secretary of State for Defence (SSD)	6,586,000		8,736,000	6,811,000		6,811,000	6,811,000		6,811,000	6,811,000		6,811,000	29,169,000
Secretary of State for Labour and Solidarity (SSLS)		10,850,000	Secretary of State for Labour and Solidarity (SSLS)	1,020,215		17,233,553	1,049,400		2,817,150	1,126,050		2,855,050	1,210,650		3,040,150	25,945,903
			Secretary of State for National Security (SSNS)			50,000			30,000			30,000			30,000	140,000

Programme Matrix

Road Map -- Annex 3

Ministries (and SS)	FY 02-03		Ministries (and SS)	FY 03-04			FY 04-05			FY 05-06			FY 06-07			Totals (4-year)
		Combined		CFET	T-B-A	Combined	CFET	T-B-A	Combined	CFET	T-B-A	Combined	CFET	T-B-A	Combined	
			Independent Electoral Commission (IEC)			86,500			66,500			72,000			131,500	356,500
			Banking and Payments Authority (BPA)	1,602,000		1,602,000			0			0			0	1,602,000
Total		223,164,000	Total			272,933,880			214,385,175			180,944,691			173,939,926	842,203,672

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
<i>Program: General Administration</i>														
n.a.	1. Staffing													
	a. Core Administrative Staff (MAFF)	69,000	0	69,000	69,000	0	69,000	69,000	0	69,000	69,000	0	69,000	276,000
	b. Administrative Support for 3 Regions & Districts	30,000	0	30,000	30,000	0	30,000	30,000	0	30,000	30,000	0	30,000	120,000
n.a.	2. Operational Support													
	a. Finance and Budget	132,000	63,000	195,000	132,000	0	132,000	132,000	0	132,000	132,000	0	132,000	591,000
	b. Procurement and Logistics	175,000	0	175,000	175,000	0	175,000	175,000	0	175,000	175,000	0	175,000	700,000
	3. Policy and Planning													
1	a. Policy Development and Links with other ministries	15,000	130,000	145,000	15,000	130,000	145,000	15,000	0	15,000	15,000	0	15,000	320,000
9	b. Donor/NGO Coordination	15,000	50,000	65,000	15,000	50,000	65,000	15,000	0	15,000	15,000	0	15,000	160,000
	4. Capacity Building for Ministry Staff	50,000	150,000	200,000	50,000	150,000	200,000	50,000	0	50,000	50,000	0	50,000	500,000
<i>Program: Irrigation</i>														
	1. Support to Communities for:													
4	a. Community Irrigation and Roads	113,765	165,000	278,765	77,765	0	77,765	73,765	0	73,765	66,000	0	66,000	496,295
7	b. Water Users' Associations	20,000	25,000	45,000	10,000	15,000	25,000	15,000	0	15,000	15,000	0	15,000	100,000
16	c. Water Harvesting	40,000	0	40,000	50,000	0	50,000	50,000	0	50,000	50,000	0	50,000	190,000
	2. Rehabilitation and Maintenance of Major Schemes													
24	a. Rehabilitation	5,000	3,780,700	3,785,700	17,000	3,764,700	3,781,700	18,000	1,900,000	1,918,000	0	0	0	9,485,400
15	b. Maintenance and Repair	0	0	0	50,000	0	50,000	50,000	0	50,000	150,000	0	150,000	250,000
SP	3. Community irrigation			450,000			0			0			0	450,000
SP	4. Stabilization of run-of river system's for irrigation			200,000			0			0			0	200,000
<i>Program: Crops</i>														
	1. Support to Communities for Integrated Farming Systems:													
6	a. Food Production	50,000	0	50,000	50,000	0	50,000	50,000	0	50,000	50,000	0	50,000	200,000
9	b. Commercial and Industrial Crops	40,000	0	40,000	44,000	0	44,000	47,000	0	47,000	51,700	0	51,700	182,700
22	c. Post-Harvest and Marketing	25,000	0	25,000	27,500	0	27,500	28,000	0	28,000	30,800	0	30,800	111,300
24	d. Support to Farmers' Associations	36,100	521,000	557,100	39,710	0	39,710	40,000	0	40,000	42,000	0	42,000	678,810

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
SP	e. Coffee plantation-renovation througk replanting of new coffee crops			500,000			0			0			0	500,000
SP	f. Increasing rice and vegetable production through access and utilization of fertilizer in irrigated areas			850,000			0			0			0	850,000
SP	g. Improving the storage processing and marketing of food crops			400,000			0			0			0	400,000
SP	i. Developing oil palm (nucleus estate) plantations in cooperation with the private sector			100,000			0			0			0	100,000
SP	j. Procuring and distributing oil extraction machine for copra and candlenut to cooperatives and farmers' groups (Pilot project)			100,000			0			0			0	100,000
SP	k. Developing trade through cooperatives, including domestic trade, the import of basic food products and the export of local products			500,000			0			0			0	500,000
SP	l. Development of agro-tourism			200,000			0			0			0	200,000
SP	m. Development of value added agriculture product for domestic market and possibly for export			400,000			0			0			0	400,000
SP	n. Animal traction			100,000			0			0			0	100,000
SP	o. Garlic and onion production -- Special situation of the enclave of Oecussi			10,000			0			0			0	10,000
SP	p. Improving rice yields			100,000			0			0			0	100,000
SP	q. Small scale agro processing including improved rice-milling			50,000			0			0			0	50,000
37	2. Data Collection and Analysis	15,000	0	15,000	16,500	0	16,500	17,000	0	17,000	18,000	0	18,000	66,500
SP	3. Promote and develop cooperative													
SP	a. Establish and implement a revolving rural credit system			1,250,000			0			0			0	1,250,000
SP	b. Training youth for managing cooperatives in sucos and postos			100,000			0			0			0	100,000

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
<i>Program: Geography and Cadastre</i>														
19	1. Land Use Survey	40,000	0	40,000	50,000	0	50,000	65,000	0	65,000	75,000	0	75,000	230,000
23	2. Border Demarcation	40,000	0	40,000	35,000	0	35,000	40,000	0	40,000	50,000	0	50,000	165,000
35	3. Geodetic Points Densification	38,000	0	38,000	39,000	0	39,000	58,000	0	58,000	50,000	0	50,000	185,000
<i>Program: Fisheries</i>														
2	1. Licensing and Regulations	10,000	150,000	160,000	10,000	200,000	210,000	15,000	100,000	115,000	20,000	100,000	120,000	605,000
24	2. Monitoring, Control and Surveillance of Marine Resources	20,000	150,000	170,000	20,000	150,000	170,000	25,000	200,000	225,000	30,000	100,000	130,000	695,000
2	3. Support to Communities for Fisheries (community based management; aquaculture)	45,000	100,000	145,000	50,000	100,000	150,000	55,000	100,000	155,000	60,000	100,000	160,000	610,000
20	4. Marine Protected Areas	20,000	50,000	70,000	15,000	50,000	65,000	20,000	50,000	70,000	20,000	200,000	220,000	425,000
29	5. Collaboration with Private Sector for Fisheries Industry Development	10,000	1,500,000	1,510,000	15,000	1,000,000	1,015,000	20,000	1,000,000	1,020,000	25,000	1,000,000	1,025,000	4,570,000
32	6. National Hatchery Management	20,000	50,000	70,000	25,000	75,000	100,000	30,000	100,000	130,000	35,000	100,000	135,000	435,000
41 / 33	7. Fisheries Stock Assessment and Data Collection (Assessment, Survey and Studies - 41; Fisheries Statistics - 33)	30,000	1,300,000	1,330,000	40,000	1,500,000	1,540,000	50,000	1,000,000	1,050,000	60,000	1,000,000	1,060,000	4,980,000
SP	8. Promote offshore fisheries through foreign direct investment and possibly joint ventures			150,000			0			0			0	150,000
SP	9. Improve storage and marketing of fish			100,000			0			0			0	100,000
<i>Program: Forestry</i>														
18	1. Support to Communities for Forest and Watershed Management	72,760	200,000	272,760	80,950	200,000	280,950	95,120	0	95,120	126,200	0	126,200	775,030
28	2. Community Partnerships in Commercial Forestry	43,520	0	43,520	55,450	0	55,450	75,450	0	75,450	75,900	0	75,900	250,320
6	3. Protected Natural Areas (PNA)	43,520	0	43,520	46,330	0	46,330	54,810	0	54,810	54,900	0	54,900	199,560
11	4. Regulation and Policy	28,560	0	28,560	11,020	0	11,020	18,570	0	18,570	40,400	0	40,400	98,550
14	5. Forest Protection/Forest Guardians	28,360	0	28,360	29,940	0	29,940	50,860	0	50,860	38,000	0	38,000	147,160
30	6. Forest Inventory	20,800	0	20,800	22,320	0	22,320	48,360	0	48,360	24,400	0	24,400	115,880

Programme Matrix

Road Map - Annex 3

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
SP	7. Promote forest re-planting			300,000			0			0			0	300,000
SP	8. Promoting the replanting of new coconut varieties in agriculturally neglected areas			120,000			0			0			0	120,000
<i>Program: Livestock</i>														
	1. Prevention and Eradication of Livestock Diseases:													
16	a. Vaccination	37,370	235,000	272,370	134,500	134,500	269,000	290,000	0	290,000	324,000	0	324,000	1,155,370
33	b. Village Livestock Workers/Service and Treatment	37,250	430,000	467,250	60,000	137,250	197,250	50,000	50,000	100,000	50,000	0	50,000	814,500
40	c. Inspection and Regulation	5,000	0	5,000	5,000	0	5,000	5,000	0	5,000	5,000	0	5,000	20,000
12	2. Support to Communities for Livestock Production and Development	50,000	0	50,000	50,000	0	50,000	50,000	0	50,000	50,000	0	50,000	200,000
31	3. Livestock Statistics/Data Collection	10,000	0	10,000	10,000	0	10,000	10,000	0	10,000	10,000	0	10,000	40,000
SP	4. Promote cattle production- cooperative			400,000			0			0			0	400,000
SP	5. Promoting dairy cooperative			200,000			0			0			0	200,000
SP	6. Cattle raising (free range and feedlot) -- Special situation of the enclave of Oecussi			50,000			0			0			0	50,000
<i>Program: Research and Extension Center</i>														
	1. Research and Laboratory													
33	a. Laboratory Services	15,000	116,000	131,000	15,000	0	15,000	18,800	0	18,800	18,800	0	18,800	183,600
39	b. Research and Development	10,000	0	10,000	15,000	0	15,000	15,200	0	15,200	15,200	0	15,200	55,400
	2. Information and Extension			0		0	0		0	0		0	0	0
4	a. Information	25,000	190,000	215,000	27,000	0	27,000	27,000	0	27,000	27,000	0	27,000	296,000
12	b. Extension Support	20,000	0	20,000	23,000	0	23,000	23,000	0	23,000	23,000	0	23,000	89,000
37	3. Agricultural Land Use and Geographic Information System and Agro-Climatologic Information	21,000	0	21,000	24,000	0	24,000	24,000	0	24,000	24,000	0	24,000	93,000
<i>Program: Quarantine</i>														
24	1. Quarantine Legislation	10,000	100,000	110,000	10,000	0	10,000	10,000	0	10,000	10,000	0	10,000	140,000
21	2. Quarantine Services	55,000	50,000	105,000	45,000	0	45,000	47,500	0	47,500	50,000	0	50,000	247,500
	Total	1,637,005	9,505,700	17,772,705	1,831,985	7,656,450	9,488,435	2,166,435	4,500,000	6,666,435	2,351,300	2,600,000	4,951,300	38,878,875

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
			TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
<i>Program: Division of Investment</i>		57,682	0	57,682	68,000	0	68,000	68,000	0	68,000	85,000	0	85,000	278,682
4	1. Investment Promotion													
	a. Investment Service Center (one-stop Shop)													
	b. Liaison with Tourism to Support National Tourism Board													
	c. Industrial Products and Trade Exposition Center													
	d. Investment Promotion for Regional Trading Partners													
	e. Promotion project to include East Timor in Foreign Databases													
	f. Production of Investment Promotion Literature													
	g. Production of Website for Investment promotion													
	h. Marketing of East Timor's Investment opportunities													
	i. Promotional packages for investors													
	j. Small Enterprises Project I and II Business Skills Training													
	k. SEP II Market Rehabilitation Project													
	l. ADB Micro-finance Development Project													
	m. Conference and Media interface project													
SP	n. Investor brochure			50,000			0			0			0	50,000
1	2. Policy and Regulatory Development													
	a. Enactment of a Foreign Investment and Company Law													
	b. Foreign Investor Registry system													
	c. Processing system for applications and certifications													
	d. Coordination of investment with Customs and Trade													
	e. Licensing requirements for foreign enterprises													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
			TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
SP	f. Preferential trade arrangements			50,000			0			0			0	50,000
4	3. Divisional Training and Development													
	a. Capacity Building for foreign language materials													
	b. Technical assistance for promotion of foreign investment													
	c. SEP II Civil Service Economic Policy Skills Training													
	d. Technical Assistance for FDI processing and management													
2	4. Foreign Investment Management													
	a. Foreign Investment Database													
	b. Foreign Investment Certification													
	c. Feasibility Studies for Investment Sectors													
	d. Feasibility Studies for Major Capital Foreign Investments													
	e. Investment Coordination for Industrial Zone													
	f. Joint Projects for Seaport and Airport Development													
SP	g. Investment Forums			50,000			0			0			0	50,000
<i>Program: Division of Tourism</i>		65,000	0	65,000	72,000	0	72,000	87,000	0	87,000	87,000	0	87,000	311,000
	1. Tourism Promotion													
	a. Website development for tourism promotion													
	b. Multimedia materials and public relations activities													
	c. Packaged feasibility studies for FDI in Tourism													
	d. Interactive and internal databases on Tourism attractions													
	e. Visitor and touris reception centers													
	f. Dissemination of Tourism information through overseas missions													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
			TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	g. Establishment of Tourism Statistics Systems and Database													
	h. Accede to World Trade Organization													
	i. Support for the establishment of Tourism Business Association													
SP	j. Tourism Development -- Special situation of the enclave of Oecussi			75,000			0			0			0	75,000
	2. Policy and Regulatory Development													
	a. Creation of National Tourism Board													
	b. Legal and regulatory framework for tourism													
	c. Tourism policy framework													
	d. Joint planning on airport tourist facilities													
	e. Joint planning for seaport tourist facilities													
	f. Strategic planning for resort and coastal development													
	g. Cooperative projects on water and sanitation with public works													
	3. Divisional Training and Development													
	a. Training materials, seminars and workshops on tourism													
	b. Overseas capacity building training													
	c. Technical assistance for sector planning skills													
	d. Establishment of a tourism-related performing arts center													
	e. Prepare and manage hospitality training													
	f. Workshop and seminar materials database													
	<i>Program: Division of Environment</i>	86,000	0	86,000	132,000	0	132,000	133,000	0	133,000	134,000	0	134,000	485,000
	1. Environment Regulation													
	a. Establishment of EIA regulations and pollution supervision													
	b. Establishment of Watershed and Beach policy													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
			TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	c. Establishment of National Environment Policy													
	2. Divisional Training and Development													
	a. Short EIA study courses in Indonesia													
	b. Portuguese and English Language Training													
	c. Capacity Building workshops for District Development Officers													
	d. Environmental supervision and Chemical Training for Laboratory staff													
	e. Environmental Administration Management Course													
	f. Other environmental training courses													
	3. Environmental assessment, monitoring and investigation													
	a. Reduction of pollution in Dili and urban areas													
	b. Establishment of environmental laboratory													
	c. Preparation of Licensing and Pollution standards for business and government													
	d. Environmental Impact Assessment and Monitoring													
	4. Environmental Awareness and Education													
	a. Production of brochures, posters and other materials about the Environment and Division activities													
	b. World Clean-up Day													
	c. Local campaign for protection of threatened species													
	5. Protection and Conservation of Natural Resources and Biodiversity													
	a. Establishment and management of inter-departmental environmental working groups													
	b. Undertake baseline research on natural resources and biodiversity													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
			TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	<i>Program: Division of Mineral Resources and Energy Policy</i>	89,000	0	89,000	131,000	0	131,000	152,000	0	152,000	153,000	0	153,000	525,000
1	1. Institutions and Capacity Building of Public and Private Sector													
	a. Institutional Development													
	1) Provision of financial resources/budget to raise the organization													
	2) Planning, designing and operationalizing the													
	3) Recruitment of local staff and placement of international staff													
	4) Allocation of office space													
	5) Procurement of office equipment/transport, etc.													
	6) Technical laboratory equipment and database development with support from USAID													
	7) Technical library and Map cell													
	b. Capacity Building													
	1) Assessment of the public and private sector existing capacity vis-a-vis the skills need and identifying the gap.													
	2) Public sector skill and capacity building through in-house training, out-of-country specialized training and hands-on apprenticeships													
	3) Developing a core mass of 20 East Timorese in the critical areas of expertise for the development of the oil and gas and mining sector													
	4) Commencement of an extensive and dynamic private sector skills and capacity building training for East Timorese enabling them to benefit from the emerging employment opportunities from the mining and oil and gas sector development													
2	2. Putting in place enabling legal and regulatory framework													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
			TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	a. Mining and oil and Gas laws and legal regimes													
	1) Enabling legal and regulatory framework for Mining Law and Petroleum Law													
	b. Mining and oil and Gas Sector Management Systems and Procedures													
	1) Enabling legal and regulatory framework for Mining System and Procedure and Petroleum System and Procedure													
	3. Sectoral Development and Promotion													
	a. Survey, mapping and reliable, relevant and representative inventory of the Mining and Oil and Gas Resource Base													
	b. Mineral Resources potential promotion													
	<i>Program: Administration and Finance</i>	49,000	0	49,000	27,000	0	27,000	25,000	0	25,000	24,000	0	24,000	125,000
	1. Finance													
	2. Administration													
	3. Human Resources													
	<i>Program: Office of Support to Development</i>	154,000	0	154,000	92,000	0	92,000	84,000	0	84,000	81,000	0	81,000	411,000
	1. Company's Training, Information and Capacity Building Section:													
	2. Cooperatives' Support and Attendance Section													
	3. Small and Micro Enterprises' Support and Attendance Section													
	4. Informal Sector and Self-employment Support Section.													

Programme Matrix

Road Map -- Annex 3

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
			TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
SP	5. Cooperatives organization and seed money			350,000			0			0			0	350,000
SP	6. Developing trade through cooperatives including domestic trade, import of basic products and export of local products such as cumin and corra													
SP	a. Cooperatives for domestic trade			150,000			0			0			0	150,000
SP	b. Cooperatives for import of basic goods			250,000			0			0			0	250,000
SP	c. Cooperatives for export of niche products			100,000			0			0			0	100,000
	Total	500,682	0	1,575,682	522,000	0	522,000	549,000	0	549,000	564,000	0	564,000	3,210,682

NDP Priority Programs and sequenced Activities 2003/4 to 2006/7						
Program/Project			2003/4	2004/5	2005/6	2006/7
	Director/Asdir	Priority				
Program 1: Expand Access and Improve Internal Efficiency			18.83	18.98	19.69	20.49
<i>Manage and deliver Early Childhood Education</i>	Jardim da Infância	High/Routine	0.22	0.23	0.23	0.23
<i>Manage and deliver primary education</i>	Ensino Primária	High/Routine	8.25	8.94	9.22	9.41
<i>Manage and deliver lower secondary education</i>	Pre Secundario	High/Routine	2.33	2.94	3.27	3.59
<i>Manage and deliver upper secondary education</i>	Ensino Secundário	High/Routine	1.42	1.85	2.12	2.36
<i>Manage and deliver technical and vocational education</i>	ETV	High/Routine	0.70	0.99	1.00	1.13
Information Campaign on the Importance of Schooling	Ensino Primária	High/03	0.10			
Children Drop-out and Repetition Prevention	Ensino Primária	High/03	2.80	2.80	2.70	2.50
Multi-grade Schools	Ensino Primária	Medium/04		0.10	0.10	0.10
Community-Based Pre-School Development	Jardim da Infância	Medium/04		0.05	0.05	0.05
School Location Planning	Pólítica e Planificação	Medium/04		0.08		
School Health and Nutrition	Ensino Primária	Low/06	1.00	1.00	1.00	1.10
SP Support to Community schools			0.25			
SP Support to Church schools			0.50			
SP Support to Church schools -- Secondary education			1.25			
Program 2: Improve the Quality of Education			20.16	20.13	19.55	18.01
<i>Manage and deliver teacher training</i>	IFCP	High/Routine	0.12	0.11	0.11	0.11
<i>Establishment Parent Teacher associations</i>	Vice Director Geral	High/03	0.05	0.05	0.05	
National Examinations	Exame Nacional	High/Routine	0.30	0.30	0.30	0.30
School Supervision and Improvement	Supervisão	High/Routine	0.05	0.05	0.05	0.05
<i>Introduction of Teaching Diploma</i>	IFCP	High/03	0.30	0.40	0.50	0.50
Teacher and Headmaster Training [IFCP]	IFCP	High/03	0.23	0.42	0.50	0.50
Language of Instruction Development (Tetun and Portuguese)	IFCP	High/03	1.50	1.50	1.50	
Curriculum Review and Development	Curriculo	High/03	0.70	0.30		
Rehabilitation and Capacity Building of the Institute for Continuing Education	IFCP	High/03	0.06			
Fundamental School Quality (TFET2)	FSQP /João Alves	High/03	15.30	15.00	15.00	15.00
International Cooperation and Linkages	Política e Planificação	Medium/03	0.05	0.05	0.05	0.05
100 Schools Project (UNICEF-assisted)	Ensino Primária	Medium/03	1.50	1.50	1.50	1.50
Teachers' Career Development and Welfare	As Professores	Medium/04		0.03		
Textbooks and Teaching Materials Development	Curriculo	Medium/04		0.40		
Redefine Technical-Vocational Education.	ETV	Medium/04		0.03		
Program 3: Build Internal Management Capacity and Improve Services Delivery			2.15	1.78	1.52	1.46
<i>Manage and administer central and district functions</i>	Adm/ Finanças	High/Routine	1.35	1.38	1.42	1.41
<i>Strengthening planning,policy formulation,project devt.monitoring and evaluation</i>	Política e Planificação	High/03	0.10	0.05	0.05	0.05

<i>Establish legislative, regulatory and policy framework for education sector [FSQP]</i>	Política e Planificação	High/03	0.50	0.10	0.05	
Training for Educational Managers	IFCP	High/03	0.10	0.05		
Project to Build Capacity for Policy Formulation, Planning and Project Development	Política e Planificação	High/03	0.05	0.05		
<i>EMIS Development</i>	Política e Planificação	High/03	0.05	0.05		
Warehousing Expansion and Logistics Development.	Administração	Medium/04		0.10		
Program 4: Non-Formal Education and Adult Literacy			0.39	0.44	0.44	0.46
<i>Manage and deliver literacy program</i>	Ensino Não Formal	High/Routine	0.12	0.14	0.13	0.13
Literacy Campaign	Ensino Não Formal	High/03	0.27	0.27	0.27	0.27
Distance Learning Project.	Ensino Não Formal	Medium/03				
Literacy Project for Young Illiterate Women	Ensino Não Formal	Medium/04		0.02	0.04	
Community Reading Centers Project.	Ensino Não Formal	Low/06				0.05
Livelihood project			1.00	1.00	1.00	1.00
Program 5: Develop Tertiary Education			11.23	6.74	4.30	4.27
<i>Manage and deliver tertiary education</i>	Ensino Universitário	High/Routine	10.83	6.14	4.20	4.27
Curriculum Development	Ensino Universitário	High/03	0.40	0.30		
<i>Textbooks and Teaching Materials Development</i>	Ensino Universitário	Medium/04		0.30		
Staff Development	Ensino Universitário	Medium/05			0.10	
Program 6: Promote East Timorese Culture and the Arts			0.28	0.66	0.66	0.26
<i>Manage and deliver cultural program</i>	Cultura	High/Routine	0.13	0.16	0.16	0.16
Survey and Documentation of Traditional Culture/Arts Project	Cultura	High/03	0.12	0.40	0.40	
Institutional Capacity Building for Culture Project	Cultura	High/03	0.03			
Cultural Renewal and Promotion Project	Cultura	Medium/04		0.10	0.10	0.10
Program 7: Promote Youth Welfare	Juventude		0.19	0.29	0.29	0.29
<i>Manage and deliver youth program</i>	Juventude	High/Routine	0.12	0.13	0.13	0.13
Structuring and Institutional Support to Youth Sector Development	Juventude	High/03	0.07	0.07	0.07	0.07
Project to Train Unskilled Youth	Juventude	Medium/04		0.10	0.10	0.10
Program 8: Promote Physical Education and Sports			0.30	0.29	0.29	0.18
<i>Manage and deliver sports program</i>	Desporto	High/Routine	0.15	0.14	0.14	0.13
Structuring and Capacity-Building of Sports Institutions Project	Desporto	High/03	0.10			
Information Campaign Project on the Importance of Physical Education and Sports.	Desporto	High/03	0.05			
Teachers/Coaches Training Project	Desporto	Medium/04		0.05	0.05	0.05
Rehabilitation of Sports Facilities Project.	Desporto	Medium/04		0.10	0.10	
	TOTAL		53.53	49.31	46.73	45.42
<p>Notes: 1. Bilateral inputs for programs like the University are not distributed for years after 2003/4 so years after this are understated</p> <p>2. High/Routine indicates that the priority is high and the activity is a core function of the Ministry, other priorities are designated High, Medium or Low with a recommended commencement year added eg High/03 or Medium/04.</p> <p>3. Activities marked in red have been added to the original NDP activities to fill service delivery or priority gaps [see attached justification]</p>						

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
<i>Program: Foreign Affairs and Cooperation</i>														
	1. Office of the Director-General	16,000		16,000	15,000		15,000	15,000		15,000	15,000		15,000	61,000
1	a. Establish the Office of the Director-General													
1	b. Provision of policy advice to the Office of the Minister													
1	c. Management of the Ministry													
	2. Bilateral Affairs	76,000		76,000	76,000		76,000	96,000		96,000	76,000		76,000	324,000
1	a. Establishment of 3 embassies													
	b. Accompany Minister and attend official bilateral meetings													
	c. Participate in Joint Ministerial Commission between Timor-Leste and Indonesia to finalize border demarcation													
	d. Capacity Building													
	e. Appointment of 4 honorary consuls													
	f. Construct and fit-out HQ building in Marconi area													
	g. Timor-Leste Embassy support													
	1) Establish office and recruit staff													
	2) Support and liaise with Timor-Leste embassies													
	3) Capacity building													
	3. Multilateral Affairs	70,000		70,000	70,000		70,000	90,000		90,000	270,000		270,000	500,000
1	a. Support Timor-Leste's interests at international events													
	1) UN General Assembly													
	2) CPLP meetings													
	3) Conferences on international issues													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	4) Non-Aligned Movement meetings													
	b. Capacity Building and technical assistance													
	c. Liaise with multilateral agencies (UN, World Bank, ADB, IMF)													
	d. Provision of advice and technical assistance on matters of Multilateral to the Presidency, Prime Minister's Office, MFAC and other relevant ministries													
	e. Organise payment of annual contribution fees and ensure other requirements are met for the membership in the international bodies (UN, UNESCO, UNICEF, WHO, CPLP, NAM)													
	f. Application for the membership of the international bodies (UNCTAD, LDC, WTO, UNIDO, ILO, FAO, ICAO, UPU, ITU, WMO, IOM, WIPO)													
	g. Divisional Promotion													
	4. Protocol	57,000		57,000	55,000		55,000	89,000		89,000	67,000		67,000	268,000
	a. Organizing official visits of officials to Timor-Leste													
	b. Organizing the presentation of credentials of foreign ambassadors to Timor-Leste													
	c. Organizing the presentation of credentials of Ambassadors of Timor-Leste for foreign countries													
	d. Organizing national events (sworn in ceremony for Government members, official receptions, national days, etc. provisionally under protocol responsibility)													
	e. Issuing diplomatic passports													

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	f. Issuing ID card for diplomatic consular and international organization staff. Regular process													
	g. Recommendation for the issuance of car plates for diplomatic, consular and international organizations' official cars													
	h. Issuing recommendation for diplomatic exemption tax (ref Vienna Convention)													
	i. Issuing of recommendations for aircraft clearance													
	j. Co-organizing security service for diplomatic mission, international organization, accredited in Timor-Leste and for official foreign visitors													
	k. Development and enhancement of protocol guidelines for diplomatic and consular corps													
	l. Provision of advice and technical assistance on matters of protocol to the Presidency, Prime Minister's Office, MFAC and other relevant ministries													
	m. Maintain and publish diplomatic contact list. Regular process; annually reviewed.													
	n. Capacity building and technical assistance													
	5. Regional Affairs	24,000		24,000	24,000		24,000	44,000		44,000	24,000		24,000	116,000
	a. Accompany Minister and participate in regional meetings -- Southwest Pacific Dialogue Forum, Pacific Islands Forum, ASEAN, ACP/EU Cotonou Agreement, ASEAN Regional Forum and others													
	b. Capacity Building													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	c. Divisional promotion													
	d. A comprehensive study on future direction of Southwest Pacific Dialogue (SwPD)													
	d. Cooperation and Economic Affairs													
	6. Legal, Treaties and Human Rights Affairs	21,000		21,000	21,000		21,000	41,000		41,000	21,000		21,000	104,000
	a. Complete ratification of international treaties which are still in process in the National Parliament													
	b. Draft national legislation on deposited international treaties													
	c. Finalize all country agreements													
	d. Provide policy advice on proposed international treaties to the MFAC, COM and the National Parliament													
	e. Information campaigns on proposed international treaties to civil society													
	f. Capacity building and TA													
	g. Participate in Joint Ministerial Commission between Timor-Leste and Indonesia and other related meetings concerning legal (such as border demarcation) and human rights													
	h. Provision of legal advice to Ministry													
	i. Research, Planning and Development office													
	7. Public Affairs	25,000		25,000	25,000		25,000	45,000		45,000	25,000		25,000	120,000
	a. Capacity building and TA													
	b. Provision of press releases (including planned activities of the Minister)													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	c. Interaction with civil society -- to include the preparation and publishing of newsletters (external and internal) outlining activities and achievements of the Ministry, Minister and Vice Ministers													
	d. Provide support to the Minister, Vice-Ministers and Director-General on all matters concerning public affairs													
	e. Finalize the establishment of the MFAC media office													
	f. Monitoring of media coverages on a daily basis													
	g. Development of policy for the MFAC and COM on the establishment of a Government Public													
	h. Coordinate and prepare media interviews for the Minister, Vice-Ministers and the Director-General													
	i. Organize and coordinate public events													
	8. Consular Affairs	27,000		27,000	26,000		26,000	46,000		46,000	26,000		26,000	125,000
	a. Submit, adopt and approval of Consular related conventions and regulations													
	b. Maintain and improve the operations of the Division of Consular Affairs at HQ													
	c. Enhance the level of expertise and professionalism within the Division													
	d. Establish Consular Services abroad													
	e. Initiate and maintain programs/projects to be in line with RDTL's Development Priorities													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	f. Promote public awareness of consular services													
	g. Casework Services Provision (to citizens in the circumstances of a consular nature)													
	h. Engage, liaise and network with foreign consulates, institutions, church groups, NGOs													
	i. Inter-agencies coordination and cooperation													
	9. Administration	117,000		117,000	116,000		116,000	136,000		136,000	116,000		116,000	485,000
	a. Finance													
	b. Administration													
	c. IT&C													
	d. Logistics													
	e. Human Resource Management													
	f. Translation and Interpretation													
	Total	1,515,000	2,547,000	4,062,000	1,507,000	2,313,000	3,820,000	1,676,000	155,000	1,831,000	1,717,000	155,000	1,872,000	11,585,000

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	<i>Program: Office of Director General and Health Inspector</i>			3,460,000			2,030,000			910,000			1,040,000	7,440,000
	1. Health Policy Development and Planning Programme													
	2. Support to administrative and finance functions													
	3. Project Management													
	<i>Program: Hospital and specialized services</i>			10,160,000			18,110,000			6,110,000			6,470,000	40,850,000
	1. Specialized services (hospital services)													
	2. Laboratory services													
	3. Health facilities rehabilitation and development													
	<i>Program: District Health Services</i>			10,470,000			8,450,000			8,280,000			7,730,000	34,930,000
	1. District Health Services													
	2. Child Health													
	3. Maternal Health													
	4. Reproductive Health													
	5. Health Promotion													
	6. Communicable Disease Control													
	7. Environmental Health and Occupational Health													
	8. Specialized Services Programs													
	9. Drug and Medical Equipment Supply													
	10. Laboratory Services													
	11. Health Facilities Rehabilitation and Development													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	<i>Program: Promoting Health: Extension of access to basic health services through increasing the number of mobile clinics and/or health posts in inaccessible areas</i>													
SP	1. Provide health kits			50,000			0			0			0	50,000
SP	2. Support Church and NGOs in health service delivery			100,000			0			0			0	100,000
SP	3. Horses for health workers			200,000			0			0			0	200,000
SP	4. Motorcycles for health workers			250,000			0			0			0	250,000
	Total	0	0	24,690,000	0	0	28,590,000	0	0	15,300,000	0	0	15,240,000	83,820,000

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
<i>Program: Timor-Leste Police Service</i>														
	1. Police College			1,400,000			1,600,000			1,800,000			1,900,000	6,700,000
	a. Recruit Training													
	b. Field Training Program													
	c. Supervision and Management Training													
	d. Specialist Training													
	e. Training of Trainers													
	2. Police Operations			7,500,000			7,500,000			9,000,000			9,000,000	33,000,000
	a. General Duties													
	b. Criminal Investigations													
	c. Internal Security and Intelligence													
	d. Traffic Control and Investigation													
	e. Community Policing													
	3. Administration			900,000			1,500,000			1,000,000			1,100,000	4,500,000
	a. Planning and Finance													
	b. Human Resources Management													
	c. Logistics													
	4. Border Patrol			2,000,000			1,200,000			1,400,000			1,500,000	6,100,000
	a. Border Patrol													
	b. Marine Unit													
	5. Immigration Service			800,000			200,000			250,000			300,000	1,550,000
	a. Establishment of an effective Immigration Service													
	6. Rapid Intervention Units			500,000			600,000			700,000			800,000	2,600,000
	a. Maintain effective RIU in Dili													
	b. Maintain effective RIU in Baucau													
SP	7. Recruitment of 500 new Police Cadets for Rapid Deployment Group (including appropriate equipment for communication and transport)			5,000,000			0			0			0	5,000,000

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
<i>Program: Firefighters (Bombeiros)</i>														
	1. Drawing up of Laws, Regulations and Procedures (Organic law: its approval and implementation)			0			0			0			0	0
	2. Institutional Development of the Fire fighters	467,340	0	467,340	467,340	0	467,340	532,000	0	532,000	532,000	0	532,000	1,998,680
	a. Training													
	b. Protection and safety of the lives and goods of citizens against fires, accidents and other serious hazards													
<i>Program: National Disasters Management Office</i>														
	1. Creation of a National Systems of Communication for the Disaster Management Areas													
	a. Study for the creation of an internal communication system	2,500	0	2,500	0	0	0	0	0	0	0	0	0	2,500
	b. Setting up the communication system	10,000	0	10,000	10,000	0	10,000	10,000	0	10,000	10,000	0	10,000	40,000
	c. Acquisition of equipments			0			0			0			0	0
	d. Installation of equipments			0			0			0			0	0
	2. Development of trust to vulnerable communities													
	a. Civic education and awareness campaign to the vulnerable population	10,000	0	10,000	8,000	0	8,000	8,000	0	8,000	8,000	0	8,000	34,000
	b. Creation of a pre-warning system	10,000	0	10,000	5,000	0	5,000	5,000	0	5,000	5,000	0	5,000	25,000
	3. Assisting Disaster victims													
	a. Supplying of food for the disasters victims (flood, erosion, tropical hurricanes, rural fires, drought, etc.)	50,000	0	50,000	50,000	0	50,000	50,000	0	50,000	50,000	0	50,000	200,000
	b. Acquisition of materials for building of houses	30,000	0	30,000	30,000	0	30,000	30,000	0	30,000	30,000	0	30,000	120,000

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Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	c. Acquisition of non-edible products	10,000	0	10,000	10,000	0	10,000	10,000	0	10,000	10,000	0	10,000	40,000
	4. Redefinition of the organic structure, staff, tasks and responsibilities of the National Disaster Management Office													
	a. Drawing up of the organic law, procedures and the National Disasters Management Plan, including approval and distribution	1,500	0	1,500	1,500	0	1,500	0	0	0	0	0	0	3,000
	b. Restructuring the staff	29,004	0	29,004	34,356	0	34,356	34,356	0	34,356	34,356	0	34,356	132,072
	c. Professional Trainings	10,000	0	10,000	15,000	0	15,000	10,000	0	10,000	10,000	0	10,000	45,000
	1) District Disaster Management Orientation (DDMO)													
	2) Emergency Management (EM)													
	3) City Block Disaster Management (CBDM)													
	4) Seminars and colloquium													
	d. Buildings and equipment	10,000	0	10,000	10,000	0	10,000	10,000	0	10,000	10,000	0	10,000	40,000
	1) Rehabilitation of the NDMO building													
	2) Acquisition of equipments													
	<i>Program: Civil Protection Board</i>													
	1. Institutional capacity building of the Civil Protection Board													
	a. Organization of the Services			0			0			0			0	0
	1) Setting up of the Civil Protection Board													
	2) Drawing up of Laws, regulations and procedures													
	2. Institutional Development of the Civil Security													
	a. Drawing up of Lwas, Regulations and Proceedings			0			0			0			0	0

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Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	b. Redefinition of the Organic structure, proposal regarding staff, tasks and responsibilities			0			0			0			0	0
	c. Training/Capacity Building			0			0			0			0	0
	d. Building, equipment and transport			0			0			0			0	0
	1) Rehabilitation/ Construction of installations for the Civil Security													
	2) Acquisition of equipments													
	3) Acquisition of transports													
	e. Creation of a national communication system, in coordination with the communication system of the Police			0			0			0			0	0
	1) Study for the creation of a Civil Service internal communication system													
	2) Setting up of the electronic control system on some buildings (President and PM offices)													
3	3. Security Management for Public Buildings			0			0			0			0	0
2	4. Creation of a National Communication System													
	a. Study for the creation of a Civil Service internal communication system			0			0			0			0	0
	b. Setting up of the electronic control system on some buildings			0			0			0			0	0
	Total	640,344	0	18,740,344	641,196	0	13,241,196	699,356	0	14,849,356	699,356	0	15,299,356	62,130,252

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Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	<i>Program: Improve Administration of the Cabinet of the Minister and the Vice-Ministers</i>	146,000	0	146,000	140,000	0	140,000	135,000	0	135,000	135,000	0	135,000	556,000
1	1. Recruitment of staff													
1	2. Capacity Building													
1	3. Equipment Acquisitions													
SP	4. Improve internal reporting systems			25,000			0			0			0	25,000
	<i>Program: General Administration (Human Resource, Finance, Information & Technology, and Logistics)</i>	80,000	0	80,000	80,000	0	80,000	80,000	0	80,000	90,000	0	90,000	330,000
2	1. Capacity Building													
2	2. Recruitment													
2	3. Equipment Acquisitions													
	<i>Program: Office of Study</i>	0	0	80,000	0	0	80,000	0	0	80,000	0	0	80,000	320,000
3	Establishment of													
	1. Building and maintenance													
	2. Staff													
	3. Equipment													
	4. Furnishings													
	5. Communications Equipment													
	6. Transportation and maintenance													
	7. Local and overseas travel													
	<i>Program: Training Center</i>													
	1. Trainings	0	0	80,000	0	0	80,000	0	0	80,000	0	0	80,000	320,000
	a. Training, seminars, colloquiums, lectures, conferences and workshops for the judges													
	b. Training, seminars, colloquiums, lectures, conferences and workshops for the Prosecutors													
	c. Training, seminars, colloquiums, lectures, conferences and workshops for the Public Defenders													

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Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	d. Training, seminars, colloquiums, lectures, conferences and workshops for the Court Officers													
	e. Training, seminars, colloquiums, lectures, conferences and workshops for the Paralegal technicians													
	f. Training, seminars, colloquiums, lectures, conferences and workshops for the Criminal Investigation Officers													
	g. Training, seminars, colloquiums, lectures, conferences and workshops for the Prison Guards													
	h. Training, seminars, colloquiums, lectures, conferences and workshops for the Civil Registrars and Notary Office staff													
	2. Establish a Public Library			0			0			0			0	0
	a. Registry system													
	b. Archive system													
	c. Internet for the research center													
	3. Administration and Finance Division			0			0			0			0	0
	4. Cooperation, discussion on legal matters within the legal community			0			0			0			0	0
	5. Comparative Study/Tour			0			0			0			0	0
SP	6. Recruit trainers (from Malaysia) to train Timorese trainers to continue training of prison guards			75,000			0			0			0	75,000
<i>Program: Superior Council for the Judiciary</i>														
	1. Staff Recruitment	40,000	0	40,000	40,000	0	40,000	40,000	0	40,000	40,000	0	40,000	160,000
	2. Meeting Room													
	3. General Office Room													
	4. Furniture acquisitions for CSM													
	5. Equipment acquisitions													
	6. Internet installation													
	7. Car acquisition													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	8. Communication equipment acquisition													
	<i>Program: Advisory and Legislation</i>													
	1. Establishment of Office, additional staff and acquisition of equipment	31,000	0	31,000	59,000	0	59,000	60,000	0	60,000	70,000	0	70,000	220,000
	2. Capacity Development (mentoring, legal course, administration and filing system)													
	3. Legislative Proposals (for the MOJ, other ministries and institutions; workshops)													
	4. Provide advice to the Ministry													
	5. Comparative studies (ministerial institutions, other institutions)													
	6. Organizing documents and legal information (clippings-references, internet access, users journal, translators and interpreters)													
SP	7. Formulate necessary regulation (s) to allow for resolution of less serious and minor cases through mediation			50,000			0			0			0	50,000
SP	8. Strengthen the mediation and resolution mechanisms at the national, district, sub-district and community levels			50,000			0			0			0	50,000
	<i>Program: Public Defender</i>													
	1. Establishment of Administration													
	a. Recruitment													
	b. Building Capacity (Trainings)													
	c. Equipment acquisition (computers, laptops, tables, chairs, printer, photocopier, telephones, fax machine and internet access)													
	d. Furnishing													
	2. Access to Court													
	a. Criminal Cases													
	b. Civil Cases													

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Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	3. Specialised Technical Services													
SP	4. Train public Defenders in Portugal and CPLP countries			30,000			0			0			0	30,000
SP	5. Recruit international Defense Lawyers			600,000			0			0			0	600,000
Program: Secretariat of the Central Prison														
	1. Establishment of the Secretariat of the Central Prison													
	a. Recruitment of Staff													
	b. Supply information, communications, and office equipment, and other diverse equipment													
	c. Furnishing													
	d. Maintenance of building infrastructure and equipment													
	e. Building capacity of personnel													
	f. Seminar and workshop													
SP	2. Vocational training for detainees			10,000			0			0			0	10,000
SP	3. Provide literacy classes to illiterate detainees			5,000			0			0			0	5,000
SP	4. Work programs for detainees			10,000			0			0			0	10,000
Program: Civil Registry and Notary														
	1. Civil Registry	380,000	0	380,000	380,000	0	380,000	380,000	0	380,000	380,000	0	380,000	1,520,000
	a. Campaign to register newborn children and deaths													
	b. Issuing of certificates													
	c. Electoral and population registry													
	d. Printing certificates													
	e. Socialization of laws regarding certificate taxes													
	f. Legal costs of the Civil Registry													
	2. Registry and Notary													
	a. Socialization of the Organic Law of the Civil Registry and Notary													

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Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	b. Socialization of Notary Laws													
	c. Draft Commercial Law, Property Law, Vehicle Law													
	d. Community Organization/Civil Society Registration Act													
	e. Campaign regarding registry law													
	3. Central Database													
	a. Changes to computer systems (software)													
	b. Central data collection													
	c. Technical Assistance													
	d. Orientation of Notaries													
	4. Financial administration and logistics													
	a. Human Resources (Language translator, technical assistance and staff recruitment)													
	b. Training and workshop													
	c. Construction of 3 new buildings in the regions of Dili, Baucau and Aileu													
	d. Generators													
	e. Rehabilitation of District Offices in Same, Manatuto, Aileu and Dili													
	f. Communications, transportation equipment acquisition													
	5. Identification of Civil Criminal													
	a. Issue of passports													
	b. Printing of Identity cards													
	c. Issueance of Identity Cards													
	d. Production of passport document, common, work permits and foreigners													
	e. Criminal registry													
SP	6. Promote the use of functional registries, etc.			25,000			0			0			0	25,000

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
<i>Program: District Prisons (Dili, Gleno, Baucau)</i>														
	1. Becora, Dili Prison													
	a. Rehabilitation													
	b. Recruitment of staff													
	c. Equipment acquisition													
	d. Transportation acquisition													
	e. Gas water eye/ Gas mask													
	2. Baucau Prison													
	a. Rehabilitation													
	b. Recruitment of staff													
	c. Building of visitors house for families visiting the prisoners													
	d. Equipment acquisition (cmputers and laptops)													
	e. Transportation vehicles													
	3. Gleno Prison													
	a. Water and Sanitation													
	b. Construction of new prison block (special cell)													
	c. Construction of Women prison block													
	d. Gas water eye/gas mask													
	e. Recruitment of staff													
	f. Transportation vehicles													
<i>Program: National Legal and administrative system of realty information and title deeds</i>														
	1. Development of Land Politics and Legislation													
	a. National Workshop on political discussions													
	b. Preparation of the legislative bill													
	c. District workshops and one natinal workshop for the diffusion of New Land Legislation													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	d. Radio program diffusing property related laws and procedures													
	e. National and international information campaign on the records of claims, disputes and data on foreign land owners (1 year)													
	2. Traditional and Land Law Study Program													
	a. Preparation of the Study Program with the University (1 month)													
	b. Study (field visits, interviews, seminars, reports) 12 months in 7 districts													
	c. Final report: support to National staff													
	3. Abandoned and State Properties management program													
	a. Identification of abandoned and state properties (several miles)													
	b. Notification procedures to achieve regularization or ejection													
	c. Rental of abandoned or state properties													
	d. Definition of a table of general rent values (Ministerial Diploma)													
	e. Rented properties revenue collection control													
	4. Training the Land and Property Division staff													
	a. Legal training for the national and district staff of the LPD													
	b. National workshops on title deeds and claims record systems													
	c. National workshop on abandoned and State property administration and on notification/administrative ejection													
	d. National workshops on surveying and register of assessment systems													
	e. District workshop on administration, staff and finance													

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Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	f. National workshops on mediation or arbitration processes													
	g. Land information systems and surveying techniques, computer and software training													
	5. National Program on Land disputes mediation													
	a. Establish mediation procedures													
	b. Prepare the legislative bill for land disputes mediation													
	c. District seminars for mediators training under the supervision of the Land and Property Division mediator													
	d. Diffusion of procedures and mediation policies by the LPD													
	e. National supervision of the program and specific cases													
	f. Specific mediation for community reported cases													
	6. Land Data System (Maps, LIS and property record)													
	a. Establish a Property Record System													
	b. Establish a system and procedures to evaluate (all) realty													
	c. Surveying (pilot project)													
	d. Surveying (survey of all district properties)													
	e. Training actions for surveyors (LIS) at the national and district offices													
	f. Training actions for the administrative staff on East Timor gaps (national office)													
	7. Program of restitution and record of title deeds													
	a. Record of claims and disputes over Land (national citizens)													
	b. Record of data on foreign landowners and assets identification													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	c. Design and implementation of a Title Deeds records system													
	d. National seminars for staff training on claims and disputes processing													
	e. District seminars for staff training on title deeds record, mediation agreements, legal decisions, etc													
	8. Rehabilitation of LPD National and District Buildings													
	a. Rehabilitation of the National Building - Colmera (Design and Construction)													
	b. Rehabilitation of the National Building - Balide (Design and Construction)													
	c. Rehabilitation of the National Building - Ainaro (Design and Construction)													
	d. Rehabilitation of the National Building - Aileu (Design and Construction)													
	e. Rehabilitation of the National Building - Same (Design and Construction)													
	f. Rehabilitation of the National Building - Liquica (Design and Construction)													
	g. Rehabilitation of the National Building - Ermera (Design and Construction)													
	h. Rehabilitation of the National Building - Oecussi (Design and Construction)													
	i. Rehabilitation of the National Building - Lospalos (Design and Construction)													
	9. Equipment Acquisitions													
	10. Recruitment of 78 workers													
	<i>Program: Directorate of Gender and Citizenship</i>	50,000	0	50,000	50,000	0	50,000	60,000	0	60,000	70,000	0	70,000	230,000
	1. Capacity building and Human Resources													
	a. Increase human resources													
	b. Training-orientation													
	2. Establish equipment													
	3. Campaign/dissemination of laws													
	a. Seminars/workshops													

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Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	b. Promotion of the rights of women, men and children													
	c. Field visits to 13 districts													
	d. Dialog from television and Radio TL													
	4. Public information/promotions													
	<i>Program: National and District programs</i>	179,000	0	179,000	180,000	0	180,000	180,000	0	180,000	180,000	0	180,000	719,000
	1. Attorney-General of the Republic													
	2. Dili District Attorney													
	3. District Attorney of Baucau													
	4. District Attorney of Suai													
	5. District Attorney of Oecussi													
SP	6. Train Prosecutors in Portugal and other CPLP countries			30,000			0			0			0	30,000
SP	7. Recruit international Public Prosecutors			600,000			0			0			0	600,000
SP	8. Civic Education			30,000			0			0			0	30,000
	<i>Program: Court of Appeals</i>	80,000	0	80,000	80,000	0	80,000	80,000	0	80,000	80,000	0	80,000	320,000
	1. Additional Human Resources													
	2. Office equipment and fixtures acquisitions for 9 persons													
	3. Vehicles for 5 judges of the Court of Appeals													
	4. Compensatory allowance													
	5. Internet access													
SP	6. Provide additional assistance for mediation			150,000			0			0			0	150,000
	<i>Program: District Courts</i>													
SP	1. Train judges in Portugal and other CPLP countries			40,000			0			0			0	40,000
SP	2. Recruit international judges, court clerks and interpreters			1,970,000			0			0			0	1,970,000
	Total	986,000	0	4,846,000	1,009,000	0	1,169,000	1,015,000	0	1,175,000	1,045,000	0	1,205,000	8,395,000

*Programs for District Courts and some other components, missing.

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
Program: Budget Department														
	1. Budget Formulation and management within a sustainable Medium Term Fiscal Framework (MTFF)													
1	a. Continuation of Department's core function													
2	b. Technical Assistance in support of core function and strengthened capacity building	0	1,610,000	1,610,000	0	1,555,000	1,555,000	0	1,500,000	1,500,000	0	1,500,000	1,500,000	6,165,000
3	c. Development of Annual Citizen's Guide to Budget	25,000	0	25,000	10,000	0	10,000	10,000	0	10,000	10,000	-	10,000	55,000
4	d. Strengthened level of budget department support to ministries through recruitment of additional 7 staff and purchase of vehicle and motorbike	63,800	0	63,800	28,000	0	28,000	27,000	0	27,000	27,000	-	27,000	145,800
2. Policy Development														
1	a. Supporting East Timor's Transition to Administrative Independence	0	50,000	50,000	0	0	0	0	0	0	0	-	0	50,000
1	b. Strengthening Public Expenditure Management in Independent East Timor	0	5,000	5,000	0	0	0	0	0	0	0	-	0	5,000
2	c. Targeted financial management and Budget execution training for MPF and Departmental Finance Officers	0	300,000	300,000	0	0	0	0	0	0	0	-	0	300,000
Program: Treasury														
	1. Government Expenditure Management and reporting	246,000	509,000	755,000	246,000	0	246,000	246,000	0	246,000	246,000	-	246,000	1,493,000
	2. District Operations	116,000	33,000	149,000	116,000	0	116,000	116,000	0	116,000	116,000	-	116,000	497,000
	3. Internal and External Audit	103,000	38,000	141,000	103,000	0	103,000	103,000	0	103,000	103,000	-	103,000	450,000
	4. Capacity Development	25,000	145,000	170,000	25,000	0	25,000	25,000	0	25,000	25,000	-	25,000	245,000

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
Program: ETRS														
	1. Timor Sea Division													
	a. Compliance activities that needs to be undertaken to achieve targeted forecast revenue from taxpayers	0	0		0	100,000	100,000	0	100,000	100,000	0	100,000	100,000	300,000
	b. Capacity Development of Timor Sea Taxation Officers	0	0		0	5,000	5,000	0	5,000	5,000	0	5,000	5,000	15,000
	c. Communication equipment (fax, phones, computers)	0	0		0	10,000	10,000	0	0	0	0	-	0	10,000
	d. Set-up representative office in Perth to handle compliance activities, advising and taxpayer education	40,000	0	40,000	50,000	0	50,000	50,000	0	50,000	50,000	-	50,000	190,000
	2. Operational Division													
	a. Good management of budget appropriations to support taxation management	414,000	0	414,000	0	0	0	0	0	0	0	-	0	414,000
	b. Professional Trainings (Audit, Accounting, Admin, Legislation, English course, SIGTAS system, etc)	0	242,960	242,960	0	232,960	232,960	0	189,210	189,210	0	189,210	189,210	854,340
	c. Implementation of all aspects of SIGTAS system	0	45,000	45,000	0	45,000	45,000	0	45,000	45,000	0	45,000	45,000	180,000
	d. Support for the creation of Taxation and Customs Resources Council	79,008	0	79,008	60,000	0	60,000	60,000	0	60,000	60,000		60,000	259,008
	3. LBD Division													
	a. Auditing in Baucau and Maliana	4,000	0	4,000	6,000	0	6,000	6,000	0	6,000	6,000		6,000	22,000
	b. Socialization	250	0	250	500	0	500	500	0	500	500		500	1,750
	c. International visit to Taxpayers	7,000	0	7,000	7,000	0	7,000	7,000	0	7,000	7,000		7,000	28,000
Program: Administration and IT														
1	1. Human Resources and Capacity Building Development	35,776		35,776	33,276		33,276	32,276		32,276	32,776		32,776	134,104
	a. Coordination of recruitment for all MPF													
	b. Undertake a training and staff development needs assessment study (to be regularly updated) in liaison with substantive offices													

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	c. Develop an HR Development Plan													
	d. Develop succession plans for all line positions held by expatriates													
	e. Advertise books available in Knowledge Center and coordinate/organize lectures on topics of general /cross-sector interest.													
2	2. Information Technology Support Services	69,414		69,414	259,914		259,914	248,414		248,414	169,164		169,164	746,906
	a. Organize an appropriate database of information for all MPF departments, ie., SIGTAS, FREEBALANCE, CHRIS, ASYCUDA, CATAPULT & System Management													
	b. Control & maintenance of IT equipment and network services													
	c. Organize formal specialized lectures and on-the-job training for all of MPF													
3	3. A service oriented General Services	204,385		204,385	202,068		202,068	200,035		200,035	203,702		203,702	810,190
	a. Publication of MPF Newsletter													
	b. Technical translation and interpretation for all Department of MPF which is serving all of Government													
	c. Maintenance of MPF building in addition to all logistic support (A/C, 100% electrical/generator power, water and sanitation, tight vehicle maintenance to prevent high level of replacement, etc)													
	d. Special project: Paving of MPF 8000 m2 parking lot													

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
4	4. Coordination of MOPF Budget and NDP	5,529		5,529	4,848		4,848	5,379		5,379	5,462		5,462	21,218
Program: Macroeconomic and Tax Policy														
1	1. Recruitment of Macroeconomic and Tax Policy staff	12,000	0	12,000	1,000	0	1,000	1,000	0	1,000	1,000		1,000	15,000
2	2. Capacity Building		40,000	40,000		40,000	40,000	0	40,000	40,000	0	40,000	40,000	160,000
3	3. Forecast Revenue and recommend changes in revenue policy and overall balance of revenue expenditure, savings-deficit on budget	15,000	60,000	75,000	15,000	60,000	75,000	15,000	60,000	75,000	15,000	60,000	75,000	300,000
4	4. Forecast growth in Macroeconomy for Budget	6,000	60,000	66,000	6,000	60,000	66,000	6,000	60,000	66,000	6,000	-	6,000	204,000
5	5. Develop policies to promote economic growth and poverty reduction and promote high levels of savings and investment	5,000	20,000	25,000	5,000	20,000	25,000	5,000	20,000	25,000	5,000	20,000	25,000	100,000
Program: Planning and External Assistance Coordination														
1	1. Improve and maintain the operation of the PEAMD	164,000	0	164,000	163,400	0	163,400	174,240	0	174,240	193,154	-	193,154	694,794
2	2. Establish and operate an effective Data Management System	5,000	67,000	72,000	7,000	37,000	44,000	10,000	17,000	27,000	8,000	7,000	15,000	158,000
3	3. Mobilize budgetary support and TA	0	200,000	200,000	0	100,000	100,000	0	70,000	70,000	0	50,000	50,000	420,000
4	4. Coordinate Government's annual planning exercise including assisting line ministries prepare their AAPs and QRMs	0	130,000	130,000	0	110,000	110,000	0	80,000	80,000	0	40,000	40,000	360,000
5	5. Enhance the level of expertise and professionalism within PEAMD	0	100,000	100,000	0	80,000	80,000	0	60,000	60,000	0	40,000	40,000	280,000
6	6. Engage Development Partners to promote partnership	55,000	0	55,000	60,500	0	60,500	66,550	0	66,550	73,205	-	73,205	255,255

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
Program: Statistics														
	1. Statistics Office Operations	33,000	0	33,000	31,000	0	31,000	31,000	0	31,000	31,000	-	31,000	126,000
	2. Compilation and dissemination of 2004 Census	17,000	0	17,000	20,000	0	20,000	2,000	0	2,000	2,000	-	2,000	41,000
	3. Compilation and dissemination of Prices Statistics	25,000	0	25,000	25,000	0	25,000	25,000	0	25,000	25,000	-	25,000	100,000
	4. Compilation and dissemination of Trade Statistics (including ASYCUDA)	16,000	0	16,000	16,000	0	16,000	16,000	0	16,000	16,000	-	16,000	64,000
	5. Compilation and dissemination of specific social statistics (Education, Health)	0	8,000	8,000	2,000	100,000	102,000	2,000	50,000	52,000	2,000	50,000	52,000	214,000
	6. National accounts (Gross Domestic Product)	0	100,000	100,000	0	100,000	100,000	0	50,000	50,000	0	50,000	50,000	300,000
	Undertaking Demographic Health Survey (DHS)	2,000	0	2,000	0	0	0	0	0	0	0	-	0	2,000
Program: Customs														
	1. Implement existing laws and the ones to be approved	801,000	0	801,000	794,000	0	794,000	819,000	0	819,000	819,000	0	819,000	3,233,000
	2. Operationalize services	0	0	0	0	0	0	0	0	0	0	0	0	0
	3. Communication	0	0	0	0	0	0	0	0	0	0	0	0	0
	4. Information	50,000	0	50,000	0	0	0	0	0	0	0	0	0	50,000
	5. Infrastructures	40,000	0	40,000	0	0	0	0	0	0	0	0	0	40,000
	6. Capacity Building	10,000	0	10,000	0	0	0	0	0	0	0	0	0	10,000
	7. Mobility	0	0	0	0	0	0	0	0	0	0	0	0	0
	8. Membership to International Organizations	0	0	0	0	0	0	0	0	0	0	0	0	0
Program: Government Corporate Service														
	1. Capacity Development													
	a. Study visits	93,500	10,000	103,500	50,000	10,000	60,000	40,000	0	40,000	35,000	0	35,000	238,500
	b. Computer courses in 3 levels	10,000	0	10,000	15,000	0	15,000	15,000	0	15,000	10,000	0	10,000	50,000
	c. Study visits for 7 persons on Contract Commissioning	48,500	0	48,500	0	0	0	0	0	0	0	0	0	48,500

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	2. Supply Management and Inventory													
	a. Train staff within the unit to learn the Catapult program and Freebalance	1,000	0	1,000	13,000	0	13,000	19,500	0	19,500	30,810	0	30,810	64,310
	b. Storage of stocks in warehouse and dispatch to various departments	50,000	0	50,000	65,000	0	65,000	97,500	0	97,500	154,100	0	154,100	366,600
	c. Establish barcode on government properties	40,000	0	40,000	52,000	0	52,000	78,000	0	78,000	123,200	0	123,200	293,200
	d. Compilation and publication of training to staff within the unit and other government departments on the Manual of Operations	4,000	0	4,000	5,200	0	5,200	7,800	0	7,800	12,320	0	12,320	29,320
	e. Dispatch, receive and inspection of a equipment incoming/received by the government	3,000	0	3,000	3,900	0	3,900	58,500	0	58,500	92,430	0	92,430	157,830
	f. Repair and maintain 3 warehouses in Dili	30,000	0	30,000	39,000	0	39,000	58,500	0	58,500	92,430	0	92,430	219,930
	g. Establishment of 4 district warehouses, Los Palos, Viqueque, Suai and Oecussi	0	0	0	400,000	0	400,000	400,000	0	400,000	400,000	0	400,000	1,200,000
	3. Procurement													
	a. Receive and monitor correct CPVs	115,000	0	115,000	125,000	0	125,000	125,000	0	125,000	125,000	0	125,000	490,000
	b. Establishment of Property Disposal warehouse facility	50,000	0	50,000	0	0	0	0	0	0	0	0	0	50,000
	c. Revision of Procurement regulations including review of manuals	0	249,500	249,500	0	0	0	0	0	0	0	0	0	249,500
	d. Promote cottage industries through evaluating new methods of procurement	0	0	0	0	0	0	0	0	0	0	0	0	0
	e. Assignment of procurement staff to the line ministries													
SP	f. Domestic content, preferential procurement for private sector			50,000			0	0	0	0	0	0	0	50,000
	Total	3,139,162	4,122,460	7,311,622	3,065,606	2,664,960	5,730,566	3,209,194	2,346,210	5,555,404	3,333,253	2,196,210	5,529,463	24,127,055

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
<i>Program: Administration for Local Government and Development</i>														
1	1. Program to strengthen the capacity of civil service including in administration/management, finance and budgeting													
	a. Develop training program and manuals for ALGD staff in coordination with CSA to enhance capacity for ALGD staff			500,000			60,000			60,000			60,000	680,000
	b. Implementation of programmed training for all ALGD staff in coordination and trainers provided from CSA			0			0			0			0	0
1	2. Law on local government, specifying the roles and responsibilities of district and lower level government administrations													
	a. Commence the planned study on "Most appropriate units of sub-national government in East Timor". The study will be carried out within the framework provided in the approved Terms of Reference.			1,000,000			2,000,000			4,000,000			6,000,000	13,000,000
	b. Draft a Policy Document on local government and governance at the suco and aldeia level, based on the options adopted by the COM provided in the study			0			0			0			0	0
	c. Translate the policy options adopted by the Government into a supportive legal framework for review and approval by legislating bodies			0			0			0			0	0

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	d. In cooperation with Ministry of Planning and Finance, translate the policy options adopted by the Government into a financial framework for allocation of resources among districts			0			0			0			0	0
	e. Institutional development and implementation of the phases set in the decentralization process according to the adopted legal framework						0			0			0	0
	f. Activity letter e will be implemented down to the grassroots level, and parallel with a government capacity building program involving local government and civil society organizations, MIA and other central government support and monitoring agencies.			0			0			0			0	0
1	3. Program to create and/or strengthen institutional mechanisms for coordination of development activities in regions and districts that are relatively disadvantaged													
	a. Continue support and capacity building of District Community Development Committees (DCDC), and other stakeholders at district and sub-district levels, to enable the districts to better coordinate development activities in all 13 districts			950,000			950,000			950,000			950,000	3,800,000

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	b. Provide funds for DCDC, based on district population numbers and levels of development, to enable local government institutions and community-based groups to play a part in poverty reduction and assistance to vulnerable groups			0			0			0			0	0
SP	c. Block Grants for sub-districts and districts			2,105,000			0			0			0	2,105,000
SP	d. Local Development Fund for community/rural development (grants)			5,000,000			0			0			0	5,000,000
SP	e. Others, which includes strengthening administrative structures including local administration and modest support to other organs of the State			500,000			0			0			0	500,000
3	4. Strengthening the capacity of the community to withstand and overcome disturbances and challenges (e.g. through the provision of financial resources, equipment and training to communities/areas prone to such disturbances													
	a. Provide instruction and training to the District and sub-District Administrators and the District Development staff to enable them to take a supportive and preventing role in Disaster Management and Disaster Prevention. District staff will be trained			10,000			10,000			10,000			10,000	40,000

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	b. In a long-term perspective, ALGD staff will work together with NDMO to mobilize traditional institutions and leaders, and to organize civic education campaigns to promote good environmental management, and disaster prevention and management.			0			0			0			0	0
2	5. Promoting popular participation, especially of the poor and other vulnerable groups in economic, social and political processes													
	a. Recruit one Social and Economical Affairs Office in each district			400,000			400,000			400,000			400,000	1,600,000
	b. Task the suco chiefs with the responsibility of promoting popular participation in their day-to-day work, to ensure a well-functioning information channel between the local government and the communities			0			0			0			0	0
	c. Capacity building of District Development staff, and traditional leaders, in rural development and participatory decision-making processes to enable these staff to work together with and promote popular participation in governmental affairs			0			0			0			0	0
	d. Develop and carry out a civic education project on Local Government institutions and processes at SD level with the aim of opening government channels for popular participation from the community			0			0			0			0	0
	6. Strengthen formal and no-formal local social institutions													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	a. Identification of formal and informal local social institutions and their functions in all 13 districts			30,000			30,000			30,000			30,000	120,000
	b. Carry out civic education programs on Local Government institutions and processes to raise awareness in how local institutions can channel their needs or obtain information													
	c. Work together with informal institutions in terms of increasing their access to government institutions, donors or other available resources to improve their self-subsistence													
SP	d. Election of Chefe de Sucos			250,000			0			0			0	250,000
	7. Organize advocacy groups (e.g. NGOs) to promote and sustain government commitment to poverty reduction			0			0			0			0	0
	8. Discourage social and cultural practices such as spending beyond one's means, or bride price through civic education with the involvement of community leaders and prominent persons; consider introduction of legal measures to curb harmful practices			0			0			0			0	0
<i>Program: Civil Service Commission</i>														
	1. The Civil Service Status Project	150,000	0	150,000	150,000	0	150,000	150,000	0	150,000	150,000	0	150,000	600,000
	a. Discuss the Civil Service Status Project with the stakeholders including the civil servants, and present to the Council of Ministers													
	b. Presentation of the Civil Service Status Project to the Council of Ministers													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	c. Presentation of the Civil Service Status Project for approval by the National Parliament and by the Council of Ministers													
	d. Dissemination of the Civil Service Status and of the Disciplinary Regulation													
	2. Project on the Disciplinary Regulation			0			0			0			0	0
	a. Draw-up the Disciplinary Regulation project													
	b. Discuss the Disciplinary Regulation project with the stakeholders and submit it for approval by the Council of Ministers													
	c. Submission of the Disciplinary Regulation Project for approval by the Council of Ministers													
	3. The Performance Evaluation and Promotion Regulation project			0			0			0			0	0
	a. Draw-up the Civil Service Performance Evaluation and Promotion project													
	b. Submission of the Civil Service Performance Evaluation and Regulation project for approval by the Council of Ministers													
	4. The Conflict of Interests Regulation project			0			0			0			0	0
	a. Draw-up the Conflict of Interests project for the Civil Service													
	b. Submission of the Conflict of Interests project for approval by the Council of Ministers													
	5. The Duty of Secrecy Regulation project			0			0			0			0	0
	a. Draw-up the Duty of Secrecy Regulation project													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	b. Submission of the Duty of Secrecy Regulation project for approval by the Council of Ministers													
	6. The Retirement and Survival Regulation project			0			0			0			0	0
	a. Draw-up the Civil Service Retirement and Survival project													
	b. Submission of the Civil Service Retirement and Survival project for approval by the Council of Ministers													
	7. The Scholarship Regulation project			0			0			0			0	0
	a. Draw-up the Civil Service Scholarship project													
	b. Submission of the Civil Service Scholarship Regulation project for approval by the Council of Ministers													
	8. The Allowances Regulation project			0			0			0			0	0
	a. Draw-up the Civil Service Allowances project													
	b. Submission of the Civil Service Allowances project for approval by the Council of Ministers													
<i>Program: Civil Service Board</i>														
	1. Human Resources Management Development													
	a. Policies, regulation and Procedures	50,000	0	50,000	50,000	0	50,000	50,000	0	50,000	50,000	0	50,000	200,000
	b. Design and organize the Human Resources Management General System	100,000	0	100,000	100,000	0	100,000	100,000	0	100,000	100,000	0	100,000	400,000
	c. Monitor (track, check and instruct) the execution of Policies, Laws, regulations and instructions within the scope of Human Resources Management	10,000	0	10,000	10,000	0	10,000	10,000	0	10,000	10,000	0	10,000	40,000

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	d. Design and implement the Human Resources Information General System	50,000	0	50,000	50,000	0	50,000	50,000	0	50,000	50,000	0	50,000	200,000
	e. Training/Capacity Building of the Civil Service Board staff and that of the Human Resources management sector units	100,000	0	100,000	100,000	0	100,000	100,000	0	100,000	100,000	0	100,000	400,000
	f. Supplying of equipment and facilities	100,000	0	100,000	100,000	0	100,000	100,000	0	100,000	100,000	0	100,000	400,000
<i>Program: National Archives</i>														
1	1. Archive system creation and training program			0			0			0			0	0
	a. Create a registry system													
	b. Prepare materials for training													
	c. Make all departments aware of the system													
	d. Implement the training													
	e. Apply the Documentation Registry system to all departments and districts													
	2. Program to create legislation and to design the symbol of the National Archive			0			0			0			0	0
	a. Consult and correct legislations as a the symbol for the National Archive													
	b. Review the Symbol													
	c. Approval at the Council of Ministers and National Parliament													
	3. Program to build the National Archive for the RDTL			0			0			0			0	0
	a. Repair of the 3 attics at the National Archive, and carry-out the project													
	b. Continue or conclude the project and use of the rooms in attics 1,2, and 3													
	c. Depositing of archives being prepared													
	d. Organize and select archive documents													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	e. Part of the archive documents selected and classified													
	4. Maintenance and storing program			0			0			0			0	0
	a. Proposal of the Capital Plan for the Budget unit after approval of the Annual Budget revisions (02-03)													
	b. Purchase of shelves													
	c. Approval of the Budget with the issuing DAA													
	d. All 3 attics have shelves													
	e. Shelves installed in the 3 attics													
	f. Shelves are operational and part of the documents is organized systematically in the 3 attics													
	5. Program to recover and bring back home historic and cultural East Timorese materials from foreign countries	90,000	0	90,000	0	0	0	0	0	0	0	0	0	90,000
	a. Contact countries that have historical document from East Timor													
	b. Coordinate the process of bringing these documents back home, bearing in mind that they differ in format													
	c. Create an agreement on this process													
	d. Carry out the process of bringing the documents back home													
	6. Cultural and historical materials collection program	4,000	0	4,000	4,000	0	4,000	4,000	0	4,000	4,000	0	4,000	16,000
	a. Collection of documents in the 13 districts													
	b. Transporting them to the National Archive Center													
	c. Select and classify them													
	d. Conservation and maintenance													
	e. Placing them safely													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	7. Historic and cultural exposition dissemination programs	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000	12,000
	a. Preparation of the materials for dissemination													
	b. Selecting and clarifying documents													
	c. The dissemination and exposition of the documents depends on the historic day													
	8. Training Program													
	a. Prepare staff to be trained on Research, Media Libraries and electronic publication and documentation			0			0			0			0	0
	b. Delegate 2 staff to take part in Library course plus two others to take part in Records Management and Book Binding course in Malaysia	3,000	0	3,000			0			0			0	3,000
	c. Delegate 1 staff to train at the Research area in Mozambique	10,000	0	10,000			0			0			0	10,000
	d. Delegate 1 staff to take part in a Media and Publication course in Indonesia	9,000	0	9,000			0			0			0	9,000
	e. Delegate 2 staff to train in the Archiving Faculty in Brazil	50,000	0	50,000			0			0			0	50,000
	f. Send 1 staff to train in Leadership Management in Portugal and to look into the CPLP archives	5,000	0	5,000			0			0			0	5,000
	g. Send 1 staff to train in Electronics Documentation in Australia	9,000	0	9,000			0			0			0	9,000
	h. Send 1 staff to be trained in the area of Internal Affairs in Australia	50,000	0	50,000			0			0			0	50,000
	<i>Program: Development of the Official Information Services of the State</i>													
	1. Publication of the Journal of the Republic	133,000	0	133,000	119,000	0	119,000	119,000	0	119,000	119,000	0	119,000	490,000
	2. Facilities Project	60,000	0	60,000			0			0			0	60,000
	a. Reconstruction of Building													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	b. Installation of machinery													
	3. Database creation			0			0			0			0	0
	a. Design													
	b. Approval													
	c. Implementation													
	4. Human Resources Capacity Development			0			0			0			0	0
	a. Management Training													
	b. Technical trainings													
	5. Study of the financial feasibility of the services and their organizational options			0			0			0			0	0
<i>Program: Public Service Training Center (CSA)</i>														
1	1. Capacity Buiding of the Public Service Human Resources			0			0			0			0	0
	a. Training in Human Resources Management (Human Resources Management, Office management, Management and finances, Property management and procurement)													
	b. Training in Office Management (Reception, Filing, Reporting, Correspondence, Communication)													
	c. Training in Local Administration and Development (Leadership, Local Government Administration, Decision-making, Local Government Administration and Finances, Planning and Local Development)													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	d. Training in General Induction (Work ethics, rights and obligations; Terms and employment conditions; Coordination; Participation and Monitoring; Conduct of Meetings; Management of materials; Constitution; Public Administration techniques; Project Management; Organization and evaluation; Problem analysis/solving; Finance management)													
	e. Computer training (basic level; intermediate level)													
	f. Train the Trainer (Academy's permanent trainers; Part-time trainers; District trainers; Trainers to train other trainers for other training centers)													
	g. Seminars/Workshops to collect/contribute ideas of departments to develop methodology or a curriculum for the Public Service Training Center			3,000			4,000			4,000			5,000	16,000
	h. Mobile group of trainers for the District (General induction course; Office and Management course)			3,000			3,000			4,000			5,000	15,000
1	2. Development of Training capacity			0			0			0			0	0
	a. Structure and institutional capacity building (Organic Regulation; Staff Capacity Building; Campus Management, internship, etc.; Study on the Institutional permanent co-operation (duplication))													
	b. Develop a curriculum (Curriculum for Local Government training; Curriculum for general induction; Curriculum for basic level training; Curriculum for intermediate level training; Curriculum for advance level training)													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	c. Educational materials and equipment (development of training materials)													
	d. Building fittings/infrastructures (training rooms, dormitory fitting, electrical fitting)													
	e. Library (books, internet access and sources of computer science; bulletins)													
	f. Inter-relation and co-operation with similar institutions (IFAPA-Mozambique; INA-Portugal; INTAN-Malaysia; ANU-Australia; others)													
	g. Identification of co-operation mechanisms (Cooperation with agencies involved in programs conception)													
	h. Two years assistance from UNDP to strengthen the institution													
	i. Survey on training needs													
	j. Assessment of training impact on students (seminars and workshops; surveys)													
	Total	986,000	0	11,737,000	686,000	0	4,143,000	686,000	0	6,144,000	686,000	0	8,146,000	30,170,000

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
<i>Program: Communications Regulatory Authority</i>														
	1. Human Resources													
	a. Recruitment of Staff	35,000	0	35,000	45,000	0	45,000	52,000	0	52,000	65,000	0	65,000	197,000
	b. Capacity Building	50,000	0	50,000	45,000	0	45,000	35,000	0	35,000	30,000	0	30,000	160,000
	2. Frequency Database Maintenance			500,000			500,000			10,000			20,000	1,030,000
	a. Training Database from ITU													
	b. Handover Database from UN-PKF to RDTL													
	c. Maintenance													
	d. Monitoring Frequency													
	3. Regulations			10,000			10,000			10,000			20,000	50,000
	a. Make draft of Communications Authority													
	b. Make draft frequency license													
	c. Make draft frequency license fess													
	d. Make draft emission electromagnetic frequency radio													
	e. Make draft standardization													
	4. International Telecommunication Union			50,000			50,000			50,000			50,000	200,000
	a. Register as a member of ITU													
	b. Participate meeting CPLP and ITU													
	c. Member of APT													
	5. Standardization and Quality			50,000			50,000			25,000			25,000	150,000
	a. Communications equipment standardization													
	b. Supervision equipment													
	c. Control operation													
	6. VHF project			214,500			100,000			87,000			85,000	486,500
	a. Installation VHF													
	b. VHF Network Maintenance													
<i>Program: Director-General for Public Works</i>														
	1. Policy formulation related to the effective delivery of essential services, management and operation of the divisions/directorate of Public Works, Roads, Bridges and Flood Control, R&D and Equipment and Material Production			15,000			15,000			15,000			15,000	60,000

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	2. Project Supervision and Management													
	3. Foreign assisted projects coordination and implementation													
SP	4. Road maintenance, rehabilitation and construction (Job creation)			1,600,000			0			0			0	1,600,000
SP	5. River-training (Job creation)			160,000			0			0			0	160,000
SP	6. Other infrastructure (Job creation)			160,000			0			0			0	160,000
<i>Program: Civil Aviation</i>														
	1. Comoro Runway Structural evaluation	0	0	50,000	0	0	0	0	0	0	0	0	0	50,000
	2. Comoro Runway overlay (rehabilitation)	0	0	0	0	0	1,500,000	0	0	0	0	0	0	1,500,000
	3. Training/Supervising Staff	0	0	0	0	0	0	0	0	0	0	0	0	0
	4. Cargo Terminal	0	0	100,000	0	0	0	0	0	0	0	0	0	100,000
<i>Program: Research and Development</i>														
1	1. Laboratory Capacity Development / Purchase of Laboratory Equipment	2,000	0	2,000	10,000	0	10,000	15,000	0	15,000	15,000	0	15,000	42,000
1	2. Laboratory Capacity Development / Laboratory Operational Vehicle	25,000	0	25,000	11,000	0	11,000	0	0	0	0	0	0	36,000
1	3. Laboratory Capacity Development / Training, Laboratory Quality Assurance, Equipment Calibration	14,000	0	14,000	10,000	0	10,000	8,000	0	8,000	6,000	0	6,000	38,000
1	4. Laboratory Capacity Development / Laboratory and Workshop Building	0	60,000	60,000	0	0	0	0	0	0	0	0	0	60,000
1	5. Laboratory Operation/ Carry out daily testing, receive request testing, carry out research and quality control testing	51,000	0	51,000	51,000	0	51,000	51,000	0	51,000	51,000	0	51,000	204,000
1	6. Technical Code and Standard Development for Infrastructure Sector / Setting up of Office for Technical Code and Standards	15,000	0	15,000	1,000	0	1,000	1,000	0	1,000	1,000	0	1,000	18,000
1	7. Technical Code and Standard Development for Infrastructure Sector / Office Operation for Technical Code and Standards	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000	12,000

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
1	8. Technical Code and Standard Development for Infrastructure Sector/ Technical Assistance for setting up Standard System for Infrastructure Sector	15,000	0	15,000	5,000	0	5,000	5,000	0	5,000	5,000	0	5,000	30,000
2	9. Construction Project Quality Control / Construction materials on site inspection	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000	12,000
2	10. Construction Project Quality Control / Workshop for construction material quality control	10,000	0	10,000	5,000	0	5,000	5,000	0	5,000	5,000	0	5,000	25,000
3	11. Research Programs - Quarry Survey and Aggregate Quality Test	1,000	0	1,000	0	0	0	0	0	0	0	0	0	1,000
3	12. Research Programs - Study on preventing house cracking and collapse caused by landslides	5,000	0	5,000	0	0	0	0	0	0	0	0	0	5,000
3	13. Research Programs - Feasibility study on cement production	10,000	0	10,000	0	0	0	0	0	0	0	0	0	10,000
3	14. Research Programs - Bamboo House construction Technology	4,000	0	4,000	0	0	0	0	0	0	0	0	0	4,000
3	15. Research Programs - Setting up of office for Research and Technology Development	12,000	0	12,000	5,000	0	5,000	5,000	0	5,000	5,000	0	5,000	27,000
4	16. Setting up Record and Technical Reference Support Division / Setting up Office	2,000	0	2,000	1,000	0	1,000	1,000	0	1,000	1,000	0	1,000	5,000
4	17. Setting up Record and Technical Reference Support Division / Office Operation	2,000	0	2,000	1,000	0	1,000	1,000	0	1,000	1,000	0	1,000	5,000
<i>Program: Director-General for Transport and Communications</i>				18,000		18,000			18,000			18,000		72,000
1	1. Policy formulation related to the effective delivery of essential services, management and operation of the divisions/directorate of Telecommunications, Information Technology, Postal Services, Land Transport, Government Transport, Civil Aviation, Maritime													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
1	2. Project Supervision and Management													
SP	3. Radio receivers with solar batteries (Stability area)			250,000			0			0			0	250,000
SP	4. Two-way radio sets with batteries (Stability area)			600,000			0			0			0	600,000
SP	5. Postal system with financial services in districts			325,000			0			0			0	325,000
Program: Public Works														
1	1. Institution Building													
	a. Staff Recruitment	142,476	0	142,476	171,216	0	171,216	171,216	0	171,216	171,216	0	171,216	656,124
	b. Planning Regulation	25,000	0	25,000	0	0	0	0	0	0	0	0	0	25,000
	c. Housing Policy	25,800	0	25,800	0	0	0	0	0	0	0	0	0	25,800
	d. Capacity Building for National and District Staff			150,000			100,000			50,000			50,000	350,000
1	2. Spatial Planning and Housing			0			0			0			0	0
	a. Establishment of Urban and Regional Information System (URISSET)			480,000			200,000			200,000			150,000	1,030,000
	b. Slum Improvement Program			0			0			0			0	0
	1) Drafting of the Program			250,000			150,000			150,000			150,000	700,000
	2) Construction			72,000			400,000			500,000			600,000	1,572,000
	c. Drafting of Dili Master Plan	10,000	0	10,000	0	0	0	0	0	0	0	0	0	10,000
	d. Promotion of Bamboo Low-Cost Housing													
	1) Development of Bamboo House Proto-type within the premises of the Department located in Dili	20,000	0	20,000	0	0	0	0	0	0	0	0	0	20,000
	2) Replication of Bamboo House proto-type in 13 districts	0	0	0	150,000	0	150,000	0	0	0	0	0	0	150,000
	3) Replication of Bamboo House Proto-type in 40 selected villages	0	0	0	200,000	0	200,000	0	0	0	0	0	0	200,000
	4) Establishment of National Bamboo Construction Institute	0	0	0	0	0	0	0	0	0	50,000	0	50,000	50,000
1	3. Development of Office Space			0			0			0			0	0
	a. Establishment of Training Centre			0			0			0			0	0
	1) Refurbishment of Training Center Building	20,000	0	20,000	0	0	0	0	0	0	0	0	0	20,000

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	2) Site Development and Utility	20,000	0	20,000	0	0	0	0	0	0	0	0	0	20,000
	3) Building maintenance	5,000	0	5,000	10,000	0	10,000	15,000	0	15,000	20,000	0	20,000	50,000
	b. Establishment of National Department Office									0			0	0
	1) . Refurbishment of ex-KANWIL-PU Building	359,000	0	359,000	0	0	0	0	0	0	0	0	0	359,000
	2) Purchase of motorcycle and 4-wheel drive pick-up	54,000	0	54,000	54,000	0	54,000	0	0	0	0	0	0	108,000
	3) Building maintenance	0	0	0	10,000	0	10,000	10,000	0	10,000	10,000	0	10,000	30,000
	c. Establishment of District Public Works Offices			0			0			0			0	0
	1) Provision of 13 Public Works District Offices including purchase of office furniture and vehicle	351,000	0	351,000	0	0	0	0	0	0	0	0	0	351,000
	2) Purchase of motorcycle and 4-wheel drive pick-up	26,000	0	26,000	208,000	0	208,000	0	0	0	0	0	0	234,000
	3) Building maintenance	0	0	0	7,000	0	7,000	7,000	0	7,000	7,000	0	7,000	21,000
2	1. Institution Building			0			0			0			0	0
	a. Inter-governmental coordination	1,000	0	1,000	1,000	0	1,000	1,000	0	1,000	1,000	0	1,000	4,000
	b. Overseas Study Tour	42,000	0	42,000	60,000	0	60,000	60,000	0	60,000	60,000	0	60,000	222,000
2	2. Spatial Planning and Housing			0			0			0			0	0
	a. Delineation of Urban built Up zone for National Capital and 12 District Capitals	10,000	0	10,000	10,000	0	10,000	10,000	0	10,000	10,000	0	10,000	40,000
	b. Drafting of Area Development Plans for strategically significant zones	10,000	0	10,000	20,000	0	20,000	25,000	0	25,000	30,000	0	30,000	85,000
2	3. Provision of Technical Assistance to Government Agencies, the Public and the Private sector	0	0	0	0	0	0	0	0	0	0	0	0	0
<i>Program: Water and Sanitation</i>														
	1. Urban Water Supply			0			0			0			0	0
	a. Water resources management legislation: Policy and Regulation			0			0			0			0	0
	b. Water service legislation and tariff policy: Policy and regulation			0			0			0			0	0
	c. Strategic plan for water resources management and environmental impact study: strategic planning			0			0			0			0	0

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	d. Dili Headwork and distribution system													
	1) Augmentation of water resources from Comoro River and construction of a new water treatment plant			2,538,043			0			0			0	2,538,043
	2) Improvements to the distribution system for Dili			0			0			0			0	0
	e. District towns rehabilitation and augmentation water networks													
	1) Capital works in Liquica, manatuto and LosPalos			3,500,000			2,000,000			1,250,000			1,250,000	8,000,000
	2) Suai, Liquica, Oecussi, Gleno and Mallana			0			0			0			0	0
	f. Dili new connection program													
	1) Water meter/service connection refurbishment			60,000			60,000			60,000			60,000	240,000
	g. Dili illegal connection and unaccounted for water (UFW)			30,000			20,000			20,000			20,000	90,000
	1) Surveillance									0			0	0
	2) Monitoring									0			0	0
	3) Assessment and repair of leakage													
	h. District towns new connection program: improve service delivery/O&M			50,000			50,000			50,000			50,000	200,000
	i. District towns illegal connection & UFW reduction program			75,000			75,000			75,000			75,000	300,000
	1) Surveillance													
	2) Monitoring													
	3) Assessment and repair of leakage													
	j. Dili town tariff billing system													
	1) Technical support													
	2) Software development													
	3) Computer hardware													
	4) Training for its operation													
	k. District towns tariff billing system			50,000			50,000			50,000			50,000	200,000
	1) Technical support													
	2) Software development													
	3) Computer hardware													
	4) Training for its operation													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	l. Updating of Dili water supply: Improved service delivery													
	m. Asset database & As-Built drawing: Improved service delivery													
	n. Water resources management systems and procedures: Improved service delivery			25,000			25,000			25,000			25,000	100,000
	2. Urban Sanitation													
	a. Urban Sanitation Management legislation: Policy and regulation													
	b. Urban sanitation strategic plans													
	1) Strategic planning for Dili'			15,000										15,000
	2) Strategic planning for District towns													
	c. Capital upgrading of solid waste management infrastructure in Dili; priority work in Tibar dump			20,000			40,000			40,000			40,000	140,000
	d. Capital works and upgrading of waste water collection and treatment in Dili													
	1) Urban waste water policy and regulation (Dili and district main towns)													
	2) Urban waste water strategic planning (Dili and district main towns)													
	3) Urban waste water capital works (Dili)			30,000			30,000			30,000			30,000	120,000
	e. Augmentation of Dili drainage system in Dili													
	1) Urban drainage policy and regulation (Dili and District main towns)													
	2) Urban drainage strategic planning (Dili and district towns)													
	3) Urban drainage priority rehabilitation - Dili													
	4) Dili drainage clean and repair			100,000			100,000			100,000			100,000	400,000
	f. Capital works implementation for district towns of solid waste and waste water collection systems; capital works			200,000			200,000			200,000			200,000	800,000
	g. Update to efficient sanitation operation and maintenance for Dili			280,000			280,000			280,000			280,000	1,120,000

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	1) Household, markets, RDTL office rubbish collection and street cleaning													
	2) Capital works; solid waste bins/bunkers													
	3. Community Water and Sanitation													
	a. Best practice methodologies for community water supply and sanitation; strategic planning			90,000									90,000	
	b. Community water supply and sanitation implementation			3,250,000		3,250,000			3,250,000			3,250,000	13,000,000	
	1) Monitoring and evaluation													
	2) Capital works													
	c. Emergency response facility			780,000		780,000			780,000			780,000	3,120,000	
	d. Guidelines for CWSS; improved service delivery													
SP	e. Water and Sanitation (Job creation)			160,000		0			0			0	160,000	
	4. Institution and Capacity Building													
	a. General HRD programs													
	1) WSS capacity building and HRD													
	2) Recruitment of staff			232,272		395,676			395,676			395,676	1,419,300	
	b. IEC programs			50,000		50,000			50,000			50,000	200,000	
	1) Community development													
	2) Hygiene promotion													
	3) Water tariff campaign													
	<i>Program: Maintenance Division</i>													
	1. Maintenance of Government buildings	7,000	0	7,000	7,000	0	7,000	7,000	0	7,000	7,000	0	7,000	28,000
	2. Recruitment of Personnel	609,000	0	609,000	609,000	0	609,000	609,000	0	609,000	609,000	0	609,000	2,436,000
	3. Institutional Development													
	a. Equipment acquisition	3,500	0	3,500	2,000	0	2,000	2,500	0	2,500	2,500	0	2,500	10,500
	b. Transport facilities	29,700	0	29,700	0	0	0	0	0	0	0	0	0	29,700
	<i>Program: Sea Transportation</i>													
	1. Institutional Development and Regulations -- Harbour component													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	a. Organizational structure of harbour administration -- APORTEL -- Central and regional													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	b. Basic regulation of operations and revision of the harbour rates													
	c. Regulation regulating the activities of harbour operator, navigation agent and stowage operator													
	d. Ratification of harbour conventions													
SP	2. Special situation of the enclave of Oecussi													
SP	a. Ferry Service -- OECUSSI			1,000,000			0			0			0	1,000,000
SP	b. Communications -- OECUSSI			750,000			0			0			0	750,000
<i>Program: Administration</i>														
	1. Administration and Development of Human Resources	14,760	0	14,760	14,760	0	14,760	14,760	0	14,760	14,760	0	14,760	59,040
	2. Administrative services and coordination between Departments	14,760	0	14,760	14,760	0	14,760	14,760	0	14,760	14,760	0	14,760	59,040
	3. Financial plan, budget management and control	14,760	0	14,760	14,760	0	14,760	14,760	0	14,760	14,760	0	14,760	59,040
	4. Pre-qualification and coordination with Supply (provisioning) office	14,760	0	14,760	14,760	0	14,760	14,760	0	14,760	14,760	0	14,760	59,040
	5. Extensive supervision, control and General inspection	14,760	0	14,760	14,760	0	14,760	14,760	0	14,760	14,760	0	14,760	59,040
	6. Property administration	14,760	0	14,760	14,760	0	14,760	14,760	0	14,760	14,760	0	14,760	59,040
	7. Equipment for support of services in the Division of Administration	12,563	0	12,563	0	0	0	0	0	0	1,200	0	1,200	13,763
<i>Program: Betterment of Roads</i>														
	1. National Roads													
	a. Betterment of NATIONAL ROADS from the region of Baucau			285,432			292,567			299,882			307,379	1,185,260
	b. Betterment of NATIONAL ROADS from the region of Dili			356,790			365,709			374,852			384,223	1,481,574
	c. Betterment of NATIONAL ROADS from the region of Same			249,753			255,996			262,396			268,956	1,037,101
	d. Betterment of NATIONAL ROADS from the region of Maliana			285,432			292,567			299,882			307,379	1,185,260
	e. Betterment of NATIONAL ROADS from the region of Oecusse			107,037			109,712			112,455			115,267	444,471

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	2. District Roads													
	a. Betterment of DISTRICT ROADS from the region of Baucau			319,197			327,176			335,356			343,740	1,325,469
	b. Betterment of DISTRICT ROADS from the region of Dili			292,597			299,912			307,409			315,095	1,215,013
	c. Betterment of DISTRICT ROADS from the region of Same			265,997			272,647			279,463			286,450	1,104,557
	d. Betterment of DISTRICT ROADS from the region of Maliana			319,197			327,176			335,356			343,740	1,325,469
	e. Betterment of DISTRICT ROADS from the region of Oecusse			106,399			109,058			111,785			114,580	441,822
	3. Rural Roads													
	a. Betterment of RURAL ROADS from the region of Baucau			312,144			319,947			327,946			336,144	1,296,181
	b. Betterment of RURAL ROADS from the region of Dili			234,108			239,960			245,959			252,108	972,135
	c. Betterment of RURAL ROADS from the region of Same			234,108			239,960			245,959			252,108	972,135
	d. Betterment of RURAL ROADS from the region of Maliana			312,144			319,947			327,946			336,144	1,296,181
	e. Betterment of RURAL ROADS from the region of Oecusse			78,036			79,986			81,986			84,036	324,044
	4. Urban Roads													
	a. Betterment of URBAN ROADS from the region of Baucau			335,556			343,944			352,543			361,357	1,393,400
	b. Betterment of URBAN ROADS from the region of Dili			503,334			515,917			528,815			542,035	2,090,101
	c. Betterment of URBAN ROADS from the region of Same			335,556			343,944			352,543			361,357	1,393,400
	d. Betterment of URBAN ROADS from the region of Maliana			335,556			343,944			352,543			361,357	1,393,400
	e. Betterment of URBAN ROADS from the region of Oecusse			167,778			171,972			176,272			180,678	696,700
	5. Traffic Signs and Security Equipment in Baucau, Dili, Same, Maliana and Oecusse			110,000			115,500			110,250			0	335,750

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	6. Flood Control in Baucau, Dili, Same, Maliana and Oecusse			490,000			580,000			630,000			580,000	2,280,000
	7. Human Resources			2,600,700			2,862,770			3,145,547			3,461,601	12,070,618
	a. Recruitment of new officers for RBFC Division (national and of district)													
	b. Capacity training for officers of the RBFC Division			30,000			35,000			35,000			40,000	140,000
	c. TA to the 5 regions													0
	d. Salary and Wages			184,800			203,280			223,608			245,968	857,656
	e. Goods and Services			2,385,900			2,624,490			2,886,939			3,175,632	11,072,961
	8. Research and Investigations													
	a. Roads Classification			45,000			0			0			0	45,000
	b. Geometrical standards of roadways			40,000			0			0			0	40,000
	c. Researches for self-financing of roadways			0			50,000			0			0	50,000
	d. Traffic counting			25,200			26,460			27,783			29,172	108,615
	e. Minor Capital			283,400			0			0			0	283,400
	<i>Program: Rehabilitation of Roads</i>													
	1. National Roads													0
	a. Rehabilitation of NATIONAL ROADS from the region of Baucau			1,561,896			1,600,943			1,640,966			1,681,991	6,485,796
	b. Rehabilitation of NATIONAL ROADS from the region of Dili			1,561,896			1,600,943			1,640,966			1,681,991	6,485,796
	c. Rehabilitation of NATIONAL ROADS from the region of Same			1,171,422			1,200,707			1,230,725			1,261,493	4,864,347
	d. Rehabilitation of NATIONAL ROADS from the region of Maliana			1,561,896			1,600,943			1,640,966			1,681,991	6,485,796
	e. Rehabilitation of NATIONAL ROADS from the region of Oecusse			780,948			800,471			820,483			840,995	3,242,897
	2. District Roads													0
	a. Rehabilitation of DISTRICT ROADS from the region of Baucau			731,377			749,661			768,403			787,613	3,037,054
	b. Rehabilitation of DISTRICT ROADS from the region of Dili			292,551			299,864			307,361			315,045	1,214,821
	c. Rehabilitation of DISTRICT ROADS from the region of Same			585,102			599,729			614,722			630,090	2,429,643

Programme Matrix

Road Map -- Annex 3

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	d. Rehabilitation of DISTRICT ROADS from the region of Maliana			731,377			749,661			768,403			787,613	3,037,054
	e. Rehabilitation of DISTRICT ROADS from the region of Oecusse			438,862			449,797			461,042			472,568	1,822,269
	3. Rural Roads													
	a. Rehabilitation of RURAL ROADS from the region of Baucau			952,476			976,287			1,000,695			1,025,712	3,955,170
	b. Rehabilitation of RURAL ROADS from the region of Dili			885,242			907,373			930,057			953,309	3,675,981
	c. Rehabilitation of RURAL ROADS from the region of Same			818,008			838,459			859,420			880,906	3,396,793
	d. Rehabilitation of RURAL ROADS from the region of Maliana			918,859			941,830			965,376			989,510	3,815,575
	e. Rehabilitation of RURAL ROADS from the region of Oecusse			224,112			229,714			235,457			241,344	930,627
	4. Urban Roads													
	a. Rehabilitation of URBAN ROADS from the region of Baucau			780,948			800,471			820,483			840,995	3,242,897
	b. Rehabilitation of URBAN ROADS from the region of Dili			780,948			800,471			820,483			840,995	3,242,897
	c. Rehabilitation of URBAN ROADS from the region of Same			585,711			600,353			615,362			630,746	2,432,172
	d. Rehabilitation of URBAN ROADS from the region of Maliana			585,711			600,353			615,362			630,746	2,432,172
	e. Rehabilitation of URBAN ROADS from the region of Oecusse			390,474			400,235			410,241			420,497	1,621,447
	5. Bridges													0
	a. Rehabilitation of BRIDGES from the region of Baucau			1,575,000			3,850,000			1,925,000			4,375,000	11,725,000
	b. Rehabilitation of BRIDGES from the region of Dili			2,100,000			850,000			1,050,000				4,000,000
	c. Rehabilitation of BRIDGES from the region of Same			1,050,000			0			1,750,000			0	2,800,000
	d. Rehabilitation of BRIDGES from the region of Maliana			0			1,750,000			0			1,750,000	3,500,000

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	e. Rehabilitation of BRIDGES from the region of Oecusse			2,100,000			0			2,100,000			2,100,000	6,300,000
<i>Program: Maintenance of Roads</i>														
	1. National Roads													
	a. Routine Maintenance of NATIONAL ROADS from the region of Baucau			344,374			378,812			416,693			458,362	1,598,241
	b. Routine Maintenance of NATIONAL ROADS from the region of Dili			270,824			297,906			327,697			360,467	1,256,894
	c. Routine Maintenance of NATIONAL ROADS from the region of Same			227,581			250,339			275,373			302,910	1,056,203
	d. Routine Maintenance of NATIONAL ROADS from the region of Maliana			390,482			429,530			472,483			519,732	1,812,227
	e. Routine Maintenance of NATIONAL ROADS from the region of Oecusse			84,176			92,594			101,853			112,038	390,661
	2. District Roads													
	a. Routine Maintenance of DISTRICT ROADS from the region of Baucau			226,800			249,480			274,428			301,870	1,052,578
	b. Routine Maintenance of DISTRICT ROADS from the region of Dili			131,544			144,698			159,168			175,085	610,495
	c. Routine Maintenance of DISTRICT ROADS from the region of Same			172,704			189,974			208,971			229,869	801,518
	d. Routine Maintenance of DISTRICT ROADS from the region of Maliana			137,760			151,536			166,689			183,358	639,343
	e. Routine Maintenance of DISTRICT ROADS from the region of Oecusse			61,320			67,452			74,197			81,616	284,585
	3. Rural Roads													
	a. Routine Maintenance of RURAL ROADS from the region of Baucau			288,792			317,671			349,438			384,382	1,340,283
	b. Routine Maintenance of RURAL ROADS from the region of Dili			268,380			295,218			324,739			357,213	1,245,550
	c. Routine Maintenance of RURAL ROADS from the region of Same			247,590			272,349			299,583			329,542	1,149,064
	d. Routine Maintenance of RURAL ROADS from the region of Maliana			279,720			307,692			338,461			372,307	1,298,180
	e. Routine Maintenance of RURAL ROADS from the region of Oecusse			41,580			45,738			50,311			55,342	192,971

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	4. Urban Roads													
	a. Routine Maintenance of URBAN ROADS from the region of Baucau			79,531			484			96,232			105,856	282,103
	b. Routine Maintenance of URBAN ROADS from the region of Dili			159,062			174,968			192,465			211,712	738,207
	c. Routine Maintenance of URBAN ROADS from the region of Same			48,888			53,776			59,154			65,069	226,887
	d. Routine Maintenance of URBAN ROADS from the region of Maliana			53,222			58,544			64,399			70,839	247,004
	e. Routine Maintenance of URBAN ROADS from the region of Oecusse			20,160			22,176			24,393			26,832	93,561
	5. Bridges													
	a. Periodic Maintenance of BRIDGES from the region of Baucau			1,246,512			1,277,675			1,309,617			1,342,537	5,176,341
	b. Periodic Maintenance of BRIDGES from the region of Dili			980,358			1,004,867			1,029,988			1,055,738	4,070,951
	c. Periodic Maintenance of BRIDGES from the region of Same			823,875			844,472			865,584			887,223	3,421,154
	d. Periodic Maintenance of BRIDGES from the region of Maliana			1,130,153			1,158,407			1,187,367			1,217,051	4,692,978
	e. Periodic Maintenance of BRIDGES from the region of Oecusse			378,921			388,394			398,104			408,056	1,573,475
	6. District Roads - Periodic Maintenance													
	a. Periodic Maintenance of DISTRICT ROADS from the region of Baucau			672,782			689,602			706,842			724,513	2,793,739
	b. Periodic Maintenance of DISTRICT ROADS from the region of Dili			398,686			408,653			418,869			429,341	1,655,549
	c. Periodic Maintenance of DISTRICT ROADS from the region of Same			512,311			525,119			538,247			551,703	2,127,380
	d. Periodic Maintenance of DISTRICT ROADS from the region of Maliana			408,653			418,869			429,341			440,074	1,696,937
	e. Periodic Maintenance of DISTRICT ROADS from the region of Oecusse			199,343			204,326			209,434			214,670	827,773
	7. Urban Roads -- Periodic Maintenance													
	a. Periodic Maintenance of URBAN ROADS from the region of Baucau			629,252			644,983			661,107			677,635	2,612,977

Programme Matrix

Road Map -- Annex 3

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	b. Periodic Maintenance of URBAN ROADS from the region of Dili			1,242,772			1,273,772			1,305,688			1,338,330	5,160,562
	c. Periodic Maintenance of URBAN ROADS from the region of Same			393,282			403,114			413,192			423,522	1,633,110
	d. Periodic Maintenance of URBAN ROADS from the region of Maliana			424,745			453,363			446,247			457,404	1,781,759
	e. Periodic Maintenance of URBAN ROADS from the region of Oecusse			157,313			161,245			165,276			169,408	653,242
	8. Roads -- Emergency Maintenance													
	a. Emergency Maintenance of the ROADS from the region of Baucau			57,117			62,829			69,112			76,023	265,081
	b. Emergency Maintenance of the ROADS from the region of Dili			40,236			44,260			48,686			53,555	186,737
	c. Emergency Maintenance of the ROADS from the region of Same			40,028			44,031			48,434			53,277	185,770
	d. Emergency Maintenance of the ROADS from the region of Maliana			52,824			58,106			63,917			70,309	245,156
	e. Emergency Maintenance of the ROADS from the region of Oecusse			14,549			16,004			17,605			19,365	67,523
	9. Bridges -- Periodic Maintenance													
	a. Periodic Maintenance of the BRIDGES from the region of Baucau			60,000			66,000			72,600			79,860	278,460
	b. Periodic Maintenance of the BRIDGES from the region of Dili			50,000			55,000			60,500			66,550	232,050
	c. Periodic Maintenance of the BRIDGES from the region of Same			60,000			66,000			72,600			79,860	278,460
	d. Periodic Maintenance of the BRIDGES from the region of Maliana			60,000			66,000			72,600			79,860	278,460
	e. Periodic Maintenance of the BRIDGES from the region of Oecusse			20,000			22,000			24,200			26,620	92,820
	TOTAL	2,130,599	60,000	68,914,583	1,803,776	0	61,728,286	1,191,276	0	60,636,284	1,258,476	0	63,951,693	255,230,846

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
			TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	<i>Program: Division of Industry</i>	116,000	0	116,000	128,000	0	128,000	154,000	0	154,000	151,000	0	151,000	549,000
2	1. Industry Promotion													
	a. National Industrial Association and Chamber of Commerce													
	b. Inter-industry Commission on Cottage and Micro-enterprises													
	c. Industry assessments and database development													
	d. Establishment of industrial skills and crafts training center													
	e. East Timor Handicrafts and Industrial Products showroom													
	f. Industrial Zone Feasibility Study and Development													
	g. Business Development Centers													
3	2. Policy and Regulatory Development													
	a. Regulatory requirements for industrial and economic zones													
	b. Development of policy framework for micro-finance/SME credit													
	c. Small Enterprises Project II Business Regulatory Development													
	d. Government Credit Guarantee Agency for Industry													
	e. Capital Markets and Industrial Investment Initiative													
4	3. Divisional Training and Development													
	a. Capacity building and training in Industrial Development													
	b. Training for services and industrial support systems													
1	4. SME Development													
	a. SME Development for the Private Sector													
	b. Inter-industry Commission to formalize micro-enterprises/SMEs													
	c. Business Development Services in the BDC													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
			TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	d. Project on competition policy and competitiveness													
	e. Business information and entrepreneurship promotion													
SP	f. Bricks and other construction materials to supply local market -- OECUSSI		5,000	0										5,000
SP	g. Furniture to supply local market -- OECUSSI		10,000	0										10,000
SP	h. Other small-scale industries and services -- OECUSSI		20,000	0										20,000
<i>Program: Division of Trade</i>		123,000	0	123,000	145,000	0	145,000	143,000	0	143,000	159,000	0	159,000	570,000
1	1. Trade Promotion													
	a. Establishment of Trade Exposition Center													
	b. Capitalization and Enlargement of Industrial Zone													
	c. Seaport and Airport Enhancement for Trade Facilitation Logistics													
	d. Support for Export-related industry inclusion in Industrial zone													
	e. Domestic Trade promotion and domestic market linkages													
	f. Trade-related marketing and promotion for SMEs													
	g. Support for export finance and export transactions													
	h. Export and trade show participation and hosting													
	i. Infrastructure improvements in support of export enhancement													
	j. Enhancing foreign trade relations (Indonesia/Australia)													
	k. Web-based linkages to international trade networks													
	l. Promotional packages of trade opportunity information													
	m. Database management of exporters and importers													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
			TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
2	2. Policy and Regulatory Development													
	a. Domestic trade policy													
	b. Foreign trade policy													
	c. Cooperative development of trade and customs law													
	d. Regulatory system for foreign trade licensing and monitoring													
	e. International trade agreement accession													
	f. Policy instruments for export and import substitution programs													
	g. Trade-related support for domestic SMEs													
	h. Liaison function with Environment unit													
4	3. Divisional Training and Development													
	a. Training materials on Trade, Regulation and Transaction Finance													
	b. Foreign Language Training to enhance trade promotion													
	c. Technical assistance on trade practices, customs and imports													
	d. Web-based tools for information dissemination and archiving													
	e. Media management for public relations and trade-related news													
3	4. Business Registration													
	a. Improved and effective registration process													
	b. Clarification of different types of registered businesses													
	c. Database development and enhancement													
	d. Linkage of registration and companies and foreign Investment Law													
<i>Program: Administration</i>		50,000	0	50,000	54,000	0	54,000	85,000	0	85,000	165,000	0	165,000	354,000

Programme Matrix

Road Map -- Annex 3

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
			TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	Total	239,000	0	274,000	273,000	0	273,000	297,000	0	297,000	310,000	0	310,000	1,154,000

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
<i>Program: Secretary of State of the Council of Ministers (SSCOM) - Secretariat Board</i>														
1	1. Structure the Secretariat of the State of the Council of Ministers and define the status on the tasks and responsibilities of all Secretariat staff	0	0	0	0	0	0	0	0	0	0	0	0	0
	2. Capacity building of the SSCOM in the following sectors:													
	a. Legislative process at the SSCOM													
	b. Support services for the Council of Ministers													
	3. Study and analysis, based on the Regulation of the Council of Ministers, of the submission presented by the Ministries													
	4. Draw-up the Act of all the meetings of the COM and register every decision taken													
	5. Draw-up the Action Matrix for the Legislative Program of the SSCOM)													
	6. Inform the population through the appropriate means, namely through press statements issued after the meetings of the Council of Ministers on the decisions taken by the Government, and in particular regarding the Poverty Reduction Program													
	7. Furbishing of the meeting room of the Council of Ministers with furniture and electronic equipment													
2	8. Plan and budget for the Secretary of State of the Council of Ministers and process requisition of the budgeted grants for all Ministers, Vice-Ministers and Secretaries of State, including the 3 consultants for the Prime Minister													
<i>Program: Secretary of State of the Council of Ministers -- Translation Board</i>														
	1. Translate the Government's documents and programs to the official and working languages, in conformity with the Constitution of the RDTL													
	Total	0	0	0	0	0	0	0	0	0	0	0	0	0

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
<i>Program: Defence Organization</i>														
	1. Recruit personnel for the Defense Force	6,586,000	0	6,586,000	6,811,000	0	6,811,000	6,811,000	0	6,811,000	6,811,000	0	6,811,000	27,019,000
	2. Complete basic training for 220 recruits by June 2004			2,000,000			0			0			0	2,000,000
	3. Recruit civilian personnel			0			0			0			0	0
	4. Train civilian personnel			0			0			0			0	0
	5. Budget tracking			0			0			0			0	0
	6. Procurement and Logistic Training			0			0			0			0	0
	7. Continue individual and collective skills training for land and maritime forces			0			0			0			0	0
	8. Procure goods and services			0			0			0			0	0
	9. Maintain facilities to efficient standards within budget forecast			0			0			0			0	0
<i>Program: Capital Equipment Investment</i>														
	1. Procure capital equipment			0			0			0			0	0
	2. Seek donations of specialised equipment			0			0			0			0	0
<i>Program: Capital Facilities Investment</i>														
	1. Creation of accommodation, messing, administration and logistics facility in the Baucau region			0			0			0			0	0
	2. Construct security fence around HQ compound in Dili			0			0			0			0	0
	3. Seek donor support for acquisition of capital facilities													
SP	4. Provision of facilities for Batallion 2			150,000			0			0			0	150,000
	Total	6,586,000	0	8,736,000	6,811,000	0	6,811,000	6,811,000	0	6,811,000	6,811,000	0	6,811,000	29,169,000

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
<i>Program: Labour</i>														
	1. Worker protection and good industrial relations	19,000	15,000	34,000	13,200	15,000	28,200	16,400	5,000	21,400	16,600	5,000	21,600	105,200
	a. Settle labour dispute													
	b. Inspect and monitor the implementation of labor code													
	c. Conduct socialization campaign													
	d. Conduct inspection of labor disputes													
	e. Collect the data of companies													
	e. Establish and maintain a comprehensive statistical database on all components of the Labour Relations System as is required by our ILO membership and ensure that the database and method of statistical data collection is compatible with systems used by the Employment and Skills Development Division of the Department and with other Government statistical collection system.													
	2. Program for the promotion of mediation/ arbitration of labor dispute	17,000	10,000	27,000	18,000	10,000	28,000	21,000	10,000	31,000	22,000	10,000	32,000	118,000
	a. Consultation with ILO Simpler to conduct workshop													
	b. Promotion of the procedure on strikes													
	c. Promotion on the procedure to settle labor disputes													
	d. Provide and maintain financial and administrative support for the Labour Relations Board to enable it to carry out all its powers and functions as required by the Labour Code													
	3. Minimum Wage Policy	6,000	20,000	26,000	0	20,000	20,000	7,500	20,000	27,500	7,500	20,000	27,500	101,000
	a. Formulate Draft of Directive													
	b. Undertake research on the Minimum Wage													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	c. Conduct socialization campaign													
	d. Provide and maintain financial and administrative support for the Minimum Wage Board to enable it to carry out all of the powers and functions as required by the Labour Code													
	4. Program for the promotion of occupational safety and environmental health			12,000			6,000			7,500			7,500	33,000
	a. Formulate Draft of Directive and Codes of Practice													
	b. Conduct socialization on Directives and Codes of Practice													
	c. Provide detailed training and technical equipment to inspectors to permit proper application of Directives and Codes of Practice													
	d. Provide detailed training and technical advice to inspectors to ensure proper application of Directives and Codes of practice													
	e. Conduct inspection and monitor the implementation of the Directive													
	5. Program to promote formation of labour groups/unions to protect workers' rights			13,000			10,000			12,500			12,500	48,000
	a. Registration of trade union and employer's organizations													
	b. Issuance of certificate of trade union and employers organizations													
	c. Formulate draft directive													
	d. Inspection and monitoring of the implementation of the Directive													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	e. Consultation with ILO Simpler to have a seminar in relation to ORTUEO													
	6. Project to promote job security; program for the promotion of retirement pension schemes; program for the promotion of disability insurance			30,000			12,000			7,500			7,500	57,000
	a. Formulate draft of social security insurance directive													
	b. Conduct tripartite consultation on the directive													
	c. Conduct socialization on the draft social security insurance directive													
	d. Conduct of inspection and monitoring of the implementation of the Directive													
	7. Project on working hours, policies on leave and other workers' rights			17,000			6,000			7,500			7,500	38,000
	a. Formulate draft of Directive													
	b. Conduct of socialization on the Directive													
	c. Conduct of inspection and monitoring of the implementation of Directive													
	8. Program on Policy and Guidelines on workplace facilities for women (e.g., child care centers, separate washrooms and recreation areas); laws against harassment of women in workplace			15,000			17,000			12,500			12,500	57,000
	a. Formulate draft of policy on discrimination against women in workplace													
	b. Formulate draft policy on sexual harassment against women													
	c. Conduct socialization on the draft policies													
	d. Conduct of inspection and monitoring of the implementation of the Policies													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	e. Consultation with ILO Simpler to have a workshop in relation to discrimination and sexual harassment against women in workplace													
	9. Program to create an enabling environment for the employment of women in remunerative jobs (i.e., incentives to employers)			0			0		55,000			7,500	62,500	
	a. Formulate draft Directive													
	b. Conduct socialization on the Directive													
	c. Conduct inspection and monitoring of the implementation of the Directive													
	10. Project on the policy favoring employment of women			0			0		0			21,000	21,000	
	a. Formulate draft directive													
	b. Conduct socialization on the Directive													
	c. Conduct inspection and monitoring of the implementation of the Directive													
<i>Program: Employment and Skills Development</i>														
	1. Draw-up draft for skill training regulation			20,000			20,000		20,000			20,000	80,000	
	a. Establish Regulation Draft of Vocational Training													
	b. Carry out consultation with ILO, NGO's, Religion Institution and Government about the Regulation													
	c. Set up Workshop													
	d. Sent to Council of Ministers to approve													
	d. Establish Socialization of the Regulation													
	e. Establish and maintain the parameters to be met by vocational education providers to ensure uniformity of education outcomes.													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	2. Program to market labor			25,000			25,000			25,000			25,000	100,000
	a. Set up schedule for district visiting in order to collect employers data													
	b. Record and processing the data according to skill and education qualification													
	c. Fill employers data into database format of "Pedido de Emprego and Oferta de Emprego" (Job Request and Job Announces)													
	d. Ensure that th labour market database is compatible with the labour relations database established by the Labour Relations Division and with databases operated and maintained by other government departments.													
	3. Cooperation with CNEFP ILO Portugal to set up skills training centers			650,000			225,000			225,000			225,000	1,325,000
	a. Establish vocational training center and dormitory of trainers and trainees in cooperation with ILO (Portugal) Project													
	b. Carry out selection for all candidates in each area of training, such as : Carpenter, Electrician, Mason, and Plumber													
	c. Conduct the training for 6 months													
	d. Establish Monitoring evaluation of training													
	4. Program to announce to industry and community regarding labor requirement as well as providing needed workers to companies.			25,000			30,000			35,000			35,000	125,000
	a. Identify instances where capital intensive means of production are being used in Timor Leste.													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	b. Identify and disseminate alternative labour intensive means of production which can be adopted by employers.													
	c. Provide support to existing employers and potential employers and investors to replace capital intensive means of production with labour intensive means of production.													
	d. Provide information service to employers through print media, electronic media, posters and brochures in cooperation with ILO, and other NGO's in order to print the brochures and Posters													
	e. Conduct registration and interview for job seekers													
	f. Match Job Seekers profile against job vacancies													
	g. Conduct selection for job seekers according to education and skill level													
	h. Placement job seekers as needed by companies													
	i. Conduct monitoring employers in the companies													
	5. Provide professional profile and established credit regulation of field of and skills training initially under the TIM/OIT Portugal project.			14,500			14,500			14,500			14,500	58,000
	a. Establish co-operation with TIM/OIT Portugal Project in order to provide funding for Vocational Training and Employment program which compost of: Vocational Training, Micro-Credit and Subsidized Employment													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	b. Set-up standing Committee for Vocational Training and Employment, which consist of Government, Worker and Enterpriser													
	c. Establish funding regulation for Vocational Training and Employment in order to maintain the mechanism , criteria as well as objective want to achieve.													
	d. Evaluation of the proposal													
	e. Provide guidance and counseling													
	f. Evaluation and monitoring													
	6. Program of dissemination of labor-market information and manpower plan			20,000			20,000			25,000			25,000	90,000
	a. Provide information to communities and companies on labor market													
	b. Conduct promotion of skilled employers skilled to companies													
	c. Interviewed and record employers on qualification of skill and education as needed by companies													
	7. Fund assistance to the skills training of formed groups (to continue the micro-credit project for trained groups after finished ILO Portugal project)			350,000										350,000
	8. Technical and vocational training (Job creation)													
	a. Support to training centers			500,000			0			0			0	500,000
	b. Support to trainees			1,500,000			0			0			0	1,500,000
	c. Small grants			100,000			0			0			0	100,000
	d. Strengthen the new Vocational Training Center -- Special situation of the enclave of Oecussi			60,000			0			0			0	60,000

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
<i>Program: Social Services and Solidarity</i>														
	1. Children Unit													
	a. Social Service for Neglected Children: Orphanages, Street Children, Poor and mistreated children													
	1) Preparation of policy and service standard criteria at the orphanage and dormitory		86,838	86,838									86,838	
	2) Preparation of adoption and fostering policy through a consultation with institutions concerned													
	3) Internal policy on child protection													
	4) Child separated reunification													
	5) Monitoring orphans in orphanages/ dormitory and other assistance or activities for children													
	b. Social Service for Children													
	1) Fund support to the NGO's / to conduct Child Services:	30,000	0	30,000	33,000	0	33,000	36,000	0	33,000	39,000	0	33,000	129,000
	- To select and determine NGO/orphan in which fulfill the criteria of services (4 NGO's/orphans)													
	- Make agreement to carry out activity of child services and hand over fund in accordance with the necessity													
	2) Child separated reunification:	16,500	0	16,500	19,000	0	19,000	0	0	0	0	0	0	35,500
	- Coordinate with the agency be connected (UNHCR, IRC, UNICEF, DEPLU) and to contact the other agency be related in Indonesia													
	- To make a visitation or direct contact with the agency be connect in Jakarta/Indonesia													
	- Make contact with family of child													
	3) School equipment assistance for the neglected child (4 district, 400 children):	20,400	0	20,400	22,500	0	22,500	24,600	0	24,600	26,600	0	26,600	94,100
	- Data survey and selection													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	- Provision assistance													
	- Distribution assistance													
	4) Scholarships assistance to the orphanage child and the child from the poverty parents:	9,500	0	9,500	10,500	0	10,500	12,600	0	12,600	14,600	0	14,600	47,200
	- Coordinate with Institutions of school (Elementary and Secondary) 50 children													
	- Data collection, selection and determining													
	5) Orphanage and dormitory services socialization policy and adoption and the child fostering	1,250	0	1,250	0	0	0	0	0	0	0	0	0	1,250
	6) Composing of the child care center :			0			0	5,650	0	5,650	1,250	0	1,250	6,900
	- Coordinate with agency to be connected													
	- Organize Regional seminar (3 regions) and national (Dili)													
	- Compose draft and re-spread to the agency to be connected and comment on.													
	- Improve the draft according to the comment from the agency to be connected through the meeting with the representative from the agency be connected.													
	- Offer the draft to the Council of Ministry													
	- Socialization and implementation													
	7) Orphanage and dormitory monitoring and other activity of the services to the child	500	0	500	500	0	500	500	0	500	500	0	500	2,000
1	2. Social Services for Disaster and Humanitarian													
	a. Improve the condition of poverty through food assistance and provision of other basic needs including building equipment	106,150	0	106,150	106,650	0	106,650	106,850	0	106,850	106,850	0	106,850	426,500
	1) Coordinate with the Chief of District Administration (DDO)													
	2) Data collection, selection and determining.													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	3) Provision of food, clothe and building equipment (35 Zinc/Household x 750 houses)													
	4) Involving the volunteer staff in distribution action													
	5) Monitoring													
	b. Warehouse Management	10,500	0	10,500	10,500	0	10,500	11,000	0	11,000	11,000	0	11,000	43,000
	1) Continuing contract for the warehouse temporary staff and maintenance													
	c. Management and Maintenance of warehouse	0	0	0	0	0	0	0	0	0	0	0	0	0
	d. Provision stock (food item and non-food items)	0	0	0	0	0	0	0	0	0	0	0	0	0
	e. Coordination with other agencies about social assistance for vulnerable groups	0	0	0	0	0	0	0	0	0	0	0	0	0
	f. Survey to the food hazard area and food distribution	0	0	0	0	0	0	0	0	0	0	0	0	0
	1) Survey													
	2) Food distribution to the food hazard people and poverty people													
	3. Social Services for weaker group in detention/connecting with the law (Child, Women, Disable and Elderly)	0	0	0	0	0	0	0	0	0	0	0	0	0
	a. Social Counseling for prisoners	500	0	500	500	0	500	500	0	500	500	0	500	2,000
	1) Coordinate and cooperate with the agency to be connected													
	2) Companion and counseling													
	b. Skills training for prisoners	10,200	0	10,200	15,200	0	15,200	17,700	0	17,700	20,200	0	20,200	63,300
	1) Coordinate with prison officers													
	2) Provision of equipment for training (TV, radio, tape recorder, watch) and instructor													
	c. Re-socialization in family and society	5,050	0	5,050	5,600	0	5,600	5,600	0	5,600	5,950	0	5,950	22,200
	1) Family contact (visitation)													
	2) Facilitating family contact													

Programme Matrix

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		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	3) Returning Ex-prisoners to their family													
	4) Support to the NGO/FCJ and Resident of convent Maubara that provide temporary lodge for children who release from the prison and for who have family outside from the capital Dili/district.													
	d. Monitoring	1,000	0	1,000	1,250	0	1,250	1,500	0	1,500	1,750	0	1,750	5,500
3	4. Social Services for Disabled/Handicap													
	a. Assessment of basic data			0			0			0			0	0
	b. Preparation of national policy assistance for disabled			0			0			0			0	0
	c. Assistance to small scale productive economics (small grants)			0			0			0			0	0
	d. Assistance of aid tools			0			0			0			0	0
	e. Seminar of the working group for the disabled			0			0			0			0	0
	f. Monitoring business assistance and other activities for disabled			0			0			0			0	0
4	5. Social Service for Women and Victims of violence and social economic weakens			0			0			0			0	0
	a. Assistance to small-scale productive economic (small grants)			0			0			0			0	0
	b. Monitoring shelter and other activities or assistance for women			0			0			0			0	0
	c. Social counselling for victim of violence through support to the NGO (Fokupers/ETWAVE)	10,000	0	10,000	10,000	0	10,000	11,000	0	11,000	12,000	0	12,000	43,000
	1) Work agreement making with NGOs													
	2) Fund support according to necessity													
	d. Assistance to small scale productive economic	23,500	0	23,500	25,000	0	25,000	30,000	0	30,000	35,000	0	35,000	113,500
	1) Data survey, selection and determining													
	2) Group formation													

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	3) Establishment and skills training for small business management													
	4) Assistance for small businesses (15 groups in 13 districts)													
	e. Monitoring of all activities	300	0	300	300	0	300	300	0	300	300	0	300	1,200
5	6. Social Services for disability													
	a. Vocational training (sewing)	33,615	0	33,615	40,900	0	40,900	49,400	0	49,400	57,900	0	57,900	181,815
	1) Survey and data collection													
	2) Group Formation													
	3) Implementation of the establishment and training													
	4) Work practice (apprenticeship)													
	5) Distribute the small grant assistance													
	6) Monitoring													
	b. Aid tools services	14,750	0	14,750	12,750	0	12,750	10,700	0	10,700	10,700	0	10,700	48,900
	1) Data collection													
	2) Motivation													
	3) Aid tool assistance													
	4) Monitoring													
	c. Continuing compose draft of social services for disability	17,250	0	17,250	0	0	0	0	0	0	0	0	0	17,250
	1) Seeking and determine consultant													
	2) collect information by involving agencies concerned through seminar													
	3) socialization													
	d. To help elderly with basic needs and arrange recreation group	0	0	0	14,550	0	14,550	18,750	0	18,750	23,950	0	23,950	57,250
	1) Survey and select data													
	2) Provision of basic needs (food, clothing and bath needs)													

Programme Matrix

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		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	3) Aid assistance													
	4) Compose and support the recreation group													
	5) Monitoring													
5	7. Social Services to the weaker group in detention/connecting with the law													
	a. Social counselling for prisoners			0			0			0			0	
	1) Coordination and cooperation with institutions concerned													
	2) Counseling													
	b. Re-socialization in the family and society			0			0			0			0	
	1) Family contact (visit)													
	2) Facilitating family contact													
	3) Return Ex-prisoners to their family and community													
	c. Means of recreation and sewing assistance (volleyball, net, guitar, yarn, cloth and sewing needles)			0			0			0			0	
	d. Monitoring			0			0			0			0	
	8. Community Education: Increasing family and society conciousness													
	a. To encourage good policy for the family to support the act of family life and professional women and to support their participation in development	60,000	0	60,000	20,000	0	20,000	0	0	0	0	0	0	80,000
	1) Consultant to making draft													
	2) Consultation and coordination with agencies concerned													
	c) Socialization													
	<i>Program: Support Program</i>													
	1. Increasing work capacity by recruitment of required numbers and strengthen staff development by Training and Skills Development													

Programme Matrix

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	a. Increasing the work capacity by recruitment of required numbers	20,000	0	20,000	25,000	0	25,000	25,000	0	25,000	30,000	0	30,000	100,000
	b. Training and skills transfer													
	1) 4x seminars and workshops (local)	40,000	0	40,000	40,000	0	40,000	40,000	0	40,000	40,000	0	40,000	160,000
	2) 4x Training courses in accounting and Finance, IT development	40,000	0	40,000	40,000	0	40,000	48,000	0	48,000	48,000	0	48,000	176,000
	3) Hiring of consultants	150,000	0	150,000	150,000	0	150,000	150,000	0	150,000	150,000	0	150,000	600,000
	4) 4 Overseas courses	40,000	0	40,000	50,000	0	50,000	50,000	0	50,000	50,000	0	50,000	190,000
	5) Participation in overseas seminars/workshops	40,000	0	40,000	50,000	0	50,000	50,000	0	50,000	50,000	0	50,000	190,000
	6) Language Training	25,000	0	25,000	25,000	0	25,000	30,000	0	30,000	30,000	0	30,000	110,000
	c. Provision of equipment	25,000	0	25,000	20,000	0	20,000	15,000	0	15,000	15,000	0	15,000	75,000
	d. Provision of translation services	25,000	0	25,000	25,000	0	25,000	25,000	0	25,000	25,000	0	25,000	100,000
	e. Develop and maintain a comprehensive procedural and descriptive Manual covering internal departmental practices and the specific requirements imposed on the Department by law and distribute copies to the social partners in order to increase transparency of decision-making	8,000	0	8,000	1,500	0	1,500	1,500	0	1,500	1,500	0	1,500	12,500
2	2. Budget planning, coordination with Ministry of Planning and Finance, Centralizing expenditures, asset transfers for the substantive divisions and district offices													
	a. Oversight of budgeting and planning in coordination with the Ministry of Planning and Finance													
	1) Synchronization of objectives, terms of reference procurement procedures with PEAMD and Procurement Division	5,000	0	5,000	5,000	0	5,000	10,000	0	10,000	20,000	0	20,000	40,000
	2) Audit of accounts and Budget performance report	15,000	0	15,000	20,000	0	20,000	30,000	0	30,000	40,000	0	40,000	105,000

Programme Matrix

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		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	b. Ensuring transparency in finance by centralizing expenditures, budgeting, asset transfer and revenues for the substantive divisions and district offices													
	1) Monitoring of budgetary allocation and expenditure	20,000	0	20,000	20,000	0	20,000	30,000	0	30,000	30,000	0	30,000	100,000
	2) Coordination and submission of budgetary proposals on behalf of the substantive divisions and the district offices	2,000	0	2,000	3,000	0	3,000	4,000	0	4,000	2,000	0	2,000	11,000
	c. Monitoring, evaluation and oversight of programmes of the substantive divisions in light of planning, budgeting and effective execution of performance targets													
	1) Instituting a system of periodic program and subsequent monitoring and reporting where actual program realization is presented	10,000	0	10,000	10,000	0	10,000	20,000	0	20,000	30,000	0	30,000	70,000
	2) Training and skills development of staff for project management and administration and finance	10,000	0	10,000	20,000	0	20,000	30,000	0	30,000	40,000	0	40,000	100,000
	d. Improvement of external coordination, implementation of internal policies, and strengthening the administration of the Secretariat, four substantive programs and the district offices													
	1) Implementation of internal policies to ensure transparent and effective management and administration													
	- Compilation of all Policies and procedures formulated by the department and those received from outside sources including policy on personnel management	5,000	0	5,000	5,000	0	5,000	5,000	0	5,000	5,000	0	5,000	20,000
	- Finalize and promulgate the policy and procedures, SOPs on the aspects of administration like use of vehicles, use of petty cash, leave, sick leave.	10,000	0	10,000	5,000	0	5,000	5,000	0	5,000	5,000	0	5,000	25,000

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	- Monitoring and review of Administrative policies and procedures.	20,000	0	20,000	20,000	0	20,000	25,000	0	25,000	25,000	0	25,000	90,000
	2) Strengthening administration in the Secretariat and the substantive divisions and the district offices through regular monitoring and evaluation and, training													
	- Ensuring that the system and procedures for maintenance of office accommodation, equipment, handling special events and activities are followed	15,000	0	15,000	15,000	0	15,000	20,000	0	20,000	20,000	0	20,000	70,000
	- Regular visits by Headquarters staff to field offices.	10,000	0	10,000	20,000	0	20,000	30,000	0	30,000	40,000	0	40,000	100,000
	- Regular training including refresher training courses for essential staff	15,000	0	15,000	20,000	0	20,000	25,000	0	25,000	30,000	0	30,000	90,000
	e. Operation of the National Labour Board	37,250	430,000	467,250	60,000	137,250	197,250	50,000	50,000	100,000	50,000	0	50,000	814,500
	1) Provide required financial and administrative support to the National Labour Board	20,000	0	20,000	20,000	0	20,000	20,000	0	20,000	20,000	0	20,000	80,000
	<i>Program: Veterans' Affairs</i>			0			0			0			0	0
	1. Establish and maintain database of veterans and former resistance fighters based on data supplied by the Commission.			200,000			100,000			100,000			100,000	500,000
	2. Build the Monument to the Heroes who lost their lives for their country. Recognition of decoration Medals to the living heroes. There will be two decorations, a large decoration to be worn on formal occasions and a small decoration to be worn every day.			700,000			0			0			0	700,000

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	3. Micro-credit support for the Veterans including adult youth. (Young people means those persons who were young at the time of the Resistance and who as a result of the involvement in the Resistance were denied the opportunity of participating in normal family, social, educational or career opportunities)			600,000			200,000			100,000			80,000	980,000
	4. Additional Specific Support to the Veterans. (Important additional Support to the Veterans. Very important for Resistance Veterans of 75 & 99. Political prisoners who are still suffering. Orphans who lost their parents in the war to continue their studies. For the widows who lost their husbands and sons.)			800,000			900,000			1,000,000			1,200,000	3,900,000
	a. Health and psychologic treatment													
	b. Support for the elderly housing													
	<i>Program: Food Security (Food Aid) -- SP</i>			10,000,000			0			0			0	10,000,000
	Total	1,020,215	561,838	17,233,553	1,049,400	182,250	2,817,150	1,126,050	85,000	2,855,050	1,210,650	35,000	3,040,150	25,945,903

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	<i>Program: Development of politics, foreign relations and defence and security</i>													
	1. Formulate, evaluate and coordinate national security policy			50,000			30,000			30,000			30,000	140,000
	Total	0	0	50,000	0	0	30,000	0	0	30,000	0	0	30,000	140,000

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
<i>Program: National Parliament</i>														
1	1. Secretariat to the NP			517,000			5,517,000			317,000			317,000	6,668,000
1	a. Provision of impartial secretariat services to members and committees													
2	b. Support the efficient and effective communication between Government and the National Parliament													
3	c. Public Relations													
1	d. Capacity Building													
1	2. Support for Members of Parliament and Committees	676,000	0	676,000	676,000	0	676,000	676,000	0	676,000	676,000	0	676,000	2,704,000
1	a. Legislative, representation and other functions													
1	b. Capacity building													
	3. Translation and Interpretation	15,000	0	15,000	15,000	0	15,000	15,000	0	15,000	15,000	0	15,000	60,000
1	1. Simultaneous interpretation													
2	2. Translation													
	Total	691,000	0	1,208,000	691,000	0	6,208,000	691,000	0	1,008,000	691,000	0	1,008,000	9,432,000

Programme Matrix

Priority Rank	Program and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
<i>Program: Office of the Promotion of Equality</i>														
1	1. Gender mainstreaming in Government departments													
	a. Training on Gender Budget Analysis for OPE staff, and senior staff in Ministry of Planning and Finance			4,000										4,000
	b. Workshops with Ministries of Agriculture, Justice, Industry and Commerce, Environment, and Labour and Solidarity to support implementation of gender mainstreaming and develop action plans for implementation			20,000										20,000
	c. Ongoing support, monitoring and evaluation of implementation of action plans on gender mainstreaming in Ministries of Education, Internal Administration, Health, Agriculture, Justice, Industry and Commerce, Environment, and Labour and Solidarity			15,000			15,000			15,000			15,000	60,000
	d. On-going coordination with CISPE to ensure that appropriate input on gender mainstreaming is integrated into in-service training			0			0			0			0	0
	e. Training and ongoing liaison with government media to ensure gender is mainstreamed in all government media programming			2,000			1,000			1,000			1,000	5,000
2	2. Promoting a culture of equality in East Timor													
	a. Ensuring the effective implementation of CEDAW ongoing training of government ministries, civil society and wider public on the principles and provisions of CEDAW, state obligation, reporting requirements and methodologies			5,000			5,000			5,000			5,000	20,000
	b. Production of awareness raising materials on equality -- including booklets, pamphlets, brochures, posters. Planned media programmes on key topics to the equality agenda. Training of media personnel in gender awareness			6,000			6,000			6,000			6,000	24,000

Priority Rank	Program and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	c. Convene and coordinate Working Group on Promotion of Equality to include representatives of government sectors and civil society. This Working Group will support in developing appropriate strategies and methodologies to facilitate the formulation and implementation of government policies on equality			0			0			0			0	0
	d. In conjunction with other organizations, work to ensure that appropriate, accurate and timely research is available to ground an understanding of the needs and interests of Timorese women; this research will inform equality awareness campaigns			12,000			12,000			12,000			12,000	48,000
	3. Strengthening national capacity to address gender-based violence													
	a. Drafting of legislation on domestic violence; public consultation on draft legislation; advocacy on the legislation			35,000			35,000			35,000			35,000	140,000
	b. Training of service providers on domestic violence, particularly PNTL, health staff, key civil society organizations including Church, alongside promoting a network of services based on trained personnel			40,000			40,000			40,000			40,000	160,000
	c. Public education on legislation on domestic violence; increase capacity of the judiciary in implementing the new legislation; training of key civil society organizations on the legislation			30,000			30,000			30,000			30,000	120,000
	4. Supporting the empowerment of women													
	a. To promote and establish cooperative relationships with academic and educational institutions, women's networks and centers of women's studies and research, nationally, regionally and internationally, in order to develop effective strategies on women empowerment.			5,000			5,000			5,000			5,000	20,000

Programme Matrix

Priority Rank	Program and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	b. Working with local and international organization to develop ongoing training programmes to strengthen women's capacity in leadership, in decision-making and in participation in public life			6,000			6,000			6,000			6,000	24,000
	c. Work in partnership with relevant government ministries, CISPE, ILO, national and international organizations to promote a co-ordinated approach to women's economic empowerment													
	5. Advocacy for Legal Reform			0			0			0			0	0
<i>Program: Capacity Development Coordination Unit</i>														
	1. Improve and maintain an efficient and effective Capacity Development Coordination Unit													
	a. Completing staffing and administration functions of CDCU			50,000			50,000			50,000			50,000	200,000
	1) Fully staff of the CDCU													
	2) Fully equip the CDCU													
	3) Staff Training													
	b. To maximize the technical assistance more effectively to enhance the capacity of National staff during the period when domestic staff is being trained			30,070,000			20,000,000			10,000,000			0	60,070,000
	c. Sustain of capacity development within the Government through National Capacity Development Initiatives			1,000			1,000			1,000			1,000	4,000
	1) Liaise, coordinate and strengthen the CSA													
	2) Develop mechanism for the application of funds from the Capacity Development Fund (CDF) and disseminate to Ministries													

Programme Matrix

Priority Rank	Program and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	3) Determine selection of public servants to attend overseas training/scholarships													
	d. Policy and planning within CDCU through			1,000			1,000			1,000			1,000	4,000
	1) Continue coordination with PEAMD, MPF													
	2) Finalize, coordinate and monitor Governance and Public Sector Management (GPSM) framework													
	3) Disseminate/socialize the GPSM to ministries and donors													
	4) Coordinate with UNDP on developing the technical cooperation between Developing Countries Programme (TCDC)													
<i>Program: Office of the Inspector-General</i>														
	1. Inspection and control of the Government's activities			127,000			69,000			68,000			68,000	332,000
	2. Improve accountability within public administration													
	3. Promote anti-corruption practices and integrity in the Public sector			0			0			0			0	0
	4. Capacity building including anti-corruption			0			0			0			0	0
	5. Monitor recommendations to improve accountability within public administration			0			0			0			0	0
<i>Program: Timor Sea Office</i>														
	1. Provision of policy and legal advice to the PM and the COM on matters concerning Timor Sea Petroleum negotiations													
	a. Provision of legal and fiscal advice -- amendments to existing production sharing contracts, review proposed amendments to tax laws of Timor-Leste and the proposed stability agreement in respect of the tax regime													
	b. Provision of policy advice -- amendments to existing production sharing contracts, review proposed amendments to tax laws of Timor-Leste and the proposed stability agreement in respect of the tax regime													

Programme Matrix

Priority Rank	Program and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	c. Maritime boundary negotiations with Australia and Indonesia													
	d. Capacity building and TA													
	2. Negotiating the best possible share for Timor-Leste of oil and gas revenues in the Timor Sea on behalf of the Government of Timor-Leste													
	a. Travel to venues where negotiations is required with Australian Government and Petroleum companies													
	b. Capacity Building													
	3. Management of TFET Grant Agreement													
	a. Project Management													
	b. Capacity Building and TA													
	<i>Program: National Security Service of the State</i>													
	1. Development of politics, foreign relations, defence and security													
	a. Collect information			66,156			66,156			66,156			66,156	264,624
	b. Analyse information and disseminate intelligence			37,636			37,636			37,636			37,636	150,544
	<i>Program: Office of the Provedor de Direitos Humanos e Juustica</i>	81,099	0	81,099	57,250	0	57,250	53,370	0	53,370	51,672	0	51,672	243,391
	1. Promulgation of the Organic Law													
	2. Selection and appointment of the Provedor													
	3. Launching of activities													
	4. Treatment of complaints and information as received in the Provedor's Office													
	5. Active contribution to/collaboration in the design and development of an annual national human rights plans of actions													
	6. Drafting of internal codes, manuals and processes rules for the Office													
	7. Preparation of an annual strategic plan to fight and prevent corruption													
	8. Implementation of the Office's HR Education Plan													
	9. Implementation of the strategic plan to fight and prevent corruption													

Programme Matrix

Priority Rank	Program and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
	10. Preparation of a Plan of Action on Good Governance/Good Practices in Public Administration													
	11. Preparation of the Annual Report of activities to the NP													
	Total	81,099	0	30,613,891	57,250	0	20,437,042	53,370	0	10,432,162	51,672	0	430,464	61,913,559

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
<i>Program: Office of the President</i>														
	1. Secretariat to the President	0	0	0	0	0	0	0	0	0	0	0	0	0
	a. Protocol	0	0	0	0	0	0	0	0	0	0	0	0	0
	b. Advisors	0	0	0	0	0	0	0	0	0	0	0	0	0
	c. Archives and IT	0	0	0	0	0	0	0	0	0	0	0	0	0
	d. Press	0	0	0	0	0	0	0	0	0	0	0	0	0
	e. Capacity Building and TA	0	0	0	0	0	0	0	0	0	0	0	0	0
	2. Support for Representative Duties	0	0	0	0	0	0	0	0	0	0	0	0	0
	a. Residential Services	0	0	0	0	0	0	0	0	0	0	0	0	0
	b. Capacity building and TA	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total	0	0	0	0	0	0	0	0	0	0	0	0	0

Programme Matrix

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
Program: Banking and Payments Authority														
	1. Institutional Development	154,000	0	154,000	0	0	0	0	0	0	0	0	0	154,000
	a. Capitalization													
	b. Capacity building & training													
	c. Installation of Governing Board													
	d. Develop Corporate Plan													
	e. Formulate Central Bank framework	349,000	0	349,000	0	0	0	0	0	0	0	0	0	349,000
	2. Financial Sector Development													
	a. Insurance regulatory framework													
	b. Bank regulation and supervision													
	3 Currency & Payment Systems	983,000	0	983,000	0	0	0	0	0	0	0	0	0	983,000
	a. Management of Government Accounts													
	b. Coin minting project													
	c. Importation & distribution of currency													
	4. Economics & Statistics	116,000	0	116,000	0	0	0	0	0	0	0	0	0	116,000
	a. Publication of Economic Bulletin													
		1,602,000	0	1,602,000	0	0	0	0	0	0	0	0	0	1,602,000

Programme Matrix

The Road Map -- Annex 3

Priority Rank	Programs and/or Components	2003/4			2004/5			2005/6			2006/7			Overall Totals
		CFET	TFET (and other funding sources)	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	CFET	Other Funding Sources	Combined Total	
<i>Program: Independent Electoral Commission</i>														
	1. Development of a Legal Framework for future elections													
	a. Liaison with legislators and others on the legal framework and draft electoral law	5,000	0	5,000	5,000	0	5,000	5,000	0	5,000	6,500	0	6,500	21,500
	b. Gather and analyse information on electoral policy and administration in other countries	5,500	0	5,500	5,500	0	5,500	5,500	0	5,500	6,000	0	6,000	22,500
	c. Capacity building and TA	7,500	0	7,500	7,500	0	7,500	7,500	0	7,500	7,500	0	7,500	30,000
	2. Provision of advice to the Government on electoral matters													
	a. Timely provision of advice	5,000	0	5,000	5,000	0	5,000	5,000	0	5,000	5,000	0	5,000	20,000
	b. Capacity building and TA	5,500	0	5,500	5,500	0	5,500	5,500	0	5,500	6,000	0	6,000	22,500
	3. Develop capacity to respond to calls to administer national and local elections													
	a. Finalise establishment of the Office of the Independent Electoral Commission	5,000	0	5,000	5,000	0	5,000	5,000	0	5,000	6,500	0	6,500	21,500
	b. Maintain and enhance an electoral officer programme and database	5,500	0	5,500	5,500	0	5,500	5,500	0	5,500	6,000	0	6,000	22,500
	c. Establish district electoral offices	0	0	0	0	0	0	0	0	0	0	0	0	0
	d. Support the maintenance of civil electoral roll	7,500	0	7,500	7,500	0	7,500	6,000	0	6,000	8,000	0	8,000	29,000
	e. Information campaigns: Electoral workshops and voters' education	15,000	0	15,000	8,000	0	8,000	15,000	0	15,000	30,000	0	30,000	68,000
	f. Road to elections: Voters registration, polling center survey, nominations of candidates, political party/independent registration, polling official recruitment, polling and counting training, ballot paper printing, facilitation, transportation and communications	15,000	0	15,000	5,000	0	5,000	5,000	0	5,000	35,000	0	35,000	60,000
	g. Capacity building and TA -- electoral course, conferences, observations, workplacements	10,000	0	10,000	7,000	0	7,000	7,000	0	7,000	15,000	0	15,000	39,000
	Total	86,500	0	86,500	66,500	0	66,500	72,000	0	72,000	131,500	0	131,500	356,500

OVERVIEW OF SECTOR INVESTMENT PROGRAMS

Volume I: Strategies and Priorities for the
Medium-term



MINISTRY OF PLANNING AND FINANCE



APRIL 2005

PREFACE

Over the past three years, the Government has made a concerted effort to strengthen the links between policy formulation and programs to achieve the goals and objectives set out in the National Development Plan (NDP), improve capacities to translate these objectives into annual budgetary allocations, and strengthen capacities. Thus, it presents a clear guidance to Development Partners regarding priorities for assistance and for various initiatives to be taken in this regard. Annual Action Plans has been developed to establish clear links to budget processes and to monitor progress towards development objectives. In 2003 the Government undertook the so-called “Road Map” exercise that aimed to establish an expenditure framework for the medium-term that could guide decisions on allocation of CFET and available resources from development partners to particular sectors and programs.

The Sector Investment Program (SIP) exercise had its origins in the “Road Map” exercise of 2003. As a result of that exercise the Government saw the need to have in place comprehensive statements development objectives, policies and programs for each of the key sectors of the economy and to strengthen the linkages among programs across agencies and sectors. Prior to the launch of the SIP exercise; the Government had been heavily dependent on TFET and other joint donor missions to ensure systematic development of sector policies and programs. The SIP exercise was launched in August 2003 with the express purpose of building capacities of staff and state institutions for the development of sectoral policy frameworks and related programs that could provide a basis for decisions on the allocation of scarce donor and CFET resources required to achieve particular development objectives.

This overview report integrates the results of the Sector Investment Program. The report consists of two volumes. The present report, Volume I, provides a strategic view of the prospects for growth and poverty reduction and key challenges facing the country in the medium and longer term. It also aggregates the expenditures from the 15 SIPs and within the framework of financial availabilities for CFET and development partner resources projected to 2015, outlines priorities for expenditures on a combined sources basis. Annexes to this main report provide more details on the SIP process as well as underlying the analytical framework, data sources and details of macroeconomic and demographic projections to 2015. Volume II of the report provides a summary of each of the 15 individual SIPs, along with expenditure and other analysis for each sector. Individual reports for each of the 15 SIP sectors have also been completed. For each sector, these provide details on the goals and objectives for each sector, the policy framework, the program for the medium-term, and the associated expenditure framework.

The Ministry of Planning and Finance wishes to express its appreciation to those development partners who have provided support for this undertaking over the past year. The work would not have been possible without the contributions of Australia, Japan and New Zealand (UNDP-DAS Program), United States of America, the Asian Development Bank, the World Bank, UNDP and UNICEF. The Ministry also wishes to acknowledge the extraordinary support and cooperation that was provided by many staff and national technical officials who have contributed to the success of this process.

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ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
CCT	Cooperative Café Timor
CDR	Crude Death Rate
CFET	Consolidated Fund for East Timor
DAS	Development Advisory Services
FY	Fiscal Year
GDP	Gross National Product
GNI	Gross National Income
IMF	International Monetary Fund
M&E	Monitoring and Evaluation
MDG	Millennium Development Goal
MICS	Multiple Indicator Cluster Survey
NDP	National Development Plan
NGO	Non-Government Organization
PKF	Police Keeping Force
PNTL	Policia Nacional de Timor-Leste
PSM	Public Sector Management
REA	Registry of External Assistance
SIP	Sector Investment Program
SWG	Sector Working Group
TFET	Trust Fund for East Timor
TFR	Total Fertility Rate
TLDHS	Timor-Leste Demographic and General Health Survey
TLSS	Timor-Leste Living Standard Measurement Survey
TSP	Transition Support Program
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Program
UNICEF	United Nations Children’s Fund
UNPOL	United Nations Police
WTO	World Trade Organization

EXECUTIVE SUMMARY

The Government has made a concerted effort to strengthen links between policy formulation and programs to achieve the national goals and objectives set out in the National Development Plan (NDP), improve capacities to translate these objectives into annual budgetary allocations, and strengthen capacities to give clear guidance to Development Partners regarding priorities for assistance. The Sector Investment Program (SIP), which was launched in August 2003, is another step in building capacities for well-articulated sector frameworks for the medium-term that link policies, programs and expenditures and that provide guidance on expenditure priorities both within and across sectors. After 18 months of intensive work, the first phase of the SIP exercise is drawing to a close with the completion of SIPs for 15 sectors of the economy. Work has also been initiated on two more SIPs. The results of which will be built into the combined sources expenditure framework later in the year.

This overview report provides a summary of the main results to date and outlines a course of action for the next phase of the work.

KEY MACROECONOMIC RESULTS

A number of important themes emerge from the analysis undertaken in the SIP exercise, each of which has important implications for development policies and priorities.

Prospects for growth and poverty reduction. The key points that emerge from the analysis are as follows:

- The economic contraction that began in 2002 is beginning to abate as the wind down on UN-related activities comes to an end; growth is expected to recover in 2005 led by rising levels of public spending, including construction and other investment-related activities, as well as recovery in private activity. But for the period 2003-2007 the average annual growth of GDP is still only 1.3 percent a year in real terms. With population growing at around 3 percent a year, average income per capita continues to decline and progress in reducing income poverty is slow.
- In this period there would be heavy emphasis on halting the decline in public spending on construction that has characterized the past four years. High priority is attached to an expanded program of Government and donor-funded construction and maintenance programs that will improve services and create jobs. At the same time, an aggressive program of private investment promotion would be launched with a fundamental focus on the external market to lay the foundations for sustained strong growth in the longer-term.
- The objective of government policy is to create conditions necessary for the economy to enter a period of strong sustained growth from about FY2007/08, driven by the high levels of investment in the public sector that emerge from the SIP proposals and by rising levels of private investment. GDP would grow at an annual rate of 6 percent a year in real terms during 2007-2015. The strong growth would be led by private sector economic activity. The food production sector is projected to grow at 2.8 percent a year, in line with population growth. Strong growth in the non-food private sector would be led by increased investment in commercial development of the natural resource base of the country, continued growth in small-scale manufacturing that is already under way in Timor-Leste, expanded private services, tourism, and construction.

- In these circumstances, there would be faster progress in reducing the incidence of poverty. Even so, there will still be a hard core of around 200,000 in severe poverty by 2015. Specially targeted programs will be needed to address the needs of this group of people.
- Despite uneven progress in the incidence of income poverty, there is likely to be good progress in improving access to basic services. The proposed program does enable a transition to nine years of basic schooling for all by 2015, for example. Health indicators are expected to improve as the coverage and quality of health services are raised.
- Even after taking account of income from oil and gas, the non-oil Gross Domestic Product of Timor-Leste will only be around \$550 per capita by 2015 (at 2000 constant prices). This means that Timor-Leste will still be classified as a low income developing country, even after allowing for income from oil and gas.

Rapid population growth translates into high rates of urbanization.

- The high rate of increase in population is expected to translate into continued rapid growth in urban areas. For the purpose of estimating urban services requirements, the SIP model assumes the urban population will grow at 5 percent a year. An additional 150,000 people will live in urban areas by 2015. Can this growth be distributed among urban areas throughout the country? Or will continued uneven levels of urban services and job opportunities lead to population concentration in Dili and Baucau, which already account for approximately 90 percent of the urban population of the country? What are the implications for local government and decentralization?
- More work is needed on urbanization policies and programs, including anticipating housing and other service requirements. The cost of providing public services to these burgeoning urban populations may put considerable strains on financial resources of the Government. Hence, it is even more important that measures are taken in order to develop this area, by investing in the development of basic infrastructures that contribute to raising the living standards in rural areas, making them more appealing to the population.

Creating enough productive employment will be a major challenge for the decade ahead.

- Continued rapid population growth of 3 percent a year and the relatively young population translates into rapid growth in the labor force. In the event that the labor force participation rate remains at its current estimated level of 59 percent, which is low by international standards, the labor force would grow at about 3 percent a year, adding about 10,000 new entrants to the labor force each year seeking employment. In the event that the participation rate rises to levels that are common among low income developing countries around the world, the labor force growth rate could be as high as 5 percent a year. In this case, the number of new entrants seeking employment would be in the range of 17,000 to 20,000 a year in the decade ahead.
- At the present time, the agricultural sector employs about 77 percent of the entire labor force at low levels of productivity. The challenge is to promote rapid growth in the non-food private sector, which currently employs about 70,000 workers at much higher average levels of productivity. Rapid growth in the latter will allow for a gradual shift out of low productivity employment in rural areas. With rising levels of labor productivity, the incidence of income poverty will decline.
- For the medium-term, a key issue is the extent to which the agricultural sector can create productive employment for the projected 5,000-9,000 new entrants into the rural work force each year. Three critical policy issues emerge. Can the agricultural

growth rate be increased through private investment that results in larger production of marketable surpluses for the domestic and export markets? Will much larger numbers of people move to urban areas looking for work? Can the non-farm sector grow fast enough to absorb larger numbers of people into productive employment?

Increased levels of private investment are the key to sustained strong economic growth, which, in turn, is essential for significant reductions in the incidence of poverty in the country.

- The SIP exercise estimates that a growth rate of 8 percent a year in real terms will be required in the non-farm private sector, if the overall target of 6 percent growth in non-oil GDP is to be achieved and poverty reduced. The key to more rapid growth in the non-farm sector will be increased levels of investment, with a strong orientation on export markets. Achieving 8 percent real growth will require an average of about \$60 million of new private investment in the non-food private sector each year over the medium-term.
- In the event that private investment levels remain stuck at current levels of around \$15 million a year, the growth of the non-food private sector would be substantially lower – perhaps around 3 percent a year in real terms. In this case, non-oil GDP would only grow at about 4 percent a year in real terms. Pressures in the labor market would rise and there would be little or no progress in reducing the incidence of income poverty

PROPOSED PUBLIC EXPENDITURE PROGRAMS FOR THE MEDIUM-TERM

Meeting the various goals and objectives set forth in the SIPs, would require combined CFET and donor expenditures of about \$1.28 billion for the five-year period ending FY2008/09. This compares with about \$900 million during the five-year period ending FY2003/04. These totals cover recurrent and capital spending.

The pattern of expenditures on a combined sources basis would undergo significant change over the next five years. In recent years aggregate levels of spending on a combined sources basis have remained in the range of \$200 million a year. Over the next five years combined sources expenditures would average about \$230 million a year. The higher levels of spending stem primarily from a large program of capital investment in the power sector and in other basic infrastructure.

A number of very important shifts in the pattern of spending emerge during the next five years.

- First, the relative importance of CFET in the combined sources framework continues to rise. In FY2000/01 for example CFET resources funded only 12 percent of combined sources expenditures, after allowing for the CFET budget support provided by donors. In the current fiscal year, CFET expenditures account for close to 40 percent of total expenditures. By FY2008/09, CFET is expected to account for almost 50 percent of total outlays.
- Second, dependence on funding of recurrent spending from the development partners of Timor-Leste would decline substantially over the next five years. By FY2008/09, CFET would account for almost 80 percent of recurrent outlays, compared with about 45 percent at the present time. Total recurrent expenditures on a combined sources basis would remain in the range of \$140 million a year, sufficient to ensure steady progress towards the NDP, MDG and other objectives set in the SIP exercise for the medium-term.

- Third, capital spending on a combined sources basis would rise steadily over the next five years. Underpinning this increase are important shifts in the pattern of spending. CFET capital expenditures would rise sharply from recent levels of around \$13 million a year to \$25 million a year by FY2008/09. Much of the increase would be allocated to capital replacement to ensure that public assets are kept in good working order. Funding from the development partners of Timor-Leste on capital expenditures would rise from the recent low levels of about \$40 million a year. Much of the development partner funding of capital expenditures would be for new asset creation (power systems, improved roads, new schools, expanded provision of safe water and sanitation, for example), with CFET making larger capital replacement expenditures on the public assets.

Meeting the various goals and objectives set forth in the SIPs will require important shifts in the sectoral allocation of expenditures. The SIP analysis for each sector has brought out the need for shifts in resource allocations among sectors.

- The most significant change is in the area of basic infrastructure, whose share of the total combined sources budget would rise from 23 percent in the past five years to 36 percent during the next five years. A large part of this jump relates to the inclusion in the program of the Ira Lalaro hydro-power project and transmission line to Dili at an estimated total cost of \$112 million.
- The second important point is that the resources allocated to basic services (health and education) remains at the current level of about \$60 million a year. These levels of spending will ensure steady progress towards the interim MDGs set out in the SIPs for these important sectors.
- Spending on activities in the production-related sectors rises by about 20 percent to \$20 million a year in the next five years, largely because of a very sharp increase in proposed spending on investigation of onshore and near-shore petroleum resources and on support for private sector development.
- The allocation for security and external relations remains unchanged at 11 percent of total spending.
- Allocations for capacity building in the national government decline from about 13 percent to about 9 percent of total spending, largely because of the sharp phase down in reliance on expensive expatriate advisory services over the next five years. At the same time, there is a large rise in spending on in-country training programs for national staff.
- There is increased support for programs aimed at improving other aspects of governance, including rights, equality and justice and local government, with these expenditures rising from \$40 million in the past five years to \$70 million over the next five years.

Proposals for donor funding for the next five years are lower than past allocations of such assistance.

- The activities proposed for donor funding would require new approvals of about \$550 million over the next five years, including about \$150 million for a small number of large investments in the power sector. The average level of new approvals is thus about \$110 million a year, \$80 million a year of which is proposed for sectors other than power.
- This proposed level of new on-budget commitments of development and technical assistance compares with actual commitments for the same category of donor assistance that averaged \$150 million a year over the past five years.

- In other words, the Government is already factoring possible lower levels of donor assistance into its medium-term expenditure planning.
- For the longer term, the SIP exercise assumes that donor-funded development and technical assistance will be in the range of \$80 million a year. This is based on the current per capita allocations of aid to low-income countries that have a strong commitment to sound development policies and, with a few exceptions, have experienced sustained strong economic growth.

FURTHER DEVELOPMENT OF THE SIP PROCESS

The Government has benefited from the SIP process in a variety of ways and intends to strengthen and broaden the process. It will be used to guide decisions on priorities and resources allocations for the medium-term by building the results of the work into the budget and other planning activities of the Government. A number of specific actions are underway or are planned:

- Under TSP III, the Government has committed itself to the development of a combined resources budget for FY2005/06. The SIP framework will be integrated into this process.
- Follow-up work is planned to review existing performance benchmarks and interim MDG targets in the light of the SIP analysis and findings.
- The strategic planning framework developed for the SIP will be strengthened and as information becomes available from the 2004 census, the demographic and other elements of the framework will be revised.
- Additional work is planned to address the current deficiencies in information about public assets, and the costs of maintenance and capital replacement.

NEXT STEPS WITH DEVELOPMENT PARTNERS

The proposed program for accelerated growth and steady progress towards the NDP and MDG objectives will not be without difficulties, given the daunting task in the immediate future of building the capacities of national institutions and staff to manage successfully the changing development requirements of the country. It will require strong support from our Development Partners, including continued access to expertise and advice on the successes and failures in development in other countries around the world. Given the importance of CFET funding for capital expenditures, it will also require a major build up in capacities of national staff to manage the identification, design and implementation of these capital development programs. It will require changes in the management of development programs that are responsive to the changing circumstances and capacities of the country.

There is a need for immediate follow-up with development partners on funding for proposed new activities. As noted above, the SIP process has identified a large number of new activities for start up during the next five years that are suitable for funding by Development Partners. Within each sector, the responsible line agencies have given close attention to prioritizing and sequencing new activities and programs. More than 200 new activities have been identified for implementation over the next five years. A start date for implementation has been established for each new activity. The Government would like to come to early understanding with Development Partners regarding funding arrangements for the proposed program. With this in mind the following steps are being taken.

- The Government will consolidate these proposals into a smaller number of programs and project packages that would be well suited for funding by Development Partners,

with due attention being given to known partners (donors) interests and funding capacities.

- The Government would then like to engage in a round of discussions with its partners, perhaps on a sectoral basis, to determine the degree of interest in individual program proposals or in a series of such proposals for implementation over the next three years. The Government will want to ascertain the extent to which some partners may wish to collaborate with others under any one of several forms of cofinancing arrangements.
- With early agreement on funding arrangements, work can begin immediately on the most urgent activities that are scheduled for implementation this year.
- For those programs that do not attract support from our partners, the Government will consider other options, including funding from CFET or alternative sources, or deferral of the program to a later date.

Sector working groups are being set up to facilitate coordination within and across sectors, among donors and between Government and donors. The SIP process has highlighted the need to strengthen capacities within the Government for longer-term strategic planning across various sectors that integrates concerns about the growth and movement of the population, with the provision of economic opportunities, basic services and national security. The Government intends to take steps to strengthen these capacities. As a first step, the Government has begun the formation of Sector working Groups (SWGs) for some or all sectors. These working groups are to be chaired by a senior Government official and are open to any donor who has an interest in the particular sector. Sector Working Groups for the Health Care, Agriculture and Basic Infrastructure have already been formally established. The Government expects the formal establishment of the SWG for Education and Training by May 2005, followed by the gradual establishment of the remaining groups within this calendar year.

The responsibilities of the groups will evolve in the light of experience, but are expected to range from informal advice to the agencies of Government that are responsible for the sector in question to a more wide-ranging role. The groups will have the onerous task of mobilizing the necessary resources to carry out the proposed SIP program, and at the same time ensure coordination of activities within the sector. Given their critical role in driving the SIP process, extensive support will be needed from the donor community to ensure the success of these groups. One of the biggest challenges for the Government is strengthening the role and function of the secretariat within each SWG.

Increased attention to monitoring and evaluation in each sector. In reviewing various drafts of the SIPs, a number of our development partners have made the point that there was discussion of the arrangements needed within each sector for monitoring and evaluation (M&E) of progress towards goals and objectives. With the release of the final versions of the SIPs, the Government believes that the basis now exists for serious work on the detailed definition of an M&E framework for each sector. The issue of monitoring and evaluation of sector objectives should be discussed within the respective SWGs. It is proposed that a pilot initiative for the design and implementation of an M&E system be developed within one SWG as soon as possible. Experience with the development of this pilot initiative can then be transferred to other sectors. The Government would welcome the support of one or more donors for this pilot initiative.

The Government would like to engage Development Partners in a dialogue on the transition to the next phase of cooperation as TFET comes to a close. The Government would like to explore with development partners various options for the next phase of donor cooperation and coordination as TFET draws to a close. The CFET framework used for the SIP exercise also

foresees the gradual phase down of budget support over the next few years. New mechanisms will be needed to enhance donor coordination. This report sets out a number of different options that move donor cooperation and coordination in the direction of relying on sector coordination groups led by senior government officials. Within the sector coordination framework, increased reliance on bilateral funding on a project basis, which may also involve cofinancing, would also be pursued where there is a clear understanding of the priorities within each sector. The guiding principle will be to marry the preferred modalities of Development Partners to sector requirements and Government priorities.

PART A: GROWTH, EMPLOYMENT AND POVERTY REDUCTION

I. RECOVERY TO SUSTAINED STRONG GROWTH

Since restoration of Independence, the Government has articulated clearly its vision for the development of the country and, with the help of the donor community, has set about the pursuit of this vision. The National Development Plan, widely discussed during the course of preparation, sets out the strategy for the five year period 2002-2007. This strategy is driven by two key objectives:

- The reduction of poverty in all sectors and regions of the Nation; and
- The promotion of economic growth that is equitable and sustainable, and that improves the health, education and well-being of the entire country.

The population is growing rapidly and, in the absence of sustained and broad-based economic growth over the last five years, there has been only limited progress in reducing poverty and improving food security. The incidence of poverty remains high with an estimated 42 percent of the population below the national poverty line. However, there has been significant progress in expanding access to health and education services in many parts of the country. Despite progress on these and other fronts, the country continues to face a daunting set of challenges. With approximately 50 percent of the population below the age of 18 for example, there will be great pressures on the education system to equip these young people for productive lives and to create employment opportunities for a very large number of new entrants into the labor force each year.

Poverty reduction in Timor-Leste is closely linked to economic growth. Analysis by the World Bank and others draw attention to the large numbers of people who are vulnerable to poverty and who can benefit from the income and employment effects of sustained economic growth. A key objective for the next five years is to promote a recovery to sustained strong economic growth.

PROMOTING RECOVERY TO SUSTAINED STRONG ECONOMIC GROWTH

Recent trends in the economy. Table 1 summarizes estimates of GDP by industrial origin at current market prices. The estimates for the period 2000 through 2003, recently prepared by the National Statistics Directorate, affect perceptions about the growth of the economy during this period. In analyzing these trends, it is convenient to group the sectors in the national accounts into three broad sets of economic activity: (a) all public sector activity which includes, government activities, the United Nations , public sector construction and utilities, which are essentially government-owned and operated; (b) the food production sector (food crops, livestock and fisheries) which approximates the largely private subsistence sector of the economy; and (c) the remainder of the national accounts sectors which are essentially all other private production and services in the economy, including commercial agricultural production, forestry, mining and quarrying (excluding oil and gas), manufacturing, transportation, financial and other services. For convenience, this group of sectors is called the non-food private sector.

The first important point that emerges from Table 1 is that as measured by value added, the non-food private sector is the largest of the three components of the economy, accounting for about 40 percent of non-oil GDP. The public sector and food sector account for about 38 percent and 22 percent respectively. The second important point that emerges is that the growth experience of

these three sectors varied widely during 2000-2003. These differences have important implications for the short- and medium-term outlook for the economy.

- Value added in the food crop, livestock and fisheries sector within agriculture, after recovering strongly in 2001, declined steadily thereafter and by 2003 was back to the 2000 level. With population growth at around three percent a year in this period, the real value of food production per capita declined throughout the period, exacerbating problems of food insecurity.
- The non-food private sector grew at an average of 5.6 percent a year in real terms during 2000-2003. The commercial agricultural sector recorded strong growth throughout the period, as did manufacturing, financial services and the transport sector. These gains were partly offset by contraction in private construction and wholesale and retail trade, both of which were heavily influenced by the departure of international personnel from 2002 onwards
- Value added in the public sector grew by 26 percent in 2001 only to be followed by a sharp contraction as the UN phased down its presence in Timor-Leste. These contractionary effects more than offset to very strong growth performance of the national government sector in which value added registered a threefold increase in three years. There were two opposing trends in the sector in the past five years: value added by United Nations activities declined very sharply, as did public construction, whereas value added by the remainder of the government activities grew rapidly in real terms with the build-up of the national government.

Table 1: Gross Domestic Product by Industrial Origin

Sector	2000	2003	2007	2010	2015	2000-2003	2003-2007	2007-2015
	Value added (at 2000 constant prices US\$ millions)					Growth rates (% p.a.)		
Food, livestock & fisheries	68.6	68.9	77.0	83.6	96.0	0.2	2.8	2.8
Non-food private sector	111.1	130.8	149.0	186.6	278.0	5.6	3.3	8.1
Public sector								
Government	22.9	65.9	81.0	93.8	119.7	42.2	5.3	5.0
Construction & utilities	30.2	18.3	32.5	39.8	50.8	(15.4)	15.4	5.7
United Nations	83.4	38.6	-	-	-	(22.7)	-	-
Sub-total	136.5	122.8	113.5	133.6	170.5	(3.5)	(2.0)	5.2
Non-oil GDP	316.2	322.5	339.5	403.8	544.5	0.7	1.3	6.1
Oil & gas mining	77.5	51.9						
GDP	393.7	374.4						
GDP deflator (2000=100.0)	100.0	104.1	114.9	123.7	140.0	1.4	2.5	2.5
Non-oil GDP (at current prices)	316.2	335.7	390.1	499.5	762.3	2.0	3.8	8.7
Population ('000)	819.4	898.0	1,005.1	1,095.4	1,266.8	3.1	2.9	2.9
Non-oil GDP per capita (\$)	386	374	388	456	602	(1.1)	0.9	5.6

Source: National income accounts for 2000-2003 provided by National Statistics Directorate

In real terms, non-oil GDP increased by a total of two percent during 2000-2003 – substantially less than the population which grew at around three percent a year in the same period. At current market prices, non-oil GDP stood at about \$375 in 2003.

Future growth of the economy. A set of projections for 2005 through 2015 have been prepared for the SIP exercise. These are built up from the proposed public expenditure programs and expectations about private investment activity. The underlying expectation is that during 2005-2007 the economy will gradually recover from the contraction of recent years and will be able to make a transition to sustained strong growth of 6 percent a year in real terms in the longer-term. A key driver is sustained high levels of investment spending by the Government and donors that

supports expansion in construction, a recovery in private economic activity and an improved performance in the agriculture sector.

These projections are built around a series of policy judgments that are embedded in the SIPs for the various sectors. The public sector is expected to continue to contract for several more years as a result of the complete phase-out on UN-related activities. In the medium-term at least these contractionary effects outweigh the contributions of the proposed strong expansion in public construction activity (discussed below) and continued steady growth in the provision of public services. For the longer-term, the public sector is expected to grow at about five percent a year in real terms, driven by population growth of close to three percent a year and an aggressive program of spending and service delivery that aims to expand substantially the current low levels of access to public services throughout the country by meeting the MDGs for 2015.

The growth of the food production sector is projected to approximate that of population growth – that is about 2.8 percent a year in real terms. With the rural population projected to grow at about 2.2 percent a year, the implication is that food output per person in rural areas would rise moderately – in other words, the proposed strategy for improved food security as spelled out in the SIP for agriculture and livestock would bring some improvements in food supplies and security. Increased private investment in commercial activities such as palm oil, live animal exports, and other specialty products for overseas markets as discussed below, would lift the overall agricultural growth rate to around four percent a year in real terms in the longer-term. The performance would still fall short of the NDP target of six percent real growth for agriculture in the medium-term, but it would put Timor-Leste among a small, select group of low income developing countries that have experienced sustained strong agricultural growth over the past two decades.¹

The third key element of the strategy for making a transition to sustained strong growth in the medium and longer term has to do with the further development of the non-food private sector. As noted above, this is already the largest sector in the economy and it is one that, under the right policies, offers the best prospects for sustained strong growth that can create jobs and improve living standards for large numbers of Timorese. A two-pronged approach is being taken to the further development of the sector:

- An aggressive expansion of publicly-funded construction activity to rehabilitate and expand infrastructure and facilities, with an emphasis on labor-intensive methods to create employment. This will require strong support for the domestic private construction sector.
- Increased emphasis on the promotion of private investment, including foreign direct investment, in a broad range of business opportunities in the non-food private sector, namely commercial agricultural activities, manufactures, including various wood products such as furniture, and a range of processed food products, tourism, and other activities.

Promotion of construction activities. The Government intends to give a high priority to construction activities that are funded from the CFET budget and by donors. There is a clear need to improve infrastructure services in the country and to continue with an aggressive program rehabilitate public facilities that are in poor condition, as well as build new facilities such as

¹ For all low income developing countries, the agricultural sector grew in real terms at three percent a year in the 1980s and 2.5 percent a year in the 1990s. A small group of these countries (including Benin, Chad, Laos and Mozambique) have managed sustained strong growth of four percent a year or more in agriculture over an extended period.

schools and clinics. These outlays will improve service delivery, support the growth of private business activities and create employment. The Government has been very encouraged by experience with Japan's ongoing \$13 million road construction project which currently employs approximately 2,000 people using labor-intensive methods. The SIPs include an ambitious program to expand construction sector activities, with particular attention being given to the use of labor-intensive methods. Table 2 gives the estimated value of public construction activity in recent years and projected levels of expenditures based on the proposals included in the individual SIPs.

Table 2: Estimated Value of Public Construction Activity in Timor-Leste
(In US\$ mill)

Activity	2000/01	2001/02	2002/03	2003/04	2006/07	2008/09
Road works						
Maintenance	1.0	1.5	2.3	3.1	3.9	6.8
Construction	4.3	16.3	15.8	3.7	21.5	27.3
Sub-total	5.3	17.8	18.1	6.8	25.4	34.1
Other construction	46.8	25.1	19.6	15.7	33.9	37.3
Total value of construction	52.1	42.9	37.7	22.5	59.3	71.4

Source: various SIPs.

The first point that emerges from Table 2 is that spending on public construction activity has declined sharply since the peak of 2000/01. By 2003/04 public construction activities were less than half that in 2000/01. Declining levels of public construction have had a significant contractionary effect in the economy, with substantial employment effects. The SIPs call for a substantial build-up in publicly funded construction over the next five years. If the programs can be implemented as proposed, public spending on these activities would rise to around \$70 million a year by 2008/09. The employment effects of this increased level of spending would be substantial, perhaps adding as many as 10,000 jobs to the labor market in this five-year period.

The Government is well aware of the challenge associated with lifting public spending in these areas. Although there has been progress in developing the domestic construction industry much more remains to be done. There is an urgent need to build the capacities of the relevant line agencies for the proposed larger volume of work that flows from this strategy. The development partners have an important role to play in this regard. The domestic construction industry must also be strengthened. Further development of the industry will require a move towards equipment leasing arrangements for small and medium-sized domestic construction firms, improved information for the private sector on the expected flow of new construction contracts for the public sector, along with early completion of the Government's procurement guidelines that are currently under preparation, improved access to working capital lines of credit from the banking sector, as well as increased emphasis on skills development in the labor force and for local entrepreneurs. Ongoing projects such as the EU-funded \$5 million employment training program have a major role to play in this regard. Given that it will take time to build capacities in the local construction industry, the Government recognizes that at least in the early phases, the program may require increased use of foreign contractors, preferably under joint-venture and other partnership arrangements such as sub-contracting, that will strengthen the domestic industry.

Promotion of private investment and the non-food private sector. The second key part of the strategy for a successful transition to sustained strong growth is to accelerate the growth of the non-food private sector. For non-oil GDP to grow at six percent a year, the non-food private sector must grow at around eight percent a year (both in real terms). This will require two things: first, aggressive action to improve the enabling environment for private investment, including improved infrastructure services, continued adequate domestic security and streamlined

Government procedures that facilitate and support private investment; and second, an aggressive promotion program aimed at building up private investment to about \$60 million a year within the next five years. In the longer-term, private investment in the sector will have to rise to about \$100 million a year if growth is to be sustained at these levels. The SIP for Private Sector Development includes an ambitious program of support for the promotion of domestic and foreign investment in Timor-Leste. A strong emphasis on foreign direct investment will be important. The fact is that the domestic economy of Timor-Leste is small, in part because of widespread poverty. While there are opportunities for some import-replacement investment, domestic demand is not large enough to ensure growth of six percent a year in real terms. Timor-Leste must look to export markets for successful implementation of its strategy for sustained strong growth. In this connection, attracting foreign direct investment will be essential to bring technical and managerial know-how to the country, as well as an understanding of the opportunities in international markets and of changing consumer requirements, as well as the kinds of domestic services needed for a successful tourism industry. Annex III includes a more detailed discussion of the outlook for a number of the key sectors in the economy. Strong growth is anticipated in the commercial forestry and fisheries sub-sectors, in industry and construction, and in private services, including banking, trade, tourism and transport.

Table 3: Estimated Public and Private Investment in Timor-Leste
(In US\$ mill)

Category	2001	2003	2004	2010	2015
Fixed capital formation					
Public sector	107.9	87.9	85.5	96.0	110.0
Private sector	37.5	17.1	10.2	63.7	108.2
Sub-total	145.4	105.0	95.7	159.7	218.2
Change in inventories	14.5	10.5	9.6	16.0	21.8
Total investment	159.9	115.5	105.3	175.7	240.0
Investment as % non-oil GDP					
Public investment	29.3	26.2	25.1	19.2	14.4
Private investment	10.2	5.1	3.0	12.7	14.2
Total fixed capital	39.5	31.3	28.1	31.9	28.6

Source: various SIPs.

Note: These estimates exclude the offshore oil and gas industry.

The overall implications for the growth of investment needed for sustained strong economic growth are summarized in Table 3. The estimates for public investment are built up from the proposals in the various SIPs, while those for private investment are estimated on the basis of what will be required for 8 percent real growth in the non-food private sector. The first point that emerges is that aggregate investment levels in Timor-Leste have been high by international standards. Over the past four years, investment has amounted to about 35 percent of non-oil GDP, which compares with an average of 22 percent for all developing countries in 2000.² Second, the strategy would result in a significant shift in the pattern of investment over the next decade. In the past four years, public investment has accounted for about three-quarters of all fixed investment in the country, driven as it has, by the need to restore public services and rehabilitate damaged and destroyed public assets. The public investment program going forward is dominated by spending on infrastructure, including in particular improving access to safe water and sanitation, increased access to electricity generated from domestic sources of low cost energy, and continuing rehabilitation and construction education, health and other key service sectors. As the Education and Training SIP points out, additional facilities are required for the more than 80,000

² See World Bank, *World Development Indicators*, 2002. Washington DC, 2002.

children who still don't have access to basic education. As Table 3 suggests, overall levels of public investment would remain relatively stable in the range of about \$100 million a year, but as the subsequent discussion indicates, a rapidly increasing share of these expenditures would be for capital replacement to maintain public assets in good order. Successful implementation of the proposed strategy for the private sector to become the primary vehicle for creating opportunities for employment and increased incomes would mean that private investment would rise steadily to more than \$100 million a year by 2015. Public and private investment, taken together, would remain in the range of 30 percent of GDP.

The economy would undergo significant changes in structure as a result of this pattern of growth. The relative importance of the agricultural sector, which currently accounts for close to 30 percent of non-oil GDP, would decline. The construction sector would grow in importance, given the projected growth in investment spending with large civil works components in the road sector and in water supply and sanitation, and continued rehabilitation facilities in health and education. The share of the public sector – the largest sector in 2000, accounting for 43 percent of non-oil GDP at that time – would decline to around 30 percent of non-oil GDP by 2015. Increasingly, it is private sector – including commercial development of agriculture and natural resources – that drives economic growth.

II. DEALING WITH RAPID POPULATION AND LABOR FORCE GROWTH

IMPLICATIONS OF RAPID POPULATION GROWTH

Timor-Leste is experiencing a rapid increase in its population, currently in the range of three percent a year. The provisional results from the 2004 census conducted by the National Statistics Directorate put the population at 924.5 thousand in mid-2004, 49 percent of whom are female.³ Based on the provisional results from the Census, the Directorate has prepared revised population projections to 2015. Under the base case scenario, population would grow at an average of 2.9 percent a year rising to 1,266.8 thousand people by 2015. All SIPs have been revised to incorporate these new population projections (Table 4).

Table 4: Population of Timor-Leste

Indicator	2004	2007	2010	2015
Population ('000)				
Male	470.4	511.3	557.3	644.8
Female	454.1	493.8	538.1	622.0
Total	924.5	1,005.1	1,095.4	1,266.8
Memo items:				
Crude birth rate (per '000 population)	41.8	42.1	42.4	42.8
Crude death rate (per '000 population)	15.0	14.5	14.6	14.6
Population growth (% p.a.)	2.8	2.8	2.9	2.9
Females as % of total	49.1	49.1	49.1	49.1

These demographic trends have profound implications for the country. As the SIP exercise makes clear, there are major implications for provision of basic services, including education, health and housing. Rapid growth in the labor force will also put great pressure on labor

markets and will require a significant increase in private investment to create productive employment opportunities for these new entrants. Moreover, the combination of natural population increase and migration from rural areas will place considerable strains on urban areas throughout the country that will require concerted efforts to develop the capacities of local government.

³ See Annex II for a more detailed discussion of the preliminary results from the 2004 census and the population projections.

Another consequence is that non-oil GDP per capita, which was about \$375 in 2003 (at 2000 constant prices), does not increase significantly during the next few years. The likely implication is continued slow progress in reducing income poverty, at least until there is a recovery to strong economic growth from 2007 onwards. By 2015, GDP per capita would have risen to about \$600 in real terms (at constant 2000 prices). In other words, Timor-Leste will continue to be classified as a low income developing country for at least another decade.⁴

The Government is committed to strong programs aimed at reducing poverty and food insecurity, and improving health and education. It is therefore very likely that the current high crude death rates will decline as a result of these programs. What are the implications for population growth? The answer depends on whether improved living conditions lead to a decline in fertility rates. Table 5 therefore summarizes the results of two possible scenarios both of which assume a rapid decline in mortality rates:

- Alternative A assumes there is no change in the current very high fertility rates, but that there is a decline in mortality.
- Alternative B assumes that fertility rates also decline.

Table 5: Alternative Scenarios for Population Growth

Scenario	Crude birth rate (per '000)		Crude death rate (per '000)		Population 2015 ('000)	
	2005	2015	2005	2015	Total	0-11 years
Base case scenario	41.8	42.8	15	14.6	1,266.8	453.2
A. Constant fertility rate	41.8	42.2	14.8	10.9	1,291.1	467.8
B. Declining fertility rate	41.2	36.7	14.7	10.3	1,250.4	427.1

In Scenario A the population growth rises to an average of 3.1 percent a year as a result of the assumed decline in the CDR to 10.9 per thousand by 2015. Such a decline is very plausible, given that the average CDR for all low income developing countries was 11 in 2000. The result is a population of approximately 1.3 million by 2015. However, if the current very high total fertility rate of 6.3 births per woman were to decline, the population growth comes down (Scenario B). In this case, population could be lower than in the Base case used for the SIP exercise. An even more rapid drop in total fertility cannot be ruled out. By way of comparison, the average total fertility rate for women in low income developing countries was 5.3 in 1980, but it had declined to 3.8 by 2000.

The alternative population projections have significant implications for service provision in urban and rural areas. For example, the number of children in 2015 aged less than 12 years will be determined by fertility and mortality rates in the decade ahead. The number in this group in Scenario B is 40,000 more than in Scenario A in 2015. The Scenario B outcome will add \$2-3 million a year to the costs of providing primary and junior secondary education services to these additional children by 2015.

EMERGING ISSUES IN URBAN DEVELOPMENT

Reliable estimates of urban populations are currently not available because of the lack of formally gazetted boundaries that define the administrative jurisdictions of urban areas.⁵ Preliminary analysis of the census data suggests an urban population of approximately 206,200 last year –

⁴ Under World Bank country classifications, a low income developing country is defined as one with a GNI per capita of \$755 at 1999 prices. Even with the benefits of income from oil and gas and from related investment income, the GNI of Timor-Leste will be about \$700 per capita (at 2000 constant prices) in 2015.

⁵ See the SIP for Housing and Urban Development for a further discussion of issues associated with urban development and definition of town boundaries.

implying an urbanization rate of 22 percent. This is somewhat lower than previous estimates of 24 percent based on survey data. The census indicates that about 168,000 of these urban dwellers live in Dili – equivalent to about 80 percent of the urban population of the country.

Rapid population growth and continuing inequalities in urban and rural services are assumed to give rise to continued rapid urbanization in the range of five percent a year. Urban population growth in this range is quite consistent with the experience of other developing countries with high overall population growth. For a panel of 14 countries whose population growth rate averaged three percent a year for a decade or more during the last two decades, the urban population grew at an average of 5.4 percent a year for the group as a whole during 1980-2000.⁶ The implication is that the urban population of Timor-Leste rises to almost 360,000 by 2015 – implying an urbanization rate of 28 percent. At this rate of urban growth, the rural population grows at about 2.2 percent a year in the decade ahead. More than 80,000 people are projected to move from rural to urban areas in this period. By 2015 there would be about 65,000 urban and 200,000 rural households.

Table 6: Urban and Rural Populations and Households

Indicator	2004	2007	2010	2015
Population (000s)				
Urban	206.2	238.9	277.6	357.2
Rural	718.3	766.1	817.8	909.7
Total	924.5	1,005.0	1,095.4	1,266.9
Households (000's)				
Urban	37.8	43.8	50.9	65.4
Rural	157.2	167.6	178.9	199.0
Total	195.0	211.4	229.8	264.4
Memo items				
Urban population (%)	22.3	23.8	25.3	28.2
Household size				
Urban	5.5	5.5	5.5	5.5
Rural	4.6	4.6	4.6	4.6
Average	4.7	4.8	4.8	4.8

A key policy issue for the future is the extent to which urban population growth will continue to center largely on Dili or whether there will be prospects for a more dispersed pattern of urban development with the emergence of other growth centers in the country as in response to new private investment and improved infrastructure services, schools and health facilities. Despite the uncertainties about the likely future growth of urban areas, it is clear that the Government must develop a coherent strategy for urban development and for the provision of services for these urban dwellers. A start is being made with the

SIP that deals with Housing and Urban Development. As that SIP indicates clearly, there are strong linkages between the proposals related to urban development and many of the other SIPs, including in particular, the development of local government capacities for service provision that are outlined in the Local Government and Civil Society SIP, and the various infrastructure SIPs, all of which have strong urban service components.

GROWTH OF THE LABOR FORCE

There are no reliable estimates of the labor force, a situation that should be rectified once the final results of the 2004 census are available. For the purposes of the SIP exercise, the National Statistics Directorate has prepared a projection of the labor force based on highly provisional estimates from

Table 7: Estimates of the Timor-Leste Labor Force (In '000s)

Indicator	2004	2007	2010	2015
Population 15-64 years				
Male	248.1	273.8	298.4	346.6
Females	245.1	269.9	292.6	338.3
Total	493.2	543.7	591.0	684.9
Labor force				
Male	171.9	189.8	206.8	240.2
Female	117.9	129.8	140.8	162.7
Total	289.8	319.6	347.6	402.9
Participation rate (%)				
Male	69.3	69.3	69.3	69.3
Female	48.1	48.1	48.1	48.1
Average	58.8	58.8	58.8	58.8

Source: National Statistics Directorate

⁶ The 14 countries included in the sample are Angola, Benin, Cambodia, Congo D.R., Congo, Côte d'Ivoire, The Gambia, Honduras, Kenya, Namibia, Niger, Tanzania, Uganda, and Zimbabwe. World Bank, *World Development Indicators*, 2002 for details.

the census for labor force participation rates. The assumption used in these projections is that in the decade ahead the participation rate remains unchanged at the current estimated level of 59 percent. In this case, the labor force would grow from about 290,000 last year to a little over 400,000 by 2015 – an average annual growth of three percent a year (Table 7). The implications for economic growth and employment creation are significant. Under these assumptions the current net increase in the labor force is estimated at about 9,000 a year, rising to about 10,300 a year by 2015. For the five-year period 2004-2009 covered by the SIPs, new entrants into the labor force are estimated at about 50,000

Table 8: Composition of the Work Force ('000)

Indicator	2004	2007	2010	2015
Farm work force	223.2	236.2	249.9	274.5
Non-farm work force	66.6	83.4	97.6	128.5
Public sector	17.5	19.5	21.0	25.0
Private sector	49.1	63.9	76.6	103.5
Total work force	289.8	319.6	347.5	403.0
Memo items:				
Farm work force % total	77.0	73.9	71.9	68.1

The demographic framework developed for the SIPs also permits estimation of urban and rural labor force growth, the results of which are set out in Table 8. The farm work force accounts for about three-quarters of the total labor force in 2001. Given the foregoing projections of urban population, the urban labor, which

approximates the non-farm labor force, is projected to grow by about six percent a year in the decade ahead, while agricultural work force grows at about two percent a year. A basic issue for the SIPs and the design of development policies and strategies for the medium- and longer-term is whether it will be possible to create productive employment opportunities for the approximate 6,000 entrants into the non-farm work force each year in the decade ahead, quite apart from the need to absorb at least 5,000 workers a year in the rural sector.

By 2015, the rural work force would account for about two-thirds of the total labor force. This scenario suggests that value added per agricultural worker, which is currently about \$440 a year, would begin to rise in real terms. This level of agricultural productivity is comparable to many other low income developing countries with predominantly rural economies, but it is substantially below the levels of agricultural productivity of the major countries of Southeast Asia.⁷

III. ECONOMIC GROWTH AND INCOME POVERTY

PROGRESS IN POVERTY REDUCTION

The 2003 Joint Agency Report on poverty estimated there were about 330,000 people in poverty in 2001.⁸ Moreover, there

Table 9: Progress in Reducing Extreme Poverty

Indicator	2001	2003	2007	2010	2015
People below national poverty line					
No. of poor ('000s)	333.8	370.0	403.0	399.8	253.4
Headcount (% of population)	39.5	41.2	40.1	36.5	20.0
People living below \$1 a day					
No. of people ('000s)	169.0	188.6	191.0	186.2	177.4
Percent of population (%)	20.0	21.0	19.0	17.0	14.0
Memo:					
Total population ('000s)	845.0	898.0	1,005.1	1,095.4	1,266.8

is a large cluster of people close to the poverty line in Timor-Leste, which implies that the number of people in poverty can be influenced strongly by economic growth. Economic contraction over the past

⁷ For example, in 1998-2000 agricultural value added per worker was about \$460 in India, \$340 in Bangladesh and \$370 in China, but in Thailand and the Philippines value added per worker was about \$1,100, in Indonesia about \$850 and in Malaysia about \$7,700 in the same period. (All figures adjusted to 2000 prices.) World Bank, *World Development Indicators*, 2002. Washington DC, April 2002.

⁸ Government of Timor-Leste et al, *Timor-Leste, Poverty in a New Nation: Analysis for Action*. May 2003

three years has likely resulted in an increase in the number of people below the income poverty line. The SIP framework includes an estimate of some 370,000 people – or 41 percent of the population below the national poverty line in 2003 (Table 9). Moreover, it is likely that more than 20 percent of the population continues to live on less than US\$1 a day, which translates into about 190,000 or more who are in extreme poverty. Survey information also suggests that a large numbers of rural dwellers, particularly in upland and dryland farming areas, continue to face problems of food insecurity.

Table 9 also sets out the planned progression towards the MDG goal of halving the incidence of extreme poverty by 2015. As the Table indicates, even with progress in reducing the incidence of poverty, the total numbers of people affected is likely to rise over the medium-term. The combination of weak growth for two more years and continued rapid population growth results in a steady increase in the number of people in poverty. Strong growth beyond 2007 begins to have an impact on poverty, but even though the incidence of poverty begins to decline and by 2010 drops to 36.5 percent – an improvement over the situation in 2001 – the total number of people in poverty is still about 400,000 in 2010. With sustained strong growth of six percent a year, there is a reasonable expectation that the incidence of income poverty can be reduced to 20 percent by 2015. Even so, there would still be about 250,000 below the income poverty line at that time. The core of the poverty problem over the longer term centers on the 175,000 in extreme poverty who, for various reasons, continue to subsist on the equivalent of less than \$1 a day, and who continue to have inadequate levels of food intake. Over the longer term, poverty reduction programs must be able to identify these people and address the root causes of their poverty with appropriate targeted interventions.

The above prospects for income poverty reduction need to be balanced against progress in providing access to basic services. In this regard there has been progress, the details of which are discussed elsewhere in this report. Some 250,000 children now attend school. Health services have been expanded and now reach larger numbers of people. There has also been progress in expanding access to safe water and improved sanitation in urban and rural areas. And as discussed elsewhere in this report, implementation of the programs set out in the various SIPs will result in significant increase in access to basic health and education services throughout the country, a large increase in the number of urban and rural families that have access to safe water and sanitation, and within the next five years, good progress in laying the foundations for substantially enhanced access to low cost electricity in many parts of the country.

UNCERTAINTIES ABOUT GROWTH AND POVERTY REDUCTION

These prospects for a sharp reduction in the incidence of income poverty must be qualified, however; a number of major uncertainties surround these growth forecasts and their impact on poverty. Among the major downside risks are the following:

- Slower overall economic growth because of a poor performance in agriculture.
- An inability of Timor-Leste to attract \$60 million a year of private capital for investment in the non-food private sector, as discussed in Chapter 1. As a result, the growth of the non-food private sector is much lower as is GDP growth.
- Higher population growth as a result of a successful reduction in mortality rates, but with no corresponding reduction in fertility rates.
- A rapid growth in the labor force as a result of rising participation rates (and also because of natural increase).

Given that the bulk of the population will continue to reside in rural areas and depend on agriculture for their livelihood, the growth performance of the agricultural sector will have a

significant bearing on the extent of poverty reduction. Annex III includes a brief review of the potential for commercial agriculture. A key issue is developing better links with markets and other interventions that will improve incentives for farmers to produce marketable surpluses and for business to invest larger amounts in commercial opportunities. If however, the long-term agricultural growth rate is only say 2 percent a year – not the 3.5 percent a year built into the base case projections, the GDP growth would be about 10 percent lower. In this scenario, average output per laborer in agriculture would decline in real terms throughout the decade ahead. In these circumstances, it is very likely that the exodus from agriculture would accelerate; led by younger, better education people who are looking for work. A sustained poor performance in agriculture would very likely place substantially greater strains on urban areas to create opportunities for an improved life.

Another major uncertainty centers on whether the country can successfully attract \$60 million a year of new investment into the non-food private sector. Much work remains to be done in identifying these business opportunities, lowering the costs of infrastructure services, improving the overall environment for investment and in developing suitable export markets. What happens if the level of private investment remains stuck in the range of \$15 million a year – close to the estimated recent levels? In this case, the growth rate of the non-food private sector would average about three percent a year – not the eight percent a year in real terms called for in Chapter 1. As a result, non-oil GDP would grow at no more than four percent a year in real terms. In these circumstances, it is very unlikely that the non-food private sector would create anywhere near enough new employment to meet the needs of an urban labor force projected to grow at six percent a year in the decade ahead. In the absence of other measures, this would almost certainly result in continued high levels of unemployment and under employment, especially among young people, that in turn could lead to increased social and political strains.

Table 10: Alternative Scenarios for GDP and Labor Force Growth
(Non-oil GDP at 2000 constant prices)

Growth Scenario	Amount			Growth rate (% p.a.)	
	2003	2007	2015	2003-2007	2007-2015
A. High GDP growth & slower labor force growth					
Non-oil GDP (US\$ mill)	322.5	339.9	545.0	1.3	6.1
Non-oil GDP per capita (US\$)	360	340	430	(1.4)	3.0
Labor force ('000)	281.1	319.6	402.9	3.2	2.9
Non-oil GDP per worker (US\$)	1,147	1,064	1,353	(1.9)	3.1
B. High GDP growth & high labor force growth					
Labor force ('000)	281.1	344.0	515.7	5.2	5.2
Non-oil GDP per worker (US\$)	1,147	988	1,057	(3.7)	0.9
C. Low GDP growth & slower labor force growth					
Non-oil GDP (US\$ mill)	322.5	339.9	465.0	1.3	4.0
Non-oil GDP per capita (US\$)	360	340	370	(1.4)	1.1
Labor force ('000)	281.1	319.6	402.9	3.2	2.9
Non-oil GDP per worker (US\$)	1,147	1,064	1,154	(1.9)	1.0
D. Low GDP growth & high labor force growth					
Labor force ('000)	281.1	344.0	515.7	5.2	5.2
Non-oil GDP per worker (US\$)	1,147	988	902	(3.7)	(1.1)

Yet another major uncertainty relates to the growth in the labor force. The estimates for new entrants into the labor force discussed in the previous Chapter are lower than previous estimates based on survey and other data. There is reason to believe that the current labor force participation rate for Timor-Leste of 59 percent is on the low side. The average labor force participation rate for all low income developing countries has been remarkably stable over time at

about 78 percent.⁹ At about 70 percent, the participation rate for males in Timor-Leste looks especially low. The average male participation rate for low income countries is over 90 percent according to World Bank data. This raises the possibility that labor force participation rate may rise in the decade ahead as more children have access to basic and advanced education and population continues to move from rural to urban areas. More rapid increases in participation rates would raise the labor force growth rates. The National Statistics Directorate has prepared an alternative scenario for labor force growth in which the participation rate rise to about 75 percent by 2015 – a level that prevailed in Timor-Leste in the 1990s. In this case, the labor force would rise to about 515,000 by 2015. In this scenario, the number of new entrants into the labor force would average 20,500 a year in the decade ahead – double that in Table 7 above.

The four scenarios set out in Table 10 give different combinations of economic and labor force growth:

- Scenario A is the base case discussed in Chapter I above – a recovery to sustained strong economic growth, with steady improvement in output per workers and rising income per person. As discussed earlier, there is steady progress in reducing the incidence of income poverty in this scenario.
- In Scenario B there is no change in the economic growth performance of the country, but labor force participation rates rise and the labor force grows at 5 percent a year. In this scenario, output per worker essentially stagnates for the decade ahead. In these circumstances it is difficult to see much progress in reducing the current high incidence of income poverty.
- Scenarios C and D summarize the implications of slower economic growth when the labor force grows at 3 percent and 5 percent a year respectively. In these two cases, non-oil GDP per capita stagnates at current levels and in the case of rising labor force participation rates (Scenario D), output per worker declines steadily throughout the decade. In these scenarios, it is very likely that the incidence of income poverty in the country would rise beyond current levels of about 42 percent – perhaps to around 50 percent within the decade ahead.

These alternative scenarios serve to underscore the importance of a successful implementation of the strategies set out in the SIPs for growth, investment and service delivery.

⁹ According to the World Bank, the average labor force participation rate for low income countries was 79.2 percent in 1980 and 77.3 percent 2000. See *World Development Indicators, 2002*.

PART B: PUBLIC SECTOR EXPENDITURE PROGRAMS

The preceding Section of this report emphasized the importance of growth in reducing income poverty. But the reduction of poverty, very broadly defined, requires intervention across many fronts. Improved access to health and education, to electricity, safe water and improved sanitation all play a role in reducing poverty. Moreover, adequate levels of national security are essential, not only because it is the right of every citizen, but because the adequacy of security has an important influence on the climate for private investment, which, in turn, affects the prospects for investment that can generate the incomes and jobs needed for reduced poverty.

The purpose of Part B of this report is to provide an overview of the expenditures proposed for each of the 15 sectors that, if implemented as proposed, will help lay the foundations for the sustained strong growth discussed in Part A, while at the same time, allowing for significant progress in addressing the above-mentioned wider dimensions of poverty. The Section also sets out the fiscal strategies that, over the longer term, will ensure the transition to an expenditure regime that is financially sustainable. Against this backdrop, Volume II of the report discusses the specific programs of the Government in each of the 15 sectors of the economy, along with the required expenditures needed to implement these programs.

IV. EXPENDITURE PROGRAMS AND PRIORITIES

TOTAL EXPENDITURES FOR EACH SECTOR

Table 11: Sectoral Allocations of Combined CFET and Donor Expenditures (US\$ mill)

Sector	FY1999/00-FY2003/04		FY2004/05-FY2008/09	
	Amount	Percent	Amount	Percent
Basic services				
Education & training	195.2	22.0	192.7	15.0
Health care	106.7	12.0	120.8	9.4
Sub-total	301.9	34.0	313.5	24.3
Production-related sectors				
Agriculture, forests, fisheries	70.6	7.9	64.8	5.0
Natural resources & environment	10.4	1.2	21.1	1.6
Private sector development	10.2	1.1	29.8	2.3
Sub-total	91.1	10.3	115.6	9.0
Basic infrastructure & housing				
Communications	7.1	0.8	17.8	1.4
Housing and Urban Development	5.2	0.6	13.7	1.1
Power	67.2	7.6	199.7	15.5
Transport	81.7	9.2	175.2	13.6
Water supply & sanitation	46.3	5.2	60.5	4.7
Sub-total	207.4	23.4	466.8	36.2
Governance				
Public sector management	113.9	12.8	108.7	8.4
Local government & civil society	10.7	1.2	25.1	1.9
Rights, equality & justice	30.4	3.4	44.8	3.5
Security & peacebuilding	64.5	7.3	131.7	10.2
External relations	37.8	4.3	23.0	1.8
Sub-total	257.3	29.0	333.4	25.9
Unallocated	29.9	3.4	59.4	4.6
Total development & technical	887.6	100.0	1,288.6	100.0
Memo items:				
Total CFET appropriations	302.5	34.1	511.8	39.7
UN funded critical posts	21.8	2.5	7.0	0.5
Bilateral military assistance	7.3	0.8	19.6	1.5
Donor programs	561.4	63.2	763.8	59.3

Source: Aggregation of expenditures in individual SIPs.

The SIP Model aggregates CFET and donor funded programs for each sector to provide a summary of total expenditures across all sectors. As noted elsewhere in this report, these expenditures refer to development and technical assistance that is either “On-budget” or “Off-budget.” The results of these aggregations for on-budget spending are set out in Table 11. Total spending would amount to \$1.29 million for FY2004/05 through FY2008/09, compared with about \$890 million in the past five years. CFET resources would fund about 40 percent of the proposed program compared to 34 percent in the past five years, a large amount of which was actually provided by donors in the form of budget support.

The proposed program would result in significant shifts in allocations of resources among sectors. The allocation for the power sector rises sharply because of the inclusion in the program of some \$112 million for the Ira Lalaro hydro-power project and associated 180 km. transmission line to Dili. With a sharply increased allocation for the transport sector as well, the share of infrastructure spending rises to about 36 percent of the total program, compared to 23 percent in the past five years. Education and training continues to receive a large allocation of resources, even though there is a drop in the share of total spending. As indicated in Chapter II of Volume II, the proposed levels of spending are sufficient to meet the interim MDG enrolment targets over the next five years. Spending on health care also rises, largely because of the proposed program for rehabilitation of hospitals and health clinics. The amount of resources allocated to the production-related sectors rises because of the substantially larger programs associated with the possible development of onshore and nearshore oil and gas. The share of resources allocated to security and peacebuilding also rises, largely because of increased allocations for capacity building in the PNTL.

In the previous five years, Public Sector Management (PSM) received the second largest allocation on a combined sources basis after education and training. For the five-year period ending FY2008/09, the PSM share of total spending drops to about 8.4 percent, largely because of the planned sharp reduction in expatriate advisers. The ‘unallocated’ category also shows a large increase. There are several reasons for the increase. A notional provision has been included here for the requirements of the two SIP programs that are still under preparation: these are the “Other Pillars of the State” and “Social, Civil and Heritage Protection”. When these two SIPs are completed in the coming months, the aggregate combined sources requirements will be revised to reflect the results of the work. The “unallocated” category also includes a modest amount of additional CFET expenditures for capital replacement and recurrent expenditures that are not yet allocated to specific sectors. The basis for these additional allocations is discussed later in this Chapter.

These proposed reallocations reflect the intention of the Government to adjust overall patterns of spending among sectors in the light of changing circumstances. The guidelines that will shape these reallocations are as follows:

- The Government remains committed to allocating a large share of total resources to health and education. The combined total for these two sectors would remain in the range of 25 percent of total spending, at least for the medium term. The past high allocations reflect, to some extent, the inclusion of development partner-funded compensation for the large numbers of expatriate staff in these sectors.
- The Government wants to see a larger share of resources going into building and maintaining the basic infrastructure of the country. Under the proposed programs the share of resources allocated for infrastructure rises from 23 percent to 36 percent. If the \$112 million allocated for the Ira Lalaro power project and transmission line were excluded from the above, infrastructure would then be about 30 percent of total spending.
- The Government also recognizes the importance of ensuring national security and therefore intends to allocate a somewhat larger share of resources to these programs.

RECURRENT AND CAPITAL EXPENDITURES

In the course of the SIP exercise, an effort was made to estimate capital and recurrent spending that is “on-budget” in each sector. An aggregation of the results is set out in Table 12. Two important sets of issues about expenditure policy emerge from this Table. The first concerns capital expenditures. Over the past five years, capital spending by the public sector on development-related activities is estimated at about \$300 million, three-quarters of which was

funded by the partners of Timor-Leste. A matter of growing concern for the Government is to ensure that the public assets of the country are adequately maintained and, as necessary, rehabilitated. At this time, there are no reliable estimates for the total value of the public assets, including infrastructure, of the country. A very informal estimate developed as part of the SIP exercise puts the replacement cost of these assets in the range of \$500-600 million. If the average life of the assets is 15 years, capital replacement expenditures would need to average around \$35 million a year. This is substantially higher than what is currently provided for in the CFET budget. In recognition of these needs, the Government intends to raise the allocations for maintenance and replacement of capital in the coming years. While no final decisions have been made on the amounts involved, the SIP exercise includes an increase in CFET-funded capital expenditures to \$25 million by FY2008/09. This would lift CFET capital spending from the level of about 3.5 percent of non-oil GDP in the recent past to almost 6 percent by FY2008/09. For the longer-term, CFET funding of capital expenditures would need to rise to around 9 percent of GDP to meet requirements for capital replacement as well as new asset creation. The sharp rise in donor funding of capital expenditures in FY2005/06 through FY2008/09 stems mainly from the large investment program for the Power Sector discussed earlier in this Chapter.

Table 12: Trends in Capital and Recurrent Expenditures by the Public Sector in Timor-Leste (US\$ millions)

Type of Expenditure	FY2000/01	FY2001/02	FY2002/03	FY2003/04	FY2004/05	FY2005/06	FY2006/07	FY2007/08	FY2008/09
Recurrent expenditures									
CFET	29.5	46.7	64.0	66.1	66.7	76.7	84.7	92.4	101.7
Donor programs	69.4	76.3	70.3	68.9	80.1	68.0	55.8	49.6	30.6
Sub-total	98.9	123.0	134.3	135.0	146.8	144.7	140.5	142.0	132.3
Capital expenditures									
CFET	21.7	10.5	14.6	13.2	11.2	14.8	17.6	21.0	25.1
Donor programs	51.2	69.4	48.8	39.0	39.1	74.7	100.9	99.0	75.8
Sub-total	72.9	79.9	63.4	52.2	50.3	89.5	118.5	120.0	100.9
Total expenditures									
CFET	51.2	57.2	78.6	79.3	77.9	91.5	102.3	113.4	126.8
Donor programs	120.6	145.7	119.1	107.9	119.2	142.7	156.7	148.6	106.4
Total	171.8	202.9	197.7	187.2	197.1	234.2	259.0	262.0	233.2
Memo items									
CFET as % total expenditures	29.8	28.2	39.8	42.4	39.5	39.1	39.5	43.3	54.4
Recurrent as % GDP	28.9	34.6	39.6	39.9	42.3	40.2	37.1	34.9	30.0
Capital as % GDP	21.3	22.5	18.7	15.4	14.5	24.9	31.3	29.5	22.8

The second set of issues relates to recurrent spending policies. As Table 12 indicates, the Government expects a gradual reduction in funding by the partners of Timor-Leste of recurrent expenditures. The SIP exercise makes provision for CFET allocations for recurrent outlays to rise to about \$100 million by FY2008/09, with partner funding declining to \$30 million. This means that CFET would be funding more than three-quarters of recurrent expenditures by FY2008/09. This represents a significant shift from the past four years when CFET domestic resources financed only about 20 percent of recurrent expenditures, with the balance covered by donor-funded budget support and direct bilateral financing. CFET funding of recurrent expenditures, which is currently equivalent to about 19 percent of non-oil GDP, would rise to about 23 percent by FY2008/09, consistent with the levels of funding required for steady progress towards the MDGs and other objectives set out in the various SIPs.

As Table 12 makes clear, by FY2008/09 CFET would be funding about 54 percent of total expenditures called for under the SIPs, compared with only 12 percent in FY2001/02 for example, when large amounts of CFET budget support were provided being provided by the partners of Timor-Leste. The proposed program sets forth a manageable transition to financial sustainability, while at the same time, addressing many of Timor-Leste's most urgent and difficult development challenges that center on poverty reduction.

PLANNED EXPENDITURE LEVELS ARE SUBJECT TO UNCERTAINTIES

The Government is well aware of a number of uncertainties associated with the proposed expenditure program. Four in particular need to be highlighted.

- Timely mobilization of new resources from the development partners and prompt disbursement of funds.
- Capacities of Government implementing agencies to ramp up their development programs.
- The likely future levels of donor assistance available to the country.
- Large uncertainties about future petroleum revenues, given the dependence of Timor-Leste on the Bayu Undun petroleum project and the volatility of world oil prices.

Mobilization and disbursement of new donor resources. The SIPs contain more than 200 new activities that will now need to be packaged into a smaller number of projects and programs. This packaging exercise has begun and the Government will soon start a round of discussions with donors to gain support for the various proposals in the program, all of which are described in Project Information Summaries that are being made available to development partners. The prioritization of programs within each sector by individual ministries and agencies has resulted in a schedule of new approvals for each of the next three years. The proposals contained in the Annex Table 5 of each SIP are summarized in Table 13 below. The total of the new approvals included in the SIPs amounts to about \$550 million, \$152 million of which is in the power sector for several large new projects aimed at expanding access to electricity in key centers of the country. The average level of new approvals of development and technical assistance for the next five years is therefore \$110 million a year, of which \$80 million a year would be for sectors other than Power. This compares with average approvals of comparable development and technical assistance of a little over \$150 million a year during the five-year period FY1999/00 through FY2003/04. In other words, The Government has already factored into its forward financial planning a somewhat lower level of development and technical assistance, compared with the extraordinary levels that prevailed in the past as a result of the urgent need to rehabilitate much of the economy and to fund the high cost of expatriate advisory staff.

Table 13: Proposed New Donor Funding to be Approved Each Year

	FY2004/05	FY2005/06	FY2006/07	FY2007/08	FY2008/09	Total
Education & training	10,408,000	44,421,000	5,900,000			60,729,000
Health care	20,495,320	12,698,000				33,193,320
Agriculture, forestry, fisheries	13,240,000	8,250,000	6,250,000	5,400,000	1,750,000	34,890,000
Natural resources & environment	8,725,000	3,450,000	1,000,000			13,175,000
Private sector development	12,275,000	8,550,000	-	5,000,000		25,825,000
Communications	2,311,150	5,594,600	900,000			8,805,750
Housing & urban development		5,635,000	5,365,000	160,000		11,160,000
Power	1,350,000	92,825,000	29,500,000	8,700,000	20,000,000	152,375,000
Transport	2,850,000	26,100,000	21,450,000	10,000,000		60,400,000
Water supply & sanitation	-	18,892,000	8,930,000	8,000,000		35,822,000
Public sector management	371,000	52,200,000	3,450,000	8,000,000		64,021,000
Local government & civil society	2,200,000	1,000,000	5,000,000	2,000,000	2,000,000	12,200,000
Rights, equality & justice	15,892,000	2,100,000	6,450,000			24,442,000
National security	5,600,000	3,750,000	30,000			9,380,000
External relations & cooperation	3,452,000	1,230,000				4,682,000
Total new approvals	99,169,470	286,695,600	94,225,000	47,260,000	23,750,000	551,100,070
Memo item:						
Disbursements from new approvals	32,373,332	114,250,640	151,853,348	132,705,050	89,591,700	520,774,070

Source: Annex Table 5 of each SIP

Note: excludes bilateral military assistance.

The Government is taking steps to create Sector Working Groups (SWGs) for each of the key sectors. The steps being taken in this regard are discussed in more detail later in this Section. The intention is to build the SWGs as the primary mechanism for discussing with donors proposed programs and priorities within each sector and for ensuring that appropriate funding arrangements are in place for each sectoral program. The most urgent task is to reach early agreement with donors on the proposed new approvals amounting to \$126 million of projects that the Government would like to start implementing in the year ahead. In the case of Education and Training for example, Table 13 indicates that some \$60 million of new proposals would require donor support over the next three years, equivalent to an average level of new commitments of \$20 million a year. To the extent that some proposals do not attract donor support, the Government may have to consider alternative funding arrangements or may need to defer the start-up of the project or program.

Absorptive capacities of Government agencies. The proposed program calls for disbursements from these new approvals in the amount of \$32 million this year. There has been some progress in mobilizing these required new levels of support, but at this stage this estimate of new disbursements appears overly optimistic. It is unlikely that a sufficient number of these new projects can be started quickly enough to allow for this level of disbursements, even if funding agreements are in place for all activities. A substantial part of the program is technical assistance that can probably be mobilized quickly. However, there are also a number of large civil works programs involving construction and/or rehabilitation of facilities such as schools and hospitals, procurement action for which may take time. The disbursements for the current fiscal year will almost certainly be somewhat lower than projected in the current versions of the individual SIPs. In subsequent tables in this chapter, the disbursement schedules for new projects have been adjusted to reflect more realistic levels of expenditures from new projects and programs.

The Government is very conscious of the fact that in some cases, proposals for increased levels of spending may only be realized if the planned improvements in capacities of the relevant agencies to manage larger programs are in fact realized. The SIPs have built in various programs to help expand these capacities, but slippage in some areas cannot be ruled out, in which case there may be a slower build up in expenditures over the medium-term. As has been the case in recent years, the Government will monitor spending capacities closely and, if need be, adjust sectoral allocations should that prove to be needed. In any event, the Government attaches a very high priority to the range of programs built into the SIPs that aim to build institutional and human capacities for effective design and implementation of public programs. The Government will want to work closely with development partners to ensure that appropriate attention is given to building implementation capacities in each of the sectors.

Overall levels of donor assistance. The third area of uncertainty relates to overall levels of assistance that are likely to be available to Timor-Leste in the medium and longer term. Table 14 provides a summary of the trends in international financial support for Timor-Leste for the ten years under review in the SIPs. The main point is that there is a steady downward trend in levels of support. If UNPOL and PKF operations are excluded, total support (as measured by annual disbursements) trends down from the high of \$236 million in FY2000/01 to about \$106 million in FY2008/09, assuming that the programs in the SIPs are implemented as proposed. If UNPOL and PKF operations are included, the peak level of assistance was \$519 million in FY2000/01.

Table 14: Trends in International Assistance for Timor-Leste (US\$ millions)

Type of Assistance	FY1999/00	FY2000/01	FY2001/02	FY2002/03	FY2003/04	FY2004/05	FY2005/06	FY2006/07	FY2007/08	FY2008/09
Development & TA on-budget										
Ongoing	63.0	120.6	145.7	119.1	107.9	108.2	57.7	31.7	13.6	6.4
Proposed new (adjusted)						11.0	85.0	125.0	135.0	100.0
Sub-total	63.0	120.6	145.7	119.1	107.9	119.2	142.7	156.7	148.6	106.4
Development & TA off-budget	26.6	33.6	33.4	36.7	25.8	16.3	7.7	3.0	3.1	-
UN Security Council posts				13.8	8.0	7.0				
Humanitarian assistance	84.1	29.7	11.8	3.4	1.8	0.9				
Budget & commodity support	27.1	44.6	31.8	31.1	32.6	21.8	1.5			
Donor administrative expenses	1.1	7.3	5.5	4.6	4.5	3.9	3.3	1.1	0.5	
Total assistance	201.9	235.8	228.2	208.7	180.6	169.1	155.2	160.8	152.2	106.4
Memo items:										
UNPOL & related	33.1	51.9	45.4	26.7	15.7	5.1				
UN PKF	65.6	231.1	145.0	104.4	74.7	12.9				
Grand total	300.6	518.8	418.6	339.8	271.0	187.1	155.2	160.8	152.2	106.4

Source: REA Database.

Note: bilateral military assistance programs not included in these data.

In preparing the SIPs, the Government has looked beyond FY2006/07 to gauge, for planning purposes, possible levels of support that may be available while bearing in mind that Timor-Leste will still be classified as a low income developing country. Data published by the World Bank indicates wide variation in levels of aid per capita. After excluding post-conflict countries such as Bosnia Herzegovina and Macedonia, these data suggest upper levels of around \$100 per capita per year. These higher levels are often associated with countries that have strong economic performance supported by effective development policies. A sample of eight countries that receive high levels of aid per capita, but have varying degrees of development performance yields an average of \$80 per capita per year for 2000.¹⁰ For planning purposes, the Government has factored into its longer term financial planning an assumption of official assistance of \$80 per capita per year. Given the population projections set out in Table 3 above (Chapter II), this suggests access to external assistance in the range of \$85 million from 2010 onwards.

The second point concerns the use of donor funding. The Government expects to phase out direct budgetary support during the period under review, but does want to maintain “On-budget” development and technical assistance programs in the range of \$110 million a year on an approval basis through the end of the NDP period, 2002-2007. This level of support is essential for an effective transition to a more sustainable financial position and to maintain the high levels of investment needed to lay the foundations for a strong economic recovery. Beyond the Plan period, and assuming that domestic revenues improve along the lines projected, the Government anticipates some decline in levels of development and technical assistance from donors. As noted in the previous section, this assistance is assumed to run at about \$80-85 million in the longer term, and as long as Timor-Leste is designated as a low developing income country.

Uncertainties about petroleum revenues. Timor-Leste is subject to extremely large uncertainties about the amount of revenues that it will raise itself. The principle cause for these uncertainties concerns its petroleum revenues. Three issues in particular are important in this regard:

- First, the domestic revenues of Timor-Leste are heavily dependent on petroleum. This is despite the considerable efforts being made to expand non-petroleum revenues. While petroleum revenues are uncertain, they will probably account for about 80 to 90 percent of total revenues over the medium-term.
- Second, the only material source of petroleum revenues is from one petroleum project, the Bayu Undan field (although within the next two or three years, the Phoenix field exploration may commence). While that may change with a successful

¹⁰ The eight counties are Albania, Lao D.R., Mauritania, Mongolia, Mozambique, Namibia, Papua New Guinea and Zambia. With the exception of Mongolia and Zambia these countries all experienced strong economic growth during the 1990s that averaged almost 5% a year (on an unweighted average basis).

resolution of maritime boundary disputes with Australia or if new petroleum projects proceed, currently any technical or production problems with Bayu Undan have a direct effect on Timor-Leste revenues. For example, the drilling problems at Bayu Undan in late 2003 led to a dramatic fall in expected revenues. While the operating companies were subsequently able to recover from some of these problems, and rising world oil prices more than restored revenues, similar problems could occur in future. The Bayu Undan project will not be completed until the pipeline and LNG plant are built and fully operational. Risks to revenue remain particularly high until the development phase of Bayu Undan is fully completed and operations have proven to be successful.

- Third, world oil prices have been, and will continue to be extremely volatile. Over the last ten years, world oil prices per barrel have ranged from a low of about \$10 in the late 1990s to a high of about \$55 in 2004. For half of the last ten years the price has been below \$24. With current world oil prices still around \$50 there is considerable risk that they will fall again. Indeed, world oil futures markets expect the price to decline to about \$45 in 2005 and to continue to decline thereafter.

Furthermore, volatility in world oil prices leads to a disproportionate change in Timor-Leste revenues. Much of this revenue is based on the profits of Bayu Undan rather than its sales. When high capital costs are considered, a 10 percent change in world oil prices could lead to a 20 or 30 percent change in Timor-Leste revenues over the medium to long term. Therefore, changes in Timor-Leste revenue will probably be even larger in percentage terms than changes in world oil prices.

For these reasons, changes in Timor-Leste revenues are to be expected, though it is unclear whether these will involve higher or lower revenues, or whether the changes will be large or small. Prudent financial management suggests that the country should plan on the basis that the current very high levels of petroleum prices will not be sustained and that they will trend down in the coming years. It is for this reason that the Government intends to take a cautious approach towards the future use of periodic windfall gains from temporarily high petroleum prices. Any significant downward revisions to the petroleum revenues would require Timor-Leste and Development Partners to reconsider their development strategy for reducing poverty and reaching the MDGs in Timor-Leste.

V. MANAGING THE PROGRAM

The proposed program for accelerated growth and steady progress towards the NDP and MDG objectives will not be without difficulties, given the daunting task in the immediate future of building the capacities of national institutions and staff to manage successfully the changing development requirements of the country. It will require strong support from our Development Partners, including continued access to expertise and advice on the successes and failures in development in other countries around the world. Given the importance of CFET funding for capital expenditures, it will also require a major build up in capacities of national staff to manage the identification, design and implementation of these capital development programs. It will require changes in the management of development programs that are responsive to the changing circumstances and capacities of the country.

THE TRANSITION FROM DEPENDENCE ON TFET

Management of the program over the medium-term will require flexibility in adjusting funding arrangements to the changing circumstances of the country. In this period, the TFET operation as

we know it today will come to a close. Moreover, within a few years the Government expects to discontinue reliance on direct support of the kind that is currently provided under the TSP program. Other mechanisms will be required for the provision of development assistance over the medium- and longer-term, given that the Government expects that in time an increasingly large share of the ongoing partner assistance will be used for capital investments of one kind or another.

The Government has already opened a dialogue with donors regarding the transition from TFET and in that connection several options have been tabled. The Government would like to continue these discussions with the donor community and reach agreement on the mechanisms that will be needed for the medium and longer term. Guidelines need to be developed to facilitate close cooperation and clear understandings between Development Partners and the Government regarding options for funding. The following outlines some of the key considerations for these discussions. First, given that the Government expects to continue to rely on some form of program support for several more years, the current TSP arrangements would continue to be used to channel donor resources direct to the budget, within a new perspective – that of Consolidation – and within the scope of the recently adopted Consolidation Support Programme I (CSP I). This mechanism would continue to be used to establish benchmarks for performance related to the formulation and implementation of policies, and to program design and implementation.

Second, to facilitate the transition from TFET, the Government foresees reliance on three mechanisms for the delivery of those aid resources that are not channeled through the TSP program. These would be applicable to specific projects and program assistance:

- One is to continue to rely on established mechanisms for the design and implementation of individual bilateral and multilateral projects and programs. Under these arrangements, our partners are expected to give close attention to the priorities for projects and programs as articulated in the SIPs and align their support with these activities. In these cases, the donors would continue to assume primary responsibility for the design and execution of each program, in close consultation and coordination with the relevant ministry that is the agreed domestic counterpart.
- The second possible mechanism will be increased reliance on existing cofinancing arrangements among development partners. Under these arrangements, the Government would look to the Asian Development Bank, UN agencies and the World Bank to act as executing agent on behalf of those donors who, for one reason or another, don't wish to take on the task of identifying, designing and implementing particular projects. The UN Agencies and the World Bank have already been active in using this mechanism. The Government would want to explore with its partners further possible use on such arrangements on a case by case basis.
- A third possible mechanism would be a variant of the already established cofinancing mechanism. Under this third option, a particular partner may act as executing agent on behalf of one or more other partners. But the Government of Timor-Leste would assume greater responsibilities for the design and management of the project, while working very closely with the partner designated as the executing agent. The responsible Government agency would play a major role in project design, in drawing up procurement procedures, in undertaking environmental and other assessments as necessary, and in oversight and supervision of project implementation, along with the many other activities typically associated with the project cycle. Under these arrangements the agency within the Government who is responsible for the project would be expected to play an active role in making decisions on the release of funds that might be held in a special project account. The objective under this mechanism is to accelerate the training of national staff in all

aspects of the typical project cycle. The partner designated as executing agent would be expected to play an important role in helping develop these skills.

Third, because of the importance of employment creation, the Government wants to promote greater reliance on domestic sources of supply in the design and implementation of these bilateral and multilateral programs, consistent of course with prudent and cost effective procurement. As the SIP for Private Sector Development indicates, the Government intends to examine the merits of using preferences for local suppliers in contract awards, as well as the feasibility of using domestic content rules to facilitate the further development of domestic business. Concerted efforts by the partners of Timor-Leste to source supplies from local business can make an important contribution in the task of creating productive employment opportunities for perhaps as many as 15,000 new entrants into the labor force, as discussed in Chapter II.

The Government looks forward to further discussion with donors on these mechanisms to ensure a smooth transition away from reliance on trust funds as the role of TFET comes to a close in the next few years.

ISSUES RELATED TO DEVELOPMENT PARTNER COORDINATION

The successful completion of the first full cycle of SIPs for all key sectors of the economy is a milestone in the continuing evolution of working arrangements with development partners, commonly referred to as donors. For the first time, the Government has prepared a comprehensive set of sectoral policies and programs that cover almost all aspect of development

Table 15: Donor Coordination Indicators

Sector	No. of active donors	
	FY2002/03	FY2003/04
Basic services		
Education & training	12	9
Health care	12	12
Production sectors		
Agriculture, forestry, fisheries	14	11
Natural resources, environment	10	6
Private sector development	7	6
Basic infrastructure		
Communications	9	6
Housing and urban development	3	2
Power	7	5
Transport	5	3
Water supply & sanitation	8	6
Governance		
Public sector management	19	18
Local government & CSOs	16	16
Rights, equality & justice	15	10
Security & peacebuilding	20	15
External relations & coordination	6	3
Total		
Average per sector	11	8

in Timor-Leste. In the course of the work, a number of issues emerged that were common to many of the SIPs. In a number of sectors, especially those where TFET had not been active, there was a tendency towards large numbers of relatively small, interventions by donors, with little evidence of effective coordination among our partners or with the responsible government agencies. In a number of cases, progress in building sectoral policies and programs were hampered by differing approaches being taken by various donors. One example is from the Justice Sector where training programs have reflected legal backgrounds and traditions of the donors who provide the funding, which has not necessarily been in keeping with the requirements of Timor-Leste. Another is in police services where the absence of a set of standardized operating procedures for Timor-Leste as a whole has led to a proliferation of approaches

to police procedures, the rectification of which will take time and effort. With the advent of SIPs it should now be possible to ensure that there are common approaches adopted by all partners and that there is uniform and coordinated support for the policies and procedures to be followed in each sector. That said, the Government will, as always, welcome the input of Development Partners in the periodic review of these sectoral policies and programs.

Table 16: SIP Sectors Classified by Donor Activity and Proposed New Programs

Number of new proposals	Number of active donors	
	Less than 10	Ten or more
Ten or more	Education & training	Agriculture, forestry & fisheries
	Natural resources & environment	Rights, equality & justice
	Private sector development	Health care
	Transport	Public sector management
Less than ten	External relations and cooperation	Local government & CSOs
	Housing & urban development	Security & peacebuilding
	Communications	
	Power	
None	Water supply & sanitation	

Table 15 provides information on the number of partners that have been active in each over the past two years. It also lists the sectoral distribution of the proposed new activities that have been identified in the SIP exercise. A

number of points emerge. First, there are several five sectors in which there are a small number of proposed new starts and a small number of active donors (Table 16): Power Communications, Housing and other, External Relations, and Water Supply and Sanitation. Presumably it should not be too difficult to reach agreement on appropriate arrangements for funding and improved coordination in these sectors. Second, there are four sectors in which there are a small number of active donors and a large number of new proposals: Education and Training, Natural Resources and Environment, Private Sector Development and Transport. In these cases, there may need to be close attention to packaging programs in ways that will facilitate effective implementation without excessive numbers of small activities with each donor. Third, there are four sectors with a large number of active donors and a large number of proposed new activities: Agriculture, Forestry and Fisheries; Rights, Equality and Justice; Health Care; and Public Sector Management. Again, there will be a need for close attention to the overall approach in these sectors. There would be little merit in having a large number of active donors involved in many separate activities. This is likely to put unnecessary burdens on the relevant ministries with respect to coordination. The Local Government and Community Development Sector is characterized by a large number of development partners and a very small number of new activities. In this case, a few partners may take the lead in the program, or alternately several partners of Timor-Leste may enter into cofinancing arrangements with other donors who would like to be associated with the program. The latter may be especially appropriate for the proposed new Community Development Fund for local government. In the case of the Security and Peacebuilding Sector, there are a small number of programs proposed, but there are a large number of development partners who are active in the sector. This will require close attention to coordination mechanisms.

The challenge now is to ensure that coordination mechanisms between the Government and the donor community are strengthened. This must be done in ways that promote continuing Government interaction with Development Partners on the evolving policy, program and funding issues in each sector. Work programs will evolve and new policy and capacity building challenges will emerge. The policy and program elements of each SIP will therefore need to be updated. That may require specialized technical support for the Government agency that has the lead responsibility for the SIP. This support will be needed during the periodic updates of the SIP report.

NEXT STEPS IN DIALOGUE WITH DEVELOPMENT PARTNERS

As noted above, the SIP process has identified more than 200 new activities and programs across the 15 sectors that are proposed for approval and start up of implementation during the next five years. These programs have been prioritized within sectors by indicating the fiscal year in which they would start implementation. A Project Information Summary has been prepared for each

activity and program. These summaries give details about the activity, including for example, objectives for the program, the Government agency responsible for the program, start-up dates, and disbursement activities. The total amount of the proposed new approvals adds to about \$550 million. The Government would give priority to early agreement with donors on the approximate \$130 million of new approvals proposed for the year ahead. A process of consultation has already been launched to achieve this objective.

Not all of these proposals would necessarily be implemented as separate projects and programs. The expectation is that a number of the smaller activities would be packaged into larger programs and projects within each sector. A simple example: there are several separate activities listed for the Prisons program. The Government would like to agree with a donor on a single Prisons Project that includes all components. In some cases, there may be a need to package programs across sectors to ensure appropriate coordination of activities among sectors. An example may be some of the watershed protection activities that involve a number of different agencies. In the event that some of the high priority programs are not funded by our partners in FY2004/05, various adjustments may be required in the program or alternate arrangements made for their funding.

Moreover, there are many important cross-sectoral linkages among these programs. Steps are being taken as part of the SIP program to strengthen inter-agency coordination in the design and implementation of programs among sectors. Examples include timely support from the Water and Sanitation Sector for new school construction programs, close collaboration between the programs that expand access to safe water and the Health Ministry.

NEXT STEPS IN THE SIP PROCESS

The Government has benefited from the preparation of these SIPs in a variety of ways and intends to strengthen and broaden the process. The SIP process will be continued. It will be used to guide decisions on resource allocations for the medium term by building the results of the work into the budget and other planning activities of the Government. A number of initiatives are already underway or are being planned:

- Under TSP III the Government has committed itself to the development of a combined resources budget for FY2005/06. The integration of the SIPs with the combined resources budget is central to the Government's efforts to have at its disposal an integrated framework that will allow informed decision making on the deployment of both CFET and donor resources in pursuit of agreed development objectives.
- Additional work is needed to review and refine a number of the proposed development benchmarks for the medium-term that have been built into the draft SIPs. Such reviews will focus on development of institutional and financial capacities to achieve these targets, and in some cases whether there is a need for more aggressive progress towards key objectives identified in the SIPs.
- Closely related to ongoing assessments of the financial costs of various programs, is the need to improve the reliability of information on the unit costs for delivery of various government services. Many of the historical data currently available are heavily influenced by the inclusion of expensive expatriate labor services in the cost estimates. More work is needed to improve the reliability of these cost estimates.
- The SIP exercise has also been hampered by incomplete information about the assets of the country the upkeep and management of which is the responsibility of the Government. These include various types of equipment, facilities such as schools and hospitals, and infrastructure such as roads and ports. Incomplete information has

hampered efforts to determine appropriate allowance for maintenance and capital replacement expenditures. Steps are to be taken to address this problem.

Formation of sector working groups. The SIP process has highlighted the need to strengthen capacities within the Government for longer term strategic planning across various sectors that integrates concerns about the growth and movement of the population, with the provision of economic opportunities, basic services and national security. The Government intends to take steps to strengthen these capacities. As a first step, the Government has begun the formation of Sector working Groups (SWGs) for some or all sectors. These working groups to be chaired by a senior Government official and are open to any donor who has an interest in the particular sector. Sector Working Groups for the Health Care, Agriculture and Basic Infrastructure have already been formally established. The Government expects the formal establishment of the SWG for Education and Training by May 2005, followed by the gradual establishment of the remaining groups within this calendar year.

The responsibilities of the groups will evolve in the light of experience, but are expected to range from informal advice to the agencies of Government that are responsible for the sector in question to a more wide-ranging role. The groups will have the onerous task of mobilizing the necessary resources to carry out the proposed SIP program, and at the same time ensure coordination of activities within the sector. The role of the group might be further enhanced by asking donors with ongoing programs in the sector to share lessons learned from their programs that can in turn be used to improve the design and execution of proposed new programs and projects. Each working group would also assist in various ways with the periodic updating of the SIP for their sector.

Given their critical role in driving the SIP process, extensive support will be needed from the donor community to ensure the success of these groups. One of the biggest challenges for the Government is strengthening the role and function of the secretariat within each SWG. Some SWGs will require technical support in the initial establishment phase of the secretariat, as well additional equipment and materials to assist the work of the SWG. The Government foresees that some sectors will also require the services of short-term technical consultants on annual basis to update the existing SIP reports; however technical support may also be needed during the course of the year for other important activities discussed within the SWG. Within the next few months the SWGs, with the assistance of the Ministry of Planning and Finance, will actively seek funding support from the development partner community to strengthen the role and function of the SWGs.

Increased attention to monitoring and evaluation in each sector. In reviewing various drafts of the SIPs, a number of donors have made the point that there was discussion of the arrangements needed within each sector for monitoring and evaluation (M&E) of progress towards goals and objectives. This was not an oversight on the part of the Government, but stemmed from a decision early in the SIP process to defer serious M&E work for each sector until the goals, objectives and programs were clearly established and agreed upon within government. With the release of the final versions of the SIPs, the Government believes that the basis now exists for serious work on the detailed definition of an M&E framework for each sector. The issue of monitoring and evaluation of sector objectives should be discussed within the respective SWGs. To ensure a fully effective system of M&E, the government is of the opinion that thorough discussions must be conducted before actual implementation of an M&E system for each sector. Such discussions will need to provide a consensus on what indicators are to be used, how information for each indicator will be collected (from surveys, or from periodic reporting by civil servants, for example), the frequency with which data will be collected, the assignment among government

agencies for the collection, storage and analysis of these data, related training programs and the costs of such M&E programs. The development partners involved in these sectors will be expected to guide the SWG in this issue and provide the necessary institutional support to ensure its effectiveness. It is proposed that a pilot initiative for the design and implementation of an M&E system be developed within one SWG as soon as possible. Experience with the development of this pilot can then be transferred to other sectors. The Government would welcome the support of one or more partners for this pilot initiative.

PART C: ANNEXES

ANNEX I. AN INTRODUCTION TO THE SIP PROCESS

THE ANALYTICAL FRAMEWORK

The framework developed for the SIP process has three components: (i) a strategic analytical model with projections to 2015; (ii) SIPs for each of 15 sectors of the economy that, taken together, cover the activities of the Executive Branch of Government and the Judiciary.; and (iii) brief summaries for each of the proposed new programs and activities identified in the SIPs. In addition, two other SIPs are currently being prepared. The SIP for Pillars of the State will deal with other key institutions of the country, including the Office of the President, the National Parliament, the Office of the Prime Minister, the Council of Ministers, and the Bank Payments Authority. The focus of the other SIP, which is titled Social, Civil and Heritage Protection, is on providing support to those sections of the population identified as most in need of special assistance or social protection. It also includes the need for civil protection in the event of small-scale periodic or seasonal adverse events, or large-scale unpredictable adverse events. These two SIPs will be completed within the next few months, after which the results will be incorporated into the overall SIP framework.

An integrated strategic framework has been developed to anchor the entire SIP exercise to key parameters such as population, GDP, labor force, and likely aggregate levels of CFET and development partner spending. The SIP strategic framework includes projections to 2015 for GDP by sector, population, including the numbers of people by age group and by sex category, urban and rural population, farm and non-farm labor force, and likely aggregate CFET and the resource availabilities of our partners. The demographic components of the model are all linked thereby ensuring a consistent set of projections for population, labor force and rural-urban migration.

The fifteen sectors for which SIPs have already been prepared are grouped around four main themes

- | | |
|---|--|
| A. Provision of basic services | <ol style="list-style-type: none"> 1. Education and training 2. Health care |
| B. Support for the production sectors | <ol style="list-style-type: none"> 3. Agriculture, forestry & fisheries 4. Natural resources & environment 5. Private sector development |
| C. Development of infrastructure services and housing | <ol style="list-style-type: none"> 6. Communications 7. Housing and Urban Development 8. Power 9. Transport 10. Water supply and sanitation |
| D. Strengthening governance | <ol style="list-style-type: none"> 11. Public sector management 12. Local government & civil society 13. Rights, equality and justice 14. Security, peacebuilding & reconciliation 15. External relations and cooperation |

Preparation of the individual SIPs was done in a progressive fashion, with experience from the initial phases of the work being used to strengthen subsequent analysis and support inter-agency discussions on sectoral priorities and linkages. Key points about the process used to prepare the individual SIPs are as follows:

- Each SIP includes a statement of goals and objectives for the sector as set forth in the Constitution, the NDP or the MDG framework. Where practical, these have been translated into specific performance benchmarks. For example, all the MDG targets for 2015 are included in the framework, along with targets for 2007 and 2010.
- Each SIP includes the existing or proposed policy framework for the sector, and a review of the major challenges facing the sector.
- A proposed sector work program for the medium-term is outlined in each SIP, along with ongoing and proposed new expenditures required to implement the work program. Where possible, estimates of expenditures are based on information about the unit costs of service delivery, capital replacement and maintenance costs of public infrastructure and other assets. These provided a basis for estimating the expenditures needed to meet specific targets for 2007 for such things as school enrolments, connections to safe water, and other indicators.
- Ongoing and proposed new expenditures of donors and CFET are included in the analysis, thereby ensuring that the expenditure framework is presented on a combined resources basis.

The SIP exercise has identified more than 200 high priority program and project activities that are proposed for funding and implementation over the next three years. The estimated cost of each activity is included in the sectoral expenditure framework, along with information for all ongoing activities. Within each sector, these proposed new activities have been prioritized by designating the year in which implementation would begin. Brief descriptions have been prepared for each activity. These individual activities can be readily fed into ongoing mechanisms that focus on likely donor and CFET funding.

COVERAGE AND SOURCES FOR INFORMATION

The SIPs include a large number of development and performance indicators and estimates of unit costs for delivery of various services. These data have been drawn from a variety of sources including the provision results of the 2004 census, and various surveys undertaken in 2001, 2002 and 2003 with the help of development partners. Where required information was not available, estimates have been made.

The SIPs have also drawn heavily on the vision of the NDP and the recently published report on MDG targets for Timor-Leste.¹¹ However, in almost all sectors, the ministries and agencies concerned have been constrained by the absence of agreed performance and service delivery targets for the medium-term. Individual agencies have begun to address the problem in the SIP exercise by formulating benchmarks and targets for 2007 and 2010 wherever practical. While the SIP exercise has helped address this gap in the planning framework, more work remains to be done in this regard.

These fifteen sectors account for the entire CFET budget, except for allocations to the Office of the President and the National Parliament. Similarly, they account for the majority of the development and technical assistance, as well as budget support, provided by Development Partners. Not included in the expenditure analysis, unless otherwise indicated, is humanitarian

¹¹ Government of Timor-Leste and United Nations, *Timor-Leste: Millennium Development Goals Report*, February 2004.

and emergence assistance and the bilateral programs of military assistance that are provided by several donors. Complete information is not currently available for the bilateral military assistance programs.

Expenditure data have been provided by the Ministry of Planning and Finance. Unless otherwise specified, these data are drawn from two sources. CFET budget appropriations data have been provided by the Budget Office for FY2001/02 onwards. CFET data for FY1999/00 and FY2000/01 are rough estimates based on aggregate data for CFET expenditures included in the National Development Plan. Information about external assistance to Timor-Leste that is included in the reports is obtained from the Registry of External Assistance (REA) database of the Ministry of Planning and Finance. Data for external assistance are as of December 31, 2004. These data have been made available through the generous cooperation of Timor-Leste's Development Partners. Development partner data has been supplemented with information provided by individual government agencies that have responsibilities for particular partner-funded projects and programs. The information about these programs includes assistance channeled by donors through international and local NGOs, as well as programs implemented directly by individual donors. Some data provided by donors is provisional and subject to change as work on individual projects and programs progresses.

The data presented in these reports covers capital and recurrent expenditures and therefore aims to present a total picture of development spending in Timor-Leste. However, as the report indicates, information on these two categories is incomplete in a number of areas. Estimates are based on the limited information that was available for individual activities and programs.

ANNEX II: POPULATION CHARACTERISTICS AND PROJECTIONS

A guiding principle for the Sector Investment Program (SIP) exercise was the use of a common set of demographic data across all sectors to ensure comparability and consistency on all matters related to the population of Timor-Leste. The purpose of this Annex is to describe briefly the basis for the population projections used in the SIP exercise. The preliminary population projections were prepared by the Direcção Nacional de Estatística.

The SIP exercise required six broad sets of information about the population of the country:

- Total population, with projections to 2015
- Current and projected age structure of the population
- Male and female composition of the population
- Current and projected urban and rural population
- Current and projected number of urban and rural households.
- Current and projected labor force.

The “*Preliminary*” status of these projections must be emphasized. These are a first set of projections, based on the information available in January 2005; the projections will be revised at a later time. The most important constraint is the currently available data. Provisional results from the 2004 Population and Housing Census were used as the starting point, but these will be replaced by the final Census results. Additionally, for the three key demographic variables; fertility (births), mortality (deaths) and migration, the data available for Timor-Leste are still limited and uncertain.

It is important that users understand that these population projections are neither predictions nor forecasts. They present the statistical outcomes of the selected assumptions about demographic factors that underlie population change. Many non-demographic factors are excluded from the projection assumptions, including the possibility of future catastrophic events such as epidemics, natural disasters and conflict. Nonetheless, these preliminary projections do provide a useful indication of the possible population for Timor-Leste up until 2015. This is particularly the case for the age groups above 11 years, because the people who will be in these ages in 2015 were born before the 2004 Census, and the majority will remain at younger ages where few deaths occur. The projections for ages 11 and under are less reliable, because these depend on assumptions about future fertility, and to a lesser extent infant and child mortality.

Methodology for the projections

The base population was taken from provisional data from the 2004 Census of Population and Housing, including population by single year of age and sex, urban and rural population, and male/female labour force participation and farm/non-farm occupations. The projections used a cohort component methodology, by single year of age, so that the impact of the current age structure is fully taken into account. Age-specific fertility and mortality rates for Timor-Leste were derived by applying international model fertility patterns and life tables to the assumed total fertility rate (TFR) and crude death rate (CDR). The projection for each year was derived by ageing the years population forward by one year with births estimated by applying age-specific fertility rates to the female population in the childbearing ages (15-49), and deaths estimated by applying male and female age-specific death rates to the entire population.

In addition to the main population projection, preliminary projections were also made for sub-populations of importance, including the urban/rural population, the labour force, and farm/non

farm occupations. These sub-projections are simple extrapolations based on assumptions about total rates that have been applied to the total population. There has been no allowance for age patterns that would apply to migration, labour force participation, and farm/non farm occupations.

Assumptions used in projections

Fertility and mortality. Recent estimates for both fertility and mortality in Timor-Leste have shown a wide range, leaving uncertainty about the current level and even the future direction for these key demographic factors. For the projection of population, a TFR of 6.3 and CDR of 15 per thousand were assumed, levels that are near the middle range of the recent estimates, and plausible given the rates from other low income countries in recent years. To illustrate the outcome of maintaining high fertility and mortality levels, no change was assumed for both fertility and mortality through to 2015, although small shifts in the TFR and the crude rates occur from applying constant age specific rates to a changing age structure.

Migration. Zero external migration was assumed throughout.

Urban and rural population growth. The urban population was projected by assuming an urban population annual growth rate 2.2 percent higher than the projected annual national population growth rate. The assumption implies steady rural to urban migration, in line with the experience of most developing countries. The rural population was derived by subtracting the urban projection from the total.

Household size. Urban and rural household numbers were projected using the projected populations and assuming average household sizes of 5.5 persons for urban and 4.6 persons for rural households.

Labour force participation. The future growth of the labour force projection was based upon the projected populations in the working ages (15-64 years) and labour force participation rates of 48.1 percent for females and 69.3 percent for males, as indicated by provisional census data. These participation rates were assumed for the entire 2004-2015 projection period.¹² The number of farm and non-farm workers is assumed to grow in line with the rural and urban population growth rates.

¹² There is some basis for thinking that these participation rates may be too low, or may rise in the future. The assumed levels are substantially lower than those for comparable developing countries. The *World Development Indicators 2002* reports the average participation rate in low income developing countries in 2000 was 95 percent for males and 59 percent for females, with an overall average participation rate of 80 percent for all low income countries.

ANNEX III: PROSPECTS FOR PRIVATE SECTOR DEVELOPMENT

WHAT ARE THE PROSPECTS FOR PRIVATE SECTOR GROWTH?

The private sector currently accounts for about \$220 million, or about two-thirds of GDP. The agricultural sector accounts for almost half of the private output in the economy. The extent to which private investment can be increased over the next five years depends on business opportunities and the enabling environment for investment. The make-up of the non-agricultural private sector is changing rapidly now as investors who focused on donor-funded reconstruction business are winding down, or changing the focus of their activities.

The Government believes that there are significant opportunities in a number of areas. Vigorous investment promotion could lead to increased domestic and international investment in tourism, commercial development of natural resources and increased agricultural surpluses for domestic and export markets. A carefully targeted and aggressive promotional program could lift the level of private investment to about 8% of GDP by 2008, with aggregate investment in the range of 28% of GDP. In combination with close attention to policies and measures that supported the domestic construction industry and increased local procurement on government account, the outlook for growth in the non-farm production, incomes and farm employment would be considerably enhanced. Nonetheless, creating enough employment in the non-farm private sector to absorb the large number of new entrants each year will be a major challenge.

With appropriate supporting policies, private sector growth could make a significant contribution to employment creation. As the foregoing discussion highlights, the construction sector can make an important contribution to employment creation, as can sub-contracting arrangements related to Government procurement. There are attractive possibilities for employment creation in the construction sector, and the financial sector as service coverage expands and in the tourism sector. Increased emphasis on outsourcing government procurement to local suppliers can also contribute to employment growth. These domestic programs are likely to be supplemented with an overseas workers program. In the year ahead the Government plans to start an overseas workers program. While no final agreements have been reached, a program that sends 1,000 laborers a year would take some pressures from the domestic market and would likely result in an important inflow of remittances from abroad, thereby boosting domestic demand.

POTENTIAL FOR COMMERCIAL AGRICULTURE

Timor-Leste is a predominantly rural economy with a majority of the population dependent on agriculture for their livelihood. Agriculture, forestry and fisheries currently accounts for about 30 percent of GDP and provides a livelihood for about 720,000 people or about 77 percent of the population. Although agriculture is the main employer and contributor for private sector non-oil GDP it is characterized by a system of subsistence production. There are approximately 160,000 rural households, at least 70,000 of which are engaged in subsistence farming, producing no saleable surplus, and generating no non-farm income. Approximately 70,000 rural households produced saleable surplus – mainly rice and coffee. Coffee is the main commercial industry within the sector, accounting for \$7 million of the \$8 million of exports in 2004. The main market player is “Cooperative Café Timor (CCT)” which is organized under a cooperative system of production “Cooperatives of Organic Coffee”. Timorese organic coffee has reached an important position in world organic coffee market.

Timor-Leste has approximately 600,000 hectares of land suitable for crop and livestock production, with 67,000 hectares said to be suitable for wetland rice and 160,000 hectares suitable for other field crops. The remainder is suitable for grazing cattle and goats.

Emphasis to date has been on the rehabilitation of irrigation schemes as the primary means of realizing agricultural production gains. Irrigation schemes in Timor-Leste are essentially small "run-of-the-river" schemes. Because of the nature of the terrain and the rainfall pattern the numerous rivers are basically large storm water drains. It is essential to carry out feasibility studies to determine the possibilities regarding the construction of reservoirs for storing substantial amounts of water for irrigation during the dry season. Most community level irrigation systems are small, frequently covering an irrigable area of around 100 hectares. Maintenance is a chronic problem with river-in-flood damage and siltation the main reasons for damage. Historically, farmers in Timor-Leste have been unable or unwilling to maintain these schemes, relying on government and donors for maintenance and, eventually, rehabilitation. There are some 420 schemes in total, of which only about 10 have modest water storage and thus the potential to produce two crops a year. There is agronomic potential to increase rice production and to introduce other high value crops in rehabilitated irrigation schemes. Intensification of production, resulting from improved water use efficiency will be dependent on effective extension programs, access to credit and improved technology and will include moves towards farm mechanization. Further exploitation of this potential is hampered by lack of reliable access to markets for surpluses, which need to be competitive in price and quality with imports. Significant post-harvest losses, sometimes as high as 40 percent, are common for rice (and other crops such as maize). Poor processing of rice, mainly because of poorly maintained and outmoded machines, often results in poorer prices because of high levels of cracked and broken grain. Improved milling efficiency and reduced post-harvest losses have the potential to make a rapid impact on rice availability and some impact on prices. Similarly reduced post-harvest losses in rice and maize through improved storage can improve food supplies by up to 30%. Reducing post harvest losses of food crops through proven and simple technology offers one of the fastest ways of improving food security and self reliance.

The total area cultivated for crops falls well short of the potential and may only be some 80 percent of the area judged to be suitable for cropping, either alone or in association with livestock farming. It is generally agreed that the potential exists to increase crop, pasture and livestock production in three ways: (i) expansion in the area cultivated; (ii) more intensive use of land; and (iii) increased productivity in production systems. However, the exploitation of this potential must take account of uncertainties stemming from uneven rainfall and droughts. The mountainous topography results in a diversity of microclimates that affects production levels and types of crops grown. This diversity adds complexity to the design of programs and information services aimed at boosting farm productivity.

However, the dominant influence on the slow rate of actual productivity growth has been lack of access to functioning markets, which were severely disrupted during 1999. Restricted market access translates into weak incentives for farmers to adopt improved practices or to increase output above subsistence levels. Anecdotal evidence from several projects suggests that many farmers are willing and able to increase production but can see little incentive to do so because of low prices, high input costs and market-related uncertainties. Unrealistic expectations about prices for rice, resulting from long experience of government purchases at fixed prices, are also reported to be a problem as farmers adjust slowly to the new competitive marketing environment.

It seems that livestock numbers generally have returned to pre-independence levels with the exception of goats. Goats currently number about 85,000 compared with quoted figures of well

over 200,000 in 1997-1998 and in 1972. Timor Leste is considered to have the potential to support over 400,000 ruminants (cattle, buffalo, goats and sheep), compared with about 350,000. There is potential for increasing the livestock production, with possible development for exportation of live cattle. It is expected that the increase in numbers will be accompanied by an equivalent improvement in the grazing fields, so as to ensure sustainability. This is not a new practice as the occurrence of roadside and living fences (*Leucaena* in particular) is common. There is potential for additional development and integration of forager leguminous plants within the production systems. Given the importance of dry-season paddy land to livestock production, there may be scope to consider irrigated pasture in some areas in the future. This might be incorporated into work on existing farming systems or as a component in forestry programs. If there is not a parallel development of cut and carry forages, an animal population of more than 400,000 ruminants, 400,000 pigs (and horses) and over 600,000 chickens and ducks, may be unsustainable. There is ample evidence in other areas in the region to show that improved fodder can improve animal growth rates by at least 50 percent and may have at least as significant an impact on productivity as vaccination programs. However, it is recognized that efforts to introduce forage improvements will be limited by the degree to which farmers are constrained by the security of land tenure.

The programs for development of commercial agriculture are outlined in Chapter I of Volume II and therefore will not be included here. Suffice to say that the primary investment opportunities in areas related to agriculture include commercial crops to meet domestic demand and in some cases, replace imports, post harvesting processing, storage and marketing, agricultural exports, and food processing. The SIP for Agriculture, Forestry and Fisheries identifies a number of specific opportunities, including expansion of the coconut oil industry to replace imported vegetable, increased production under irrigation, honey production for domestic and export markets, edible bamboos shoots that might be the basis for a canning industry aimed at export markets, and specialty export crops such as vanilla. There may also be prospects for meat and poultry production. There are also prospects for development of forest products industries that center on revival of the sandalwood industry and on specialty products such as rattan for furniture making. The greatest challenge in the fisheries sector is the need to develop a legal framework for the sustainable management of the resources and to develop an effective monitoring, control and management of the surveillance systems to encourage domestic and external investment so as to obtain substantial benefits for the country. There has also been some interest shown in the investment on fishery operations, and the Ministry will begin to issue fishery licences within a very limited scale, for the seas of Timor, implementing at the same time the monitoring of catches and a surveillance system, so as to start the collection of data on the state of resources, as well as fishery activities.

CONSTRUCTION ACTIVITIES AS A SOURCE OF EMPLOYMENT

Policies and programs for the construction industry are of particular interest at this time because of their potential for job creation. Construction activities grew rapidly during the 1999-2002 period, but with investment expenditures are declining in Timor-Leste from the extraordinary levels that prevailed during 2000-2002 there was some slowdown in construction during 2003. There are no precise estimates at this stage for the civil works component of planned capital spending for the next four years. However, the SIP for Private Sector Development includes a rough estimate of the total value of construction work that may be undertaken during the next five years under the assumption that the proposed expenditure programs in the various SIPs could be funded and implemented. The estimate includes new construction as well as maintenance expenditures on roads and public buildings, including education and health care facilities and makes a small allowance for other public and private construction activities (for example, housing and so on). This is a significant market that provides an important opportunity for

business development and job creation, especially with labour intensive methods of construction, repair and maintenance.

The challenge will be to ensure that the majority of this work goes to local contractors and, where appropriate, uses labour intensive methods of construction. As noted earlier, there has been progress over the past four years in developing a domestic construction industry, but realizing this employment potential will require further concerted action. These include policies that encourage development partners to subcontract to the maximum extent feasible the civil works components of their aid programs to local contractors/businesses. Another option is to adopt a set of procurement rules that give generous preferences to local contractors and foreign contractors bid on Government tenders and that have partnerships with local contractors. Besides vocational and technical training in order to increase productivity of the work force, one of the constraints for local business is access to machinery and equipment. The development of a leasing industry that provides access to construction equipment at reasonable cost would strengthen the capacity of small firms to compete more effectively.

MANUFACTURES AND SERVICES

Investment in production of manufactures has, to date, been very limited. Most domestic needs are met from imports. There has been a reasonable level of investment in trading businesses, both formal trading houses in Dili as well as sizable, but less formal trading businesses along the border with West Timor. There has been disinvestment in restaurants targeting internationals, and investment in hotels and guesthouses has leveled off. There are growing indications of increased private sector capacities in a number of areas of manufacturing, including as furniture, tais weaving, tailoring or bakeries as well as in services like business services and consulting, information technology and vehicle and electrical repair.

One potential avenue for further development of domestic business relates to Government spending on goods and services. Currently planned CFET appropriations suggest that the Government will spend a total of \$125 million on various services and \$70 million on supplies and equipment over the next four years, or about \$50 million a year. (These estimates exclude fuel imports, construction and building maintenance.) At the time that the SIPs were prepared information was not available on the extent to which these goods and services are tendered to the private sector and the extent to which domestic business is successful in winning tenders. A high proportion of the services required can be provided locally (maintenance of equipment and vehicles, for example), and perhaps some of the supplies can also be sourced locally, with modest amounts of value added as a result of local processing or preparation. The growth in spending on these items is projected in the budget at about six percent a year, or about \$2-3 million a year. The issue is the extent to which a growing share of these expenditures can be channeled to the local market. Even if the import content of some of the required goods and services is high, there may still be scope for using Government procurement to foster domestic business activities in ways that adds some value and thereby create employment. One example is the development of a domestic furniture industry using local materials that can meet the needs of the school system, as well as private demand. A number of other governments have used “domestic content” rules in the public procurement of goods and services. The purpose is to require the successful bidders to add value domestically through training and employment of staff/labour and use of some locally made products, where suitable supplies are available

PETROLEUM AND MINING

The potential of the Timor Sea Project is well known and need not be recounted here. The Project is expected to generate substantial revenues from royalties and corporate taxes for an extended period. There has also been a long history of onshore petroleum exploration in Timor-Leste, with

the first series of wells being drilled during 1900-1914. Despite the long history of exploration, not much is known about the onshore and near-shore potential, in part because the Government does not have access to records from the exploratory drilling. Non-commercial quantities of oil and gas were recovered from a number of wells drilled, with more than 20 wells having been capped. In addition, over 30 oil or gas seepages have been documented along the southern coast, suggesting further reserves in the area. In 2001 the Timor Oil Company which had carried out much of the exploration during 1910-1975 submitted a proposal for some \$67 million of onshore and near-shore exploration and development work. An unsolicited proposal related to the gas seeps was also received from the Independent Oil and Gas Joint Venture. The willingness of these investors to make additional sizable investments in exploration suggests that the country may have important onshore and near shore reserves suitable for commercial development. The Government has commissioned additional survey work to obtain up-to-date and reliable assessments of these resources before entering into discussions with potential investors who may wish to undertake exploration programs. Commercial development of onshore resources would offer significant opportunities for the further development of a range of domestic businesses.

FINANCIAL SECTOR DEVELOPMENT

Although a better understanding of the overall national demand for banking and financial services is needed, it is already clear that further development of the financial sector will be essential for sustained growth of the private business sector. The reconstitution of the financial sector is still at an early stage in Timor-Leste, having experienced a major contraction following the departure of Indonesia in 1999.¹³ An important feature of the period was that savings far exceeded lending.¹⁴ There was a demand for safe institutional arrangements for savings. In the aftermath of the referendum, Timor-Leste was left with four functional credit unions and no commercial banks. Three commercial banks have begun operations, but the services are largely confined to major urban centers, namely Dili. Outstanding credits totaled \$43 million at end March 2004, and total deposits of private and non-financial public companies stood at \$75 million. Several other foreign banks have expressed interest in obtaining banking licenses. There has been no investment in non-banking parts of the financial sector, including leasing, insurance and other services. Work on establishing these financial services needs to be expedited. It is expected that the legislation in the insurance and banking areas now undergoing consultation will foster development of the non-banking financial sector.

Banking services also need to be re-established in rural areas. The ADB (and other Development Partners) have provided support for the development of microfinance services organizations and for the institutional development of aspects of the financial sector. Training of lenders and lending staff is expected to help ensure that micro-enterprises and small businesses have maximum ability to access formal credit. In the course of preparing the master plan for development of postal services, proposals were developed to extend the range of services to be provided through postal outlets, including postal banking services that provide cash and demand accounts, payments capabilities and certain approved lending.

¹³ Prior to the referendum, Timor-Leste was served by 18 banking units, including five branches of Indonesian state banks, 10 regional development banks and 3 Indonesian private banks. Bank Rakyat operated a number of village banks that provided general savings and loan services at the village level. Moreover, some 27 credit unions were in operation at that time.

¹⁴ In early 1999, savings accounts totaled \$68 million whereas loans outstanding amounted to only \$18 million.

PRIVATE PARTICIPATION IN INFRASTRUCTURE

With the major reconstruction phase over, the Government feels there is a need to consider additional ways of encouraging private participation in infrastructure. The 15-year BOT franchise with Timor Telecom is operational and the EDTL management contract became effective at the beginning of 2004. Other possible involvement of private investors in infrastructure services might extend to ports as a way of financing expansion and improvements without drawing on the national budget. There is also opportunity for investment in private land and property that may, in due course, be divested by Government, as well as in carbon reducing investments in the energy sector through which the Government may derive income. Further private participation in infrastructure to support foreign direct investment might also need to be considered.

TOURISM DEVELOPMENT

The tourism sector in Timor-Leste has considerable potential with a large range of high value tourism products. Investment by private businesses will be the key driver of growth in this sector. Private investments in the tourism sector, especially by dive and tour operators and hotels, seem to have grown in the period since Independence, apparently often taking the form of expansion of existing businesses. Further development of the tourism sector, even of modest proportions, has the potential to deliver considerable national development benefits, particularly as a source of employment creation. The Government intends to take active role in promoting tourism and assisting private sector operators to develop the potential of this important economy. The Government has already, under its own budget, reviewed the potential scope of tourism in Timor-Leste, engaged support from Portugal, Australia, Thailand, Macau (PR China) and worked with the private sector to establish the Tourism Association of Timor-Leste. Also the World Tourism Organization is ready to develop a Project for “Sustainable Tourism Sector Development and Institutional Strengthening” (National Tourism Development Plan) coming out with a short, medium and long term policy for tourism (This project is now being reviewed by the Office of the Prime Minister office and will be funded by WTO and UNDP.) The Government would like to build on these efforts, with a focus on supporting infrastructure development, statistics, policy and regulatory development, planning and zoning, and by underwriting national promotion efforts in support of private operators. The key objective is to build a tourism industry that generates employment, is sensitive to environmental concerns and maintains culture.

ANNEX IV. PROJECTIONS FOR THE STRATEGIC FRAMEWORK

Annex Table 1: Projection of Population with Constant Fertility and Mortality Rates

Indicator	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Population												
Males	470,343	483,416	497,035	511,305	526,268	541,614	557,333	573,609	590,512	608,207	626,288	644,810
Females	454,119	466,770	479,975	493,775	508,213	522,983	538,107	553,746	569,974	586,957	604,271	622,007
Total	924,462	950,187	977,009	1,005,080	1,034,481	1,064,597	1,095,440	1,127,355	1,160,486	1,195,164	1,230,559	1,266,817
Population Growth Rate (%)		2.8	2.8	2.9	2.9	2.9	2.9	2.9	2.9	3.0	3.0	2.9
Crude Birth Rate (per 000)		41.8	41.9	42.1	42.5	42.6	42.4	42.4	42.6	43.0	43.0	42.8
Crude Death Rate (per 000)		15.0	14.7	14.5	14.4	14.6	14.6	14.5	14.5	14.4	14.6	14.6
Total Fertility rate		6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3
Births (annual)		39,747	40,894	42,289	43,917	45,320	46,429	47,786	49,441	51,355	52,868	54,204
Deaths (annual)		13,956	14,196	14,487	15,140	15,567	15,860	16,291	16,668	17,410	17,929	18,319
Population distribution												
Urban	206,155	216,463	227,373	238,947	251,236	264,120	277,629	291,873	306,923	322,900	339,622	357,160
Rural	718,307	733,724	749,636	766,133	783,246	800,476	817,811	835,482	853,563	872,264	890,936	909,657
Total	924,462	950,187	977,009	1,005,080	1,034,481	1,064,597	1,095,440	1,127,355	1,160,486	1,195,164	1,230,559	1,266,817
Urban population (% of total)	22.3	22.8	23.3	23.8	24.3	24.8	25.3	25.9	26.4	27.0	27.6	28.2
Urban growth rate (%)		5.0	5.0	5.1	5.1	5.1	5.1	5.1	5.2	5.2	5.2	5.2
Rural-Urban migration		4,571	4,800	5,042	5,298	5,571	5,856	6,156	6,472	6,806	7,160	7,531
Rural-Urban migration rate (%)		0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8
Number of households												
Urban	37,776	39,665	41,664	43,785	46,037	48,398	50,873	53,484	56,241	59,169	62,233	65,447
Rural	157,167	160,540	164,021	167,631	171,375	175,145	178,938	182,805	186,761	190,853	194,938	199,034
Total	194,943	200,205	205,686	211,416	217,412	223,543	229,812	236,288	243,002	250,022	257,171	264,481
Average size of households												
Urban	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Rural	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6
Overall average	4.7	4.7	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8
Age distribution of population												
< 1 years	29,746	34,886	35,893	37,118	38,546	39,778	40,751	41,942	43,395	45,075	46,403	47,576
1-5 years	147,938	149,215	153,092	155,140	159,934	167,783	177,237	182,810	188,553	194,524	200,754	207,068
6-11 years	150,655	157,628	157,049	165,667	167,460	170,037	170,329	176,448	181,015	183,975	189,850	198,596
12-14 years	70,844	66,614	75,133	69,937	78,701	74,892	79,299	77,484	80,691	84,819	88,395	87,762
15-17 years	58,290	62,613	62,761	70,348	66,143	74,604	69,446	78,145	74,365	78,739	76,937	80,122
18-25 years	125,815	131,256	137,145	143,899	150,637	156,744	163,084	164,594	172,970	176,569	183,820	188,699
26-49 years	236,430	241,386	247,187	253,290	261,557	263,536	273,136	281,921	291,258	301,314	306,167	315,403
50-64 years	72,700	73,077	76,065	76,212	78,475	80,920	85,321	87,162	91,805	93,218	100,574	100,729
65 and over	32,045	33,511	32,685	33,470	33,028	36,304	36,835	36,849	36,435	36,932	37,659	40,863
Total	924,462	950,187	977,009	1,005,080	1,034,481	1,064,597	1,095,440	1,127,355	1,160,486	1,195,164	1,230,559	1,266,817

Source: National Statistics Directorate

Annex Table 2: Labor Force and Employment Growth with Constant Fertility and Mortality Rates

Indicator	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Population 15-64 years												
Male	248,078	255,477	263,104	273,844	280,535	290,652	298,357	309,039	318,576	328,581	337,693	346,644
Female	245,157	252,854	260,054	269,904	276,277	285,151	292,631	302,783	311,822	321,259	329,805	338,309
Total	493,234	508,332	523,157	543,748	556,812	575,803	590,987	611,821	630,398	649,840	667,499	684,953
Labor force												
Male	171,918	177,046	182,331	189,774	194,411	201,422	206,761	214,164	220,773	227,707	234,022	240,224
Female	117,920	121,623	125,086	129,824	132,889	137,158	140,755	145,638	149,987	154,526	158,636	162,727
Total	289,838	298,669	307,417	319,598	327,300	338,580	347,517	359,802	370,759	382,232	392,658	402,951
Memo item:												
Labor force participation rate (%)												
Male	69.3	69.3	69.3	69.3	69.3	69.3	69.3	69.3	69.3	69.3	69.3	69.3
Female	48.1	48.1	48.1	48.1	48.1	48.1	48.1	48.1	48.1	48.1	48.1	48.1
Average	58.8	58.8	58.8	58.8	58.8	58.8	58.8	58.8	58.8	58.8	58.8	58.8
Employment by occupation												
Farm work (thousands)												
Male	115,873	118,252	120,656	124,391	126,194	129,443	131,518	134,800	137,468	140,225	142,485	144,566
Female	71,813	73,268	74,521	76,470	77,371	78,911	80,001	81,750	83,123	84,527	85,622	86,633
Sub-total	187,686	191,520	195,177	200,861	203,565	208,354	211,518	216,550	220,591	224,752	228,107	231,199
Non-farm work (thousands)												
Male	56,045	58,794	61,675	65,383	68,217	71,979	75,244	79,364	83,305	87,482	91,536	95,659
Female	46,107	48,355	50,564	53,354	55,518	58,246	60,755	63,888	66,864	69,999	73,015	76,093
Sub-total	102,152	107,149	112,240	118,736	123,736	130,225	135,998	143,252	150,168	157,481	164,551	171,752
Women employed (%)												
Farm sector	29,293	28,976	28,656	28,332	28,005	27,674	27,338	27,000	26,657	26,311	25,961	25,608
Non-farm sector	18,807	19,124	19,444	19,768	20,095	20,426	20,762	21,100	21,443	21,789	22,139	22,492
All	48,100	48,100	48,100	48,100	48,100	48,100	48,100	48,100	48,100	48,100	48,100	48,100
Agricultural labor growth		1.020	1.019	1.029	1.013	1.024	1.015	1.024	1.019	1.019	1.015	1.014
Non-agriculture labour force growth		1.049	1.048	1.058	1.042	1.052	1.044	1.053	1.048	1.049	1.045	1.044
Women's share in active labor force	40.7	40.7	40.7	40.6	40.6	40.5	40.5	40.5	40.5	40.4	40.4	40.4

Source: National Statistics Directorate

Annex Table 3: Actual and Projected National Income Accounts (US\$ millions)

	Actual				Estimate	Projected											
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	
Non-oil GDP at 2000 constant prices																	
Agriculture																	
Food & livestock	67.7	75.1	73.0	67.9	69.8	71.8	73.8	75.8	78.0	80.1	82.4	84.7	87.1	89.5	92.0	94.6	
Non-food	11.7	11.4	18.7	23.2	24.4	25.6	26.9	28.2	29.6	31.1	32.6	34.3	36.0	37.8	39.7	41.7	
Forestry & fisheries	2.1	2.1	2.2	2.4	2.5	2.6	2.7	2.8	3.0	3.2	3.4	3.6	3.8	4.0	4.2	4.4	
Sub-total	81.5	88.6	93.9	93.5	96.7	99.9	103.3	106.8	110.6	114.4	118.4	122.6	126.8	131.3	135.9	140.6	
Non-farm private																	
Construction	15.8	16.2	15.1	13.8	14.0	14.3	14.8	15.6	16.7	18.2	19.8	21.6	23.6	25.7	28.0	30.5	
Other	82.4	91.7	92.3	92.4	93.3	95.2	99.0	103.9	111.2	121.2	132.1	144.0	157.0	171.1	186.5	203.3	
Sub-total	98.2	107.9	107.4	106.2	107.3	109.5	113.8	119.5	127.9	139.4	152.0	165.6	180.6	196.8	214.5	233.8	
Public sector																	
Government	22.9	51.1	57.7	65.9	70.0	73.5	77.2	81.0	85.1	89.3	93.8	98.5	103.4	108.6	114.0	119.7	
United Nations	83.4	91.5	60.3	38.6	25.0	15.0	5.0										
Construction & utilities	30.2	29.3	24.5	18.3	20.5	24.6	28.3	32.5	35.8	37.9	39.8	41.8	43.9	46.1	48.4	50.8	
Sub-total	136.5	171.9	142.5	122.8	115.5	113.1	110.5	113.6	120.9	127.3	133.6	140.3	147.3	154.7	162.4	170.5	
Total non-oil GDP	316.2	368.4	343.8	322.5	319.5	322.5	327.6	339.9	359.3	381.1	404.0	428.5	454.7	482.8	512.8	545.0	
Memo items																	
Real non-oil GDP growth rate (% p.a.)		16.5	(6.7)	(6.2)	(0.9)	0.9	1.6	3.8	5.7	6.1	6.0	6.1	6.1	6.2	6.2	6.3	
GDP deflator	100.0	99.9	99.9	104.1	106.7	109.4	112.1	114.9	117.8	120.7	123.7	126.8	130.0	133.2	136.6	140.0	
Non-oil GDP (current prices)	316.2	367.9	343.4	335.7	340.9	352.7	367.3	390.6	423.2	460.1	499.9	543.5	591.1	643.3	700.4	763.0	
Non-oil GDP by FY(current prices)		342.1	355.7	339.6	338.3	346.8	360.0	378.9	406.9	441.6	480.0	521.7	567.3	617.2	671.9	731.7	
Investment (at current prices)																	
Investment		37.6	27.6	14.0	9.5	13.9	23.0	28.5	39.9	52.8	57.2	62.0	67.3	73.0	79.2	86.0	
Private non-food sector	25.0	37.5	27.6	14.6	10.2	15.2	20.0	25.8	32.8	47.0	63.7	70.8	78.7	87.5	97.3	108.2	
Public investment	93.8	107.9	93.7	87.9	85.5	82.0	85.0	90.0	92.0	94.0	96.0	98.0	100.0	103.0	106.0	110.0	
Total fixed capital formation	118.8	145.4	121.3	102.5	95.7	97.2	105.0	115.8	124.8	141.0	159.7	168.8	178.7	190.5	203.3	218.2	
Total investment as % GDP	37.6	39.5	35.3	30.5	28.1	27.5	28.6	29.7	29.5	30.6	31.9	31.1	30.2	29.6	29.0	28.6	
Public investment as % GDP	29.7	29.3	27.3	26.2	25.1	23.2	23.1	23.0	21.7	20.4	19.2	18.0	16.9	16.0	15.1	14.4	