

**STATEMENT BY MR SERGIO VIEIRA DE MELLO
SPECIAL REPRESENTATIVE OF THE SECRETARY-GENERAL
LISBON DONORS' MEETING ON EAST TIMOR, 22-23 JUNE 2000**

Exmo. Senhor Ministro Jaime Gama,
Caríssimo amigo Xanana Gusmao,
Excelências,
Senhoras e senhores,

Let me begin by expressing my gratitude to the Government of Portugal for hosting this meeting at such an important stage in our joint endeavours for the reconstruction of East Timor. I am delighted that so many of our partners are with us today. Your commitment is vital to the success of our mission.

In my presentation today, I will try and answer the following questions:

What has been achieved?

What problems have been encountered since we last met in Tokyo?

Where are we going with the transition process in the next 6-12 months?
and, how do we get there?

I would like to start by examining some of the progress and difficulties experienced since Tokyo. I strongly believe that despite some delays and dampened expectations, much *has* been achieved. Not all of it has yet borne fruit in terms of extensive development activity, but the foundations are definitely being laid, and these efforts will yield returns in the near future.

Humanitarian achievements

One of the main achievements since last October has been the international relief effort to support the people of East Timor. Through the determined efforts of UN agencies, East Timorese communities and NGOs, a major relief programme was mobilized, delivering tens of thousands of tons of essential humanitarian relief assistance. The results of these efforts can be hard to demonstrate other than by reference to what has been averted. Unlike so many humanitarian disasters, East Timor has been spared widespread disease and starvation, and the most acute needs have now been met. The humanitarian programme has facilitated the return and reintegration of over 163,000 refugees, and is providing shelter – albeit in still insufficient quantities – food and other immediate requirements throughout the country.

In the absence of government structures, humanitarian and development organizations, and local communities have also been instrumental in delivering health, education, water and other basic services to the population. Indeed, the UN agencies, NGOs and local communities have played the role of government service deliverers. This assistance has benefited UNTAET immensely during the mission's start-up phase and will be required in the coming months as we bridge the transition from relief to development and new structures for the transitional

government. It is simply not possible for UNTAET to make provision for all humanitarian needs and ongoing support for humanitarian programs is vital. In particular, shelter remains a critical outstanding need and further support for UNHCR's programme is needed.

Unfortunately, an estimated 120,000 refugees still remain in West Timor in camps that are largely under the influence of pro-integration extremists. Just last Friday there were incidents in two of the camps outside Kupang, the capital of West Timor, where some of our colleagues have been threatened, held hostage for some hours and their vehicles damaged. The UNHCR has subsequently decided to suspend their activities in those camps, a decision that I fully supported. We have renewed our representations to the Government of Indonesia to stop the activities of these individuals and allow the refugees a free choice on whether they wish to return or permanently settle in Indonesia. For the latter group, the Indonesian authorities will require international support.

Transition from relief to transitional administration

We are commencing a new and challenging phase, which will take us toward our end goal of establishing an East Timorese administration and sustainable development for East Timor. We have begun our more substantive role as a transitional administration, emerging from the start-up phase focused on more traditional UN humanitarian and peacekeeping roles. With the stabilization of the humanitarian and security situation in Timor, our energies have refocused over the past few months on ensuring that the mission's Governance and Public Administration pillar is strengthened and restructured to

a point that we can conduct a successful transition to an East Timorese administration.

Much has been accomplished through UNTAET's emerging governance and administration structures in the past six months. We have been paying subsidies to more than 5,000 East Timorese on temporary contracts, who perform civil service-like functions and the civil service training academy is now operating. Employment generation activities for well over 30,000 people have been implemented in all districts through bilateral and multilateral quick impact activities. Substantial progress has been made in establishing the rule of law and building a legal system, a judiciary as well as institutions for economic governance. In many sectors, Timorese technical personnel and UNTAET staff are establishing interim authorities to administer sectoral policies and programs during the transition. The Interim Health and Education Authorities and the Border Control Service are good examples where recruitment and training are well underway, and East Timorese staff outnumber their international colleagues.

Meanwhile, in Dili, economic activity is accelerating rapidly - our trade and commerce office has registered some 2,300 international and Timorese businesses interested in operating in East Timor. At the same time, UNTAET is working hard on normalizing relations with Indonesia and pursuing negotiations on the Timor Gap with the Government of Australia, to whose flexible approach on this vital issue I wish to pay tribute. In the past six months we have also been establishing the foundations for the major reconstruction and development programme. UNTAET and the World Bank have now negotiated five grant agreements in key sectors for the development of East Timor. Notably,

agreements are already in place for health, infrastructure, community empowerment and, since yesterday evening, agriculture and education, and these projects are mobilizing now.

Lessons and frustrations

The early months have been difficult, however. We have learnt many lessons and no doubt many more will be learned. This is the first time that we have attempted such an ambitious international nation-building effort – the first time for all of us. As I said in Tokyo, the international community has, in East Timor, the unique opportunity and the responsibility to get the development of a country right from the beginning.

One of the most significant lessons we have learnt is that a standard UN peacekeeping and peace-building mission, even with a substantive transitional administration component, is not an ideal structure to undertake the broad and expansive role of government in East Timor. There are several problems intrinsic to a UN mission operating as a civilian administration, including: the staff profile of a UN mission of this kind, their understanding of the local culture and their ability to perform sectoral government functions; our recruitment processes, and UN procurement rules and regulations. These problems are being addressed, but it has taken time to identify them and to find the solutions.

Slow disbursement from the UNTAET Trust Fund is a good example of this. Many of you have raised concerns about our low levels of expenditure from the Trust Fund. I believe we have now removed the systemic problems constraining our expenditure. Key among these have been our government

procurement capacity as well as rules and regulations, as distinct from classic UN peacekeeping procurement, and delays in recruiting competent sectoral staff. We have also faced logistical constraints, some related to our remoteness, and others like port congestion. In addition, the need to establish a framework for civil service recruitment, including terms and conditions of employment, has involved extensive consultation and, therefore, taken considerable time. Furthermore, with no substantive national development planning apparatus, or indeed an agreed consolidated budget, in these early months it would have been unwise to forge ahead with rapid disbursement while clear priorities for Trust Fund expenditure were not yet in place.

Our planning capacity was also handicapped by major objective constraints including:

- the almost total lack of knowledge of the Timorese economy and society .
- the enormous difficulty to establish economic and financial parameters due to the absence of accurate statistical information.
- the fact that until September 1999 the financial flows for the recurrent budget and the investment program originated in Jakarta.

At UNTAET we are very much aware of the frustrations of the East Timorese people and others at the slow progress in reconstruction and development. High expectations have not been translated into immediate, visible, large-scale development results. In UNTAET we have shared the impatience and disappointment over difficulties in mobilizing administrative and reconstruction activities in East Timor. The situation is an inherently difficult one and the problems are myriad. However, many of the obstacles have now been overcome.

We also recognize that these frustrations, combined with inability on our part to explain clearly some of the difficulties and dilemmas we have faced, have led to occasional misunderstandings between UNTAET and the Timorese. Through an increasingly inclusive consultation process, we are doing our best - on both sides of this partnership - to improve our shared understanding of issues and how to take them forward. The National Consultative Council (NCC) has been an integral part of policy decision-making in East Timor. This will be further strengthened. We are about to expand the NCC into a more representative body – including members from each district and a broader cross-section of East Timorese civil society. We are establishing District Advisory Councils. We are also strengthening our efforts at communication and outreach to ensure the population at large is abreast of developments. Our friends of the Timorese leadership will agree, I am sure, that despite occasional setbacks, we have now reached a much higher level of mutual understanding and here is much greater sense of common purpose. In this assessment of early difficulties, I would like to thank all our partners, both in East Timor and beyond, for their forbearance of the delays experienced thus far.

Support from donors

My thanks are extended also to donors for assisting us with flexible and responsive assistance when we have needed it. I think here of bilateral assistance provided to fill critical human resources and financial gaps in sectors such as border control and customs, power, prisons, roads and water supply. These contributions, many of which have been in-kind contributions, through

the deployment of highly qualified and experienced teams on secondment to UNTAET, have helped us get through this critical phase of establishment.

We recognize and acknowledge, however, that these *ad hoc* requests for assistance reflect negatively in terms of our planning capability for an operation of this breadth and are not conducive to the policy and programming approaches of donor governments and their bilateral aid agencies. Already we have taken significant steps to improve our programme planning, project prioritization and coordination efforts. We have plans in train to establish a committee structure to act as a central development prioritization body in East Timor. Similarly, we now have a consolidated budget that will help guide our development priorities in the coming financial year. We have also been trying to learn lessons from our shortcomings and improvisations which we have shared with UN Headquarters and with the Brahimi Commission established by the Secretary-General with a view to improving the Organisation's performance in fulfilling Security Council mandates.

I would also like to express my gratitude to donors for your generous support to the trust funds. This has been instrumental in our forward planning to date. Without your continued support for the multilateral funds – and particularly the UNTAET Trust Fund - we simply could not function as an administering authority in East Timor. I cannot overstate the importance for us of knowing that there is substantial cover in the Trust Fund for the recurrent and capital costs of the East Timorese Administration in the coming year.

The Consolidated Budget for East Timor

Your generous assistance to the UNTAET Trust Fund has enabled us to partially cover the needs in the first Consolidated Budget for East Timor for the financial year 2000-2001. This Budget, presented at this meeting for your consideration, is modest, fiscally responsible and - in the medium term - sustainable. However, on the basis of current domestic revenue projections, some additional financing will be required for the coming financial year – US\$ 16 million in 2000-2001 - and also in the outlying years.

The reason for us returning to you for additional assistance is simple. In the haste of late last year and in the early months of 2000, mistakes were made in our initial assessments. Certain items were not factored in, or costed fully in the lead up to Tokyo, and we were over ambitious about the speed with which we could generate substantive domestic revenues. In short, we have had to recalibrate our figures after a painful but thorough process and the result is the budget before you.

I hope your assessment will be similar to my own and those of my East Timorese colleagues, that this is a prudent and restrained budget for East Timor, and one that the international donor community can stand behind. It is a difficult budget for us to explain to the people of East Timor in the face of their pressing needs stemming from last year's traumatic events. I commend the CNRT, under the leadership of Xanana Gusmao, and the NCC for their political courage and fiscal responsibility and for the very difficult decisions they have made in putting this budget together. Along with the reconstruction and development programme funded through the World Bank-administered Trust

Fund and other bilateral and multilateral assistance programs, this budget will, in the course of the next financial year, place Timor on the road to a sustainable future.

In Tokyo the Joint Assessment Mission recommended a target of 12,000 civil servants, excluding police and some other key sectors. The budget deliberations have produced a much lower total figure for 2001 – 9035 – which includes all sectors. The need to balance fiscal restraint with a well paid and efficient civil service has been recognized and I thank the IMF for its overall approval. This restraint deserves our applause and support.

There is a clear view among the NCC that introduction of taxes and charges should be gradual and prudent in view of the state of the economy and the prospects for economic recovery. However, in the new fiscal year beginning 1 July, additional taxation and service charges will be levied. A study is being carried out to examine the type, the level and the timing of these measures. The NCC also approved at its last session the principle of a withholding tax to be effective after January 2001.

The way forward

If we obtain the resources needed to meet this budget, much can be completed in the remainder of 2000. The foundations for responsible and effective governance are falling into place. We are in a much-improved position to address the challenge of running a transitional administration and progressively handing the responsibility for doing so over to our East Timorese counterparts.

I would like to outline very briefly for you how I see this happening in the coming months. Already the first steps in tackling the constitution issue are being undertaken. And the view of most Timorese leaders, I believe, is that district and national elections, possibly to a constituent assembly,

should be held in the course of next year. At the same time, consensus is being reached on an accelerated East Timorese involvement in public administration at a policy-making and senior executive level of our Timorese colleagues. I will be briefing the Security Council next week on the detail of these discussions and their outcome. The concept, however, is simple: we wish to share political responsibility with the East Timorese in the actual management of the transition.

A prerequisite, however, is the need for determined efforts and investment by UNTAET and others to address the issue of capacity building. This is perhaps the greatest challenge of our mandate under Security Council Resolution 1272. It is the key to ensuring a sustainable future for East Timor. UNTAET still needs to do a great deal of work with its partners to define and address the full capacity building and human resources development needs and we are planning to hold soon a seminar in Dili on this subject, involving all actual and potential partners. UNDP has been designated the lead agency in this field in East Timor and they have recently presented UNTAET with a final draft program for capacity building for governance and public administration. In developing this program, UNDP has been through a wide consultative process with all key stakeholders, including other inter-governmental and non-governmental institutions and Governments. The program is expansive and

provides an overall framework for capacity building in East Timor. On the basis of UNDP estimates, substantial donor funding will be needed. You are well aware of the needs in capacity building and your consideration of assistance through this program would be warmly welcomed.

Conclusion

Allow me to finish now by commending each of you represented here on the strength of the partnerships we have forged in the past eight months - between UNTAET and the leadership of East Timor; the World Bank, the IMF, the UN agencies and other international organizations; as well as NGOs and local community groups; and, very importantly, with the international donor community. It is my view that through these partnerships we will witness substantial progress in the reconstruction of East Timor in the coming year. The hard work in the first half of this year is now set to produce results as our major reconstruction programs come on line in the coming weeks and months.

Much has been achieved and I maintain my strong sense of optimism. I would reiterate my view in Tokyo - that East Timor represents a tremendous opportunity for us all. We have the chance in this newly emerging country, to find pragmatic ways to blend Timor's traditional culture and societal beliefs with international norms and practices in a spirit of international development cooperation. We are on the verge of making this a reality, and we now need to reaffirm our resolve to support this enterprise.

Thank you once again for your generosity and support. And again our special thanks to the Government of Portugal, for the warm reception and

organisational support we have received in the preparation of this conference. I hope and trust that this meeting will see a reaffirmation of this generosity of spirit and international solidarity as we embark on the next phase of building a new nation for the twenty-first century. I cannot conclude without acknowledging here the privilege I and UNTAET enjoy through the solidarity and friendship we have developed with the East Timorese leadership, in particular with CNRT President, Xanana Gusmao, and Vice President, Jose Ramos Horta and all other members of the NCC. They, not us, are the architects of the transition from self-determination to self-governance.

Thank you.