

United Nations
and
World Bank

**Overview
of
External Funding Requirements
for
EAST TIMOR**

December 1999

I. EXECUTIVE SUMMARY

i. The purpose of this paper is to present an overview of requirements for East Timor's successful transition to independence, and the mechanisms by which the international community can work together, and with the East Timorese, to support the development of a viable independent nation in East Timor. The paper draws together the results of the UNTAET planning process, the September 1999 Consolidated Inter-Agency Appeal (CAP), the World-Bank co-ordinated Joint Assessment Mission of November 1999 and work performed by the IMF on recurrent budget needs for East Timor.

ii. The paper lays out a series of priority activities requiring external support in East Timor. Amongst the most critical are, on the humanitarian front, to continue to ensure food security, basic shelter, emergency water, sanitation and health services. In the governance sector, it is important that the basic regulatory and service functions of the state be restored as soon as possible, and that activities be launched to establish interim consultative bodies, support civil society organisations and prepare for elections. In the reconstruction and development field, urgent initiatives are needed to support agricultural recovery, rehabilitate utilities and restore public health and education services.

iii. Total external financing requirements for East Timor in 2000 are shown in Table 1, together with reconstruction and development needs over a three year period. This aggregate spending envelope has been determined on the basis of macroeconomic sustainability and absorptive capacity. For economic management purposes, although this represents a major injection of purchasing power, the large proportion of the humanitarian and development budgets spent on imported goods decreases the risks of fuelling inflation. For absorptive capacity, the evolution of development spending over three years has been carefully judged to match an attainable level of absorptive capacity in East Timorese institutions, which were almost completely destroyed during the violence after the ballot. Should exceptionally strong progress be made in institution-building, this would allow faster implementation of the reconstruction and development budget to address urgent needs.

A. Table 1: Summary of external financing requirements 2000-2002

Assistance program component	Q4 1999	2000	2001	2002	TOTAL
Humanitarian Activities ¹	40,000	85,970			125,970
Reconstruction and Development Activities, ² of which		77,381	141,898	83,483	302,760
• governance and capacity-building projects		13,325	18,235	9,495	41,055
• other development sectors		64,056	123,663	73,988	261,705
Recurrent budget net external financing requirement ³		15,000 ⁴	Not estimated		
TOTAL VOLUNTARY CONTRIBUTIONS	40,000	178,351			
Memo item: Assessed contributions for UNTAET		700,000			
TOTAL EXTERNAL FINANCING REQUIREMENT		878,351			

¹ Includes the period September – December 1999, when \$US 20-40 million is estimated to have been disbursed.

² Covers needs identified in the CAP to a total of \$57 million.

³ Total recurrent budget estimated at approximately \$US 30 million: projected revenues of US\$ 15 million.

⁴ Working estimate: the IMF and the Bank currently have a mission in the field, and UNTAET will confirm recurrent budget needs in Tokyo.

iv. In addition to humanitarian activities co-ordinated through OCHA, two trust funds are proposed for East Timor: a United Nations Trust Fund and a World Bank-administered Single Donor Trust Fund. The UN Trust Fund will administer the recurrent budget of the East Timorese civil service, together with selected project-based capacity-building initiatives.⁵ The Single Donor Trust fund will cover project-based reconstruction activities in economic management, health, education, agriculture and infrastructure. It is envisaged that a Reconstruction Co-ordinating Committee composed of UNTAET and East Timorese representatives will be formed to prioritise projects and to ensure continued East Timorese participation and ownership of the reconstruction planning process. It is recommended that the Tokyo meeting agree on bi-annual meetings to review policy issues and implementation progress in the reconstruction program, and on a donor co-ordination committee based in Dili to co-ordinate implementation on the ground. The first of the bi-annual meetings should also review any revisions to budget and external financing needs, following a mid-year review by the Bretton Woods institutions.

⁵ To cover training, technical assistance, equipment and building rehabilitation for administration, management, judiciary, law and order functions: not covering projects for health, education, agriculture, public utilities and transport (excepting infrastructure rehabilitation and equipment for economic institutions). The UN Trust Fund could therefore receive contributions to implement the civil service and judiciary needs identified in the JAM report, up to a maximum of \$US 13.3 million in 2000 and \$US 41 over three years. The World Bank will not seek to implement these activities through the Bank-administered Trust Fund.

II. INTRODUCTION

1. The purpose of this paper is to present to donors prior to the meeting in Tokyo on 16/17 December 1999 an overview of resource requirements for East Timor's transition to independence and the means by which the international community will assist this process. This includes the requirements to accomplish the objectives and functions of the United Nations Transitional Administration in East Timor (UNTAET) outlined in the Secretary General's report of 4 October 1999 (S/1999/1024), humanitarian assistance and emergency rehabilitation needs outlined in the UN Consolidated Inter-Agency Appeal for the East Timor Crisis (CAP) launched on 27 October 1999, and the medium to long-term needs identified in the report of the Joint Assessment Mission (JAM) organised by the World Bank and conducted in November 1999. The first two documents were circulated some time ago and the JAM report, which was circulated in draft in November, accompanies this document.

Background

2. The UN Mission in East Timor (UNAMET) was established by the United Nations Security Council to organise and conduct a popular consultation that was held on 30 August 1999. The question put to the voters was whether to accept or reject the special autonomy arrangement offered by the Government of Indonesia. 98.6 percent of registered voters went to the polls. 21.5 per cent voted in favour of the autonomy proposal; 78.5 percent rejected it, thus opting for a transition towards independence.
3. Following the announcement of the result on 4 September 1999, there was a campaign of violence, looting and arson throughout the territory. Hundreds of thousands were displaced from their homes, many to areas outside the territory.
4. The United Nations Security Council, with the agreement of the Government of Indonesia, authorised a multinational force (INTERFET), under a unified command structure led by Australia, to restore peace and security in East Timor. The first elements of the force arrived in East Timor on 20 September. INTERFET has successfully restored peace and security to East Timor. The transfer of responsibility to the UN is planned for February 2000.
5. In the meantime, the United Nations launched a large-scale emergency humanitarian relief effort, including assistance for the voluntary repatriation of refugees. By early December 114,000 refugees had returned to East Timor. Relief workers and supplies were deployed throughout the territory as the security situation improved. To finance this effort, a Consolidated Inter-Agency Appeal (CAP) was launched on 27 October.
6. The United Nations Transitional Administration in East Timor (UNTAET) was established pursuant to United Nations Security Council Resolution 1272 (1999) of 25 October 1999. UNTAET has been given responsibilities that exceed those of any previous UN mission. It has overall responsibility for the administration of East Timor and has full legislative and executive authority. It is responsible for security, law and order, establishing an effective administration, ensuring the provision of

services, the co-ordination and delivery of humanitarian, rehabilitation and development assistance and assisting in the establishment of conditions for sustainable development.

7. UNTAET has three principal components: Humanitarian Assistance and Emergency Rehabilitation; Governance and Public Administration including an international police force; and the military component. The first component is responsible for humanitarian relief and immediate rehabilitation needs. The OCHA co-ordination structure, under which the early emergency operations were organised, has become the core of the UNTAET humanitarian component. The second component is responsible for administering East Timor. Its task will be twofold: 1) to perform government functions, such as policing and administration of justice, and ensure essential services; and 2) to promote the speedy creation of the East Timorese capacity to perform these functions. The third component is an armed force responsible for maintaining security within the territory and on the border with West Timor. The military component will also support the police in maintaining law and order, if necessary.
8. Key to UNTAET's success will be its ability to support the development of East Timorese capacities for self-government. For historical reasons, East Timor currently lacks sufficient human resources necessary to effectively administer and service the territory. Prior to September, eleven of the thirteen District Administrators (Bupati) were Indonesian, as were the senior managers of public utilities such as water and electricity. The majority of the Indonesian civil servants have since left the territory and public records and original plans for buildings and utilities have been lost or destroyed. East Timor is left with an infrastructure which is 70 percent destroyed, a population recovering from conflict, half of which has been displaced, no functioning police force, a civil service which lacks the majority of its senior staff and an extremely weak revenue base. East Timor must: manage the return of hundreds of thousands of refugees and displaced persons; begin the process of reconciliation; reconstruct homes, roads and public buildings; feed its population; decide what form of government to choose, what language to teach its children and what currency to use; and determine how to generate revenue and promote sustainable economic development.
9. The Joint Assessment Mission (JAM) co-ordinated by the World Bank identified priority reconstruction objectives and provide estimates of external financing needs. The Mission used a comprehensive development framework approach, covering eight sectors and incorporating international technical expertise from five donor countries, from UN agencies, the European Commission, the Asian Development Bank and the World Bank. East Timorese technical experts were paired with international experts in each sector. A concurrent mission of the International Monetary Fund accompanied the JAM to provide a macroeconomic assessment and to develop a set of recommendations for the establishment of a basic macroeconomic framework for decision making, including the preparation of a consolidated East Timor budget for the first twelve months.

III. GUIDING PRINCIPLES

10. UNTAET and programmes of assistance in East Timor will be guided in their efforts by the importance of involving East Timorese as full partners in decision-making, striving for equity and empowerment, including gender considerations, in all aspects of the design of East Timorese institutions and programmes, upholding human rights standards and aiming to ensure the sustainability of the institutions and programmes through institution and capacity building efforts. A concerted effort will be made to integrate these principles into all aspects of the work undertaken by UNTAET and its partners.
11. UNTAET will seek to involve the East Timorese as full partners and act in close cooperation with the East Timorese people. To this end, UNTAET has created a National Consultative Council to serve as the primary mechanism for the participation of the East Timorese people in the decision-making process during the transitional administration. The NCC will provide advice to the Transitional Administrator on all matters related to the exercise of his executive and legislative functions. In order to enhance its capability to provide adequate advice, the NCC will create Joint Sectoral Committees, composed of East Timorese and international experts. The NCC will be chaired by the Transitional Administrator and composed of 14 additional members: three from UNTAET, seven from the National Council of East Timorese Resistance (CNRT), three from political groups outside of the CNRT and one from the Roman Catholic Church. The Council itself will establish mechanisms for consulting with the East Timorese civil society.
12. Peace and security are a prerequisite for the return of refugees and displaced persons, distribution of humanitarian assistance, the establishment of an effective administration and the provision of basic services. The establishment of key rule of law institutions such as the police and the judiciary, and the installation, by democratic means, of an effective government and civil administration will lay the foundation for long-term economic development which is so vital in the transition to independence. Without a secure environment, where rule of law is defined and upheld and where representative governance institutions are beginning to function, other development activities will be lost in the chaos of competing organisational priorities.
13. UNTAET's effectiveness will depend on its ability to respond flexibly, effectively and expeditiously to the needs of the East Timorese. The successful implementation of UNTAET's mandate and a smooth transition to independence will require considerable financial resources, particularly in the first year. In developing and performing its functions, UNTAET will need to draw on the expertise and capacity of Member States, United Nations agencies, and other international organisations, including the International Financial Institutions.

IV. FINANCIAL REQUIREMENTS AND MODALITIES

Requirements

14. The requirements presented below represent the best currently available estimate, based on the Consolidated Inter-agency Appeal, the Joint Assessment Mission, a concurrent mission of the International Monetary Fund (IMF) and preliminary rough cost estimates for the international part of UNTAET, including its military force. It is intended to revert to donors next summer to review developments and to present new estimates that have been refined in the light of experience and of policy decisions taken.
15. There are three broad clusters of activities: 1) humanitarian assistance and emergency rehabilitation; 2) governance and public administration; and 3) reconstruction and medium- to long-term development. These must fit within an overall level of expenditure which does not generate excessive aggregate demand nor exceed the absorptive capacity of East Timor.
16. UNTAET, the World Bank, the IMF and the UN agencies have carefully reviewed the CAP and the JAM reports. Both cover some medium-term development needs. For example, the CAP includes proposals for education and health, as well as community development. These areas also fall within broader programmes covered by the JAM report. The overall figure requested from donors in this document has accounted for this factor. In other words, there is no double counting. It is the responsibility of UNTAET to co-ordinate the implementation of projects in these areas in order to ensure that there will be no duplication of effort. For this purpose, UNTAET and the World Bank have established a number of co-ordination mechanisms.
17. **Humanitarian Assistance and Emergency Rehabilitation** The humanitarian assistance and emergency rehabilitation cluster addresses the co-ordination and delivery of humanitarian assistance. The OCHA-co-ordinated Consolidated Inter-Agency Appeal was launched on 27 October and totalled US\$199 million for the period ending 30 June 2000 (including US\$16 million for activities in West Timor). Approximately US\$126 million of the CAP is targeted to address urgent humanitarian needs. An additional US\$57 million address medium- to long-term needs which must begin to be addressed urgently and which are also incorporated in the JAM report. Approximately US\$40 million will have been disbursed by the end of 1999.
18. Funding for humanitarian assistance and emergency rehabilitation activities will be from voluntary contributions, with the exception of UNTAET staff responsible for policy, planning and co-ordination, who will be funded by the assessed budget. **Excluding the US\$40 million to be committed by the end of 1999, humanitarian assistance and emergency rehabilitation requirements for 2000 will amount to approximately US\$86 million.**

19. **Governance and Public Administration** The governance and public administration cluster addresses the provision of security and maintenance of law and order, establishment of effective administration, assistance in the development of civil and social services, support for capacity building for self-governance and assistance in the establishment of conditions for sustainable development. There is an immediate need for funding for, *inter alia*, the establishment of East Timorese consultative bodies, the establishment of an East Timorese police force and recruitment and training for East Timorese civil servants and equipment for the administration.
20. Essential to UNTAET's mission is the re-establishment of the East Timorese civil service. UNTAET's international staff is quite small compared to the East Timorese staff. Without them, UNTAET's cannot perform its task. They are thus essential to the functioning of the administration during and, even more, after the transition period. Voluntary contributions are being sought for the establishment and operation of East Timorese institutions, including the civil service and the police. If sufficient voluntary contributions are not available, funding will need to be obtained through assessed contributions.
21. The estimate of requirements for the Timorese part of the transitional administration was handicapped by the complete break in continuity created by the departure of the Indonesian civil servants and the physical destruction of offices and files last September. In addition, there are uncertainties arising from questions of policy that have yet to be addressed, notably concerning the future civil service. For this reason, a range of expenditure is indicated below rather than one definite figure.
22. **Voluntary contributions required for the year 2000 in the area of governance and public administration will be US\$28.3 million. This estimate assumes that the projected revenues of US\$15 million are reached. Of the total US\$43.3 million, US\$30 million are for recurrent budgetary requirements and US\$13.3 million are for institution and capacity building. Should the expected level of revenues not be reached, additional external financing would be required.**
23. **Reconstruction and Medium- to Long-Term Development** The reconstruction and medium- to long-term development cluster addresses assistance in the development of civil and social services, co-ordination and delivery of rehabilitation and development assistance and assistance in the establishment of conditions for sustainable development. The important point at this stage is that resources for reconstruction and development projects be mobilised in support of UNTAET's objectives in the transition to independence. Reconstruction and development resources and interventions must be geared to what will be sustainable for the government of an independent East Timor. By their very nature, development projects will come on stream slowly but urgent decisions are nonetheless required to ensure sustainability of investment. The Joint Assessment Mission report estimates the funding requirements for this cluster to be US\$300 million over the next three years and a commitment by donors to this effect is sought.
24. Funding for reconstruction and medium- to long-term development activities will be from voluntary contributions with the exception of UNTAET staff responsible for

policy, planning and co-ordination, who will be funded by the assessed budget. **Total medium- to long-term development requirements for the first year will be US\$64 million.**

25. **UNTAET** The UNTAET mission itself will be funded by assessed contributions. A budget proposal will be submitted to the General Assembly in early 2000. **UNTAET's budgetary requirements for the first year are estimated to be on the order of US\$700 million.**

Modalities

26. Two trust funds have been established through which voluntary contributions can be channelled. This does not preclude the direct funding of projects through UN agencies, funds and programmes, non-governmental agencies or other organisations.

27. **United Nations Trust Fund** The UN has established a trust fund in order to fulfil the mandate given by the Security Council. The UN Trust Fund will be used to finance operational costs, including the building of basic institutions, the functioning of public services and utilities, infrastructure maintenance and the salaries of local civil servants. The UN Trust Fund will also finance related institution and capacity building programmes, including the cost of rehabilitating and re-equipping public administrative buildings, police training, political party development, judiciary development, and other activities that will form the basis for an effective administration, good governance and the rule of law. The UN Trust Fund's focus will be on governance and administration. Major restoration and development activities are budgeted for separately under the reconstruction and development budget proposed in Section C. The purpose of all of these activities will be to develop the East Timorese capacity for self-government.

28. The UN Trust Fund will also be used to finance quick impact projects aimed at restoring public services and helping to consolidate peace and foster reconciliation. Management of the Trust Fund will be delegated to the SRSG. He will be responsible for co-ordinating all aspects of the work programme financed from the Trust Fund. The Chief Administrative Officer (CAO) of UNTAET is designated as Certifying Officer. The Trust Fund will be governed by UN Financial Rules and Regulations.

29. **The World Bank-administered Trust Fund** This Trust Fund will be used to channel funding for the preparation of studies, training, technical assistance, carrying out of works, and procurement of goods for the reconstruction and development of East Timor. This will enable quick and co-ordinated assistance to East Timor in agreed priority sectors. Its focus will be on reconstruction and economic development.

30. Funds channelled through the Trust Fund will serve as grants for the purpose of financing the preparation and implementation of projects. Specific details of the proposed trust fund will be discussed at the donor meeting in Tokyo.

V. IMPLEMENTATION STRATEGY

31. Projects and programmes will be executed by the East Timorese civil service, UN agencies and international or local NGOs contracted by UNTAET or by donors. Accepted international procurement rules will be followed, with the expectation that the majority of projects will be undertaken by the private sector. Projects may also be executed by local communities once mechanisms for project management have been established. UNTAET will execute projects itself only in exceptional circumstances. However, UNTAET will manage the payment of salaries and operational costs of civil servants as well as capacity building activities for the civil service.
32. The overall responsibility for the planning, co-ordination and implementation of all programmes for humanitarian assistance and emergency rehabilitation, governance and public administration and reconstruction and development assistance rests with UNTAET. It will thus be responsible for the proper co-ordination and sequencing of activities and ensuring that there is no duplication.

Donor Steering Committee

33. A Steering Committee of representatives of those donors contributing to the World Bank Trust Fund is proposed to be established to provide governance of the Fund. The Committee would meet regularly to review progress on the Trust Fund's implementation. It is also recommended that a donor coordination committee be established in Dili to ensure effective co-ordination among all donors.

Donor Co-ordination Unit

34. All projects and programmes, including those funded by the World Bank Trust Fund, the UN Trust Fund and direct funding to UN agencies and NGOs, will be subject to a review and approval process established by a Donor Co-ordination Unit. The purpose of this process is to ensure that projects address the priorities and further the policy objectives set by UNTAET and the NCC and to minimise duplication of effort. The Unit will have direct responsibility for follow-up to the Tokyo Conference. It will maintain an overview of contributions to East Timor. The Unit will make available to donors an overview of the needs in East Timor and the status of donor-funded projects.
35. It is envisaged that a Reconstruction Co-ordinating Committee composed of UNTAET and East Timorese representatives will be formed to prioritise projects and to ensure continued East Timorese participation and ownership of the reconstruction planning process.

Sectoral Committees

36. The National Consultative Council will establish Joint Sectoral Committees in the areas of, *inter alia*: agriculture, education, environment, finance and macroeconomics, health, human rights, infrastructure, local administration and national resources. These committees will be composed of East Timorese and

international experts. The Joint Sectoral Committees will promote information sharing and recommend policy. The committees will also work to avoid overlap and identify gaps in project funding.

37. Implementing agencies will co-ordinate their efforts with the relevant Sectoral Committee and with the relevant UNTAET component: Humanitarian Assistance and Emergency Rehabilitation or Governance and Public Administration. A record of projects will be kept for this purpose and to serve as a history of activities for the incoming government. The Sectoral Committees will work closely with the Donor Co-ordination Unit to ensure that needs are covered and important projects receive the funding they need from the appropriate trust fund.

District Level Co-ordination

38. At the district level the UNTAET District Administrator is responsible for co-ordinating donor-funded activities and maintaining a record of projects being implemented in the district. This record will be shared with the Sectoral Committees and with the Donor Co-ordination Unit. District Councils, chaired by the UNTAET District Administrator and reflecting the composition of the NCC, will establish priorities at the district level and identify overlap and gaps in project funding.

Sub-district and Village Level Co-ordination

39. Sub-district and village councils established by the *Community Empowerment and Governance Program* will focus on the co-ordination and implementation of relief and rehabilitation efforts at the sub-district and village level. UNTAET will deploy District Field Officers at the sub-district and village level in order to work with the local communities and represent UNTAET on the councils.

VI. IDENTIFIED AREAS OF NEED

A. HUMANITARIAN ASSISTANCE AND EMERGENCY REHABILITATION

Background

40. In response to the violence and destruction in East Timor in September, a comprehensive programme was developed combining both humanitarian assistance and emergency rehabilitation. Working in tandem with the phased deployment of INTERFET forces and, under the direction of the UN Humanitarian Co-ordinator, humanitarian agencies initiated an extensive assessment of priority needs throughout East Timor. Sectoral committees, combining the expertise of UN agencies, NGOs and other international organisations, were formed to determine assistance priorities and to scrutinise and harmonise individual projects.
41. The *UN Consolidated Inter-agency Appeal for the East Timor Crisis* (CAP) was launched by the UN Office for the Co-ordination of Humanitarian Affairs (OCHA) in mid-October 1999. This document provides a compendium of 48 emergency and transitional assistance projects in the food, shelter, water and sanitation, health and education sectors and provides a framework for co-ordination activities and the return and reintegration of displaced populations throughout the territory and from West Timor. The total monetary value of the appeal for East Timor is US\$183,065,299. An additional 16 projects have been included for West Timor totalling US\$15,980,800.
42. The Appeal covers the period from 15 October 1999 until the end of June 2000. Its principal aim is to assist populations through the emergency stage as quickly as possible while laying the groundwork for longer-term and full-scale reconstruction and development activities identified by the Joint Assessment Mission (JAM) and to be undertaken by the developmental agencies and International Financial Institutions. The CAP includes a number of medium-term development projects. These broadly correspond to needs identified by the World Bank-co-ordinated Joint Assessment Mission. The overall estimate of financing needs to be presented at the Tokyo meeting has taken this into account.

Food Aid and Food Security

43. In the short-term, large segments of the population will require emergency food assistance to avert hunger, due to the high level of spoilage and looting of household food stocks, low levels of availability of produce in local markets, shortages of seeds and tools and disruptions to seasonal planting due to insecurity. In the medium-term, the aim is to achieve food security through renewed agricultural production. Programmes aimed at providing essential agricultural inputs will be launched in the short term, to minimise food aid requirements. These initiatives are closely linked to the medium and longer-term development needs in the agricultural sector and are presented in Part C.
44. Agencies have agreed that the main aims of food assistance are to:
- save lives through timely response to acute needs;

- avert famine in the immediate and medium terms by improving the status of malnourished people and providing sufficient food to at-risk populations;
- provide emergency food relief to displaced persons and returnees until they can achieve food security;
- support the repair of essential infrastructure through food-for-work programmes.

45. The World Food Programme (WFP), in its capacity as overall co-ordinator for the food sector, estimates that up to 550,000 persons in East Timor will require general rations and 85,000 people will need to be enrolled in special feeding programmes. Under the appeal, agencies will provide food assistance for six months from 15 October to 15 April - commensurate with the harvest cycle. A joint Food and Agriculture Organisation (FAO)/WFP food and crop supply assessment mission will systematically monitor agricultural production, food availability on the local market and the nutritional status of the population leading to the gradual phasing out of emergency food aid.

Return and Reintegration Support/Emergency Shelter

46. A major priority remains the resettlement and reintegration of all displaced persons both within and outside East Timor. Failure to achieve this objective will have long-term repercussions for the security of the region and the viability of the independent state.

47. The UN High Commissioner for Refugees (UNHCR), the lead agency in the sector, has identified the main objectives are to:

- provide for the emergency needs of internally displaced persons and returnees in East Timor - with special assistance for extremely vulnerable individual (EVI) returnees (unaccompanied children, women and the elderly);
- provide protection and assistance to refugees outside East Timor;
- promote durable solutions for refugees from East Timor through their voluntary return to East Timor, local settlement, or relocation elsewhere in Indonesia based on freedom of choice;
- assist refugees and the internally displaced persons who wish to do so to return to their home areas and support their initial reintegration into civil society by providing appropriate humanitarian assistance and information;
- ensure an effective transition from initial assistance to longer-term community rehabilitation, reconciliation and development; and
- encourage the return and reintegration of qualified nationals.

48. The stabilisation of the situation inside East Timor has enabled an increasing number of East Timorese to return to their homes. By early December, over 114,000 persons had returned from West Timor, in addition to 4,604 persons returning from elsewhere in Indonesia, Darwin and Macao. That said, the situation facing many displaced outside East Timor remains of grave concern. Attacks by militia groups on refugees continue and access by UN agencies to many camps is still not assured. Many refugees will continue to require protection and assistance in the camps and the facilitation of their return by chartered aircraft and sea vessel. Others, located closer to border areas, may be expected to eventually return by surface transport. For this, adequate reception facilities will have to be prepared.

49. Within East Timor, the security provided by INTERFET has encouraged displaced people to return to their villages. Although most displaced in East Timor are expected to return to their homes unassisted, certain groups of vulnerable people will require transport. Given the factors that led to displacement, protection will be provided, particularly to returnees entering from West Timor.
50. Reintegration into home communities has been impeded by the destruction awaiting many returnees: in most towns, dwellings, shops and local government structures have been either partially or totally destroyed. In addition to protection, transport and logistic support, therefore, projects included in the sector will cover the provision of emergency supplies for IDPs to help them to resume normal lives.
51. UNHCR's main priority to June 2000 will be to ensure the provision of survival non-food relief and temporary shelter. UNHCR is also committed to providing returnees and displaced persons, within its budgetary and capacity limitations, with mid-term household reconstruction materials to facilitate the rehabilitation of houses by the beneficiaries, thereby contributing to their reintegration. UNHCR has adopted the Inter-Agency Shelter Working Group recommended target of 35,000 household units (equivalent to 175,000 individual returnees and displaced persons), comprising a high volume package of galvanised iron and ridge sheeting, timber, cement, steel straps, nails and tools. This level of housing rehabilitation is considered realistic in terms of implementation under the CAP during the year 2000.
52. The return of qualified East Timorese from abroad is of critical importance to the development of viable institutions. The International Organisation for Migration (IOM) will assist in locating, transporting and placing those interested in returning during the transition phase.

Emergency Water Supply and Sanitation

53. The violence in September resulted in substantial damage to the territory's infrastructure and public utilities, which, in some cases, were already severely degraded. Among the worst affected, has been the management of water and sanitation services which have, in almost all areas, ceased to function. Prior to the upheaval, less than half of the total population had access to safe water and sanitation facilities.
54. Agencies working in the sector have agreed that the main objectives in water and sanitation during the emergency and transitional phase are to:
- assess the damage to urban and rural water systems;
 - provide minimum standard drinking water and washing facilities to displaced persons and those returning to their homes, or to temporary settlements or camps where people are concentrated;
 - create a healthy physical environment in order to minimise health risks; and
 - involve communities in identifying water and sanitation related health risks and build the capacity of these communities to take action to reduce their impact.

55. To assist the implementation of projects in the Appeal, agencies have defined minimum agreed standards for their work. For water, these include safe and adequate water located at convenient collection points; washing facilities; adequate water storage at family level (jerry cans); and adequate safe water to institutions such as health centres, hospitals and schools. A safe environment is defined as one with sanitary latrines for human excreta disposal in homes and at camps; facilities and assistance for the appropriate disposal of bodies; adequate disposal of garbage; surface water drainage; and adequate vector control.

Emergency Health

56. During the post-consultation violence, virtually all health facilities and systems were heavily damaged and/or ceased to function. Few doctors, specialists or health administrators remain in East Timor, although a sizeable number of nurses, midwives and aides are assumed to still be in-country.

57. East Timor's population is young, with 35-40 percent below the age of 18. Morbidity and mortality rates are relatively high, particularly among infants and children, many of whom suffer from a combination of malnutrition and infection. Referral systems are insufficient for emergency obstetric care, exacerbating a high proportion of unattended home deliveries and high levels of maternal mortality.

58. The humanitarian agencies in East Timor have agreed that the following set of principles will govern their work in the health sector:

- access to health care is a basic human right;
- health activities must be effective and flexible and must aim to meet the needs of the most vulnerable;
- programmes must be acceptable to beneficiaries;
- health activities will be linked with other interventions including programmes in water and sanitation, food and nutrition;
- all programmes will have a component aimed at enhancing the capacity of the public social sector and local NGOs.

59. Within this rubric, agencies have agreed that the main aims in the health sector are to:

- re-establish and develop the health infrastructure;
- strengthen and ensure health service delivery;
- build capacity among national counterparts, partners and humanitarian staff;
- conduct Information, Education, Communication (IEC) activities and social mobilisation;
- develop effective systems of supervision, monitoring and evaluation.

60. The World Health Organisation (WHO), as the lead agency in the sector, will co-ordinate health activities and monitoring of the health situation. WHO will also be responsible for implementation of the health surveillance system and epidemic control, including the re-establishment of tuberculosis and malaria control programmes, support STD/HIV activities and implement the Management Information System for drugs and medical supply. UNICEF will take the lead in re-establishing basic health infrastructure, providing basic equipment and supplies and

re-establishing immunisation programmes, support the provision of primary health care services, conduct training at district level and implement health education and social mobilisation activities at the community level.

B. GOVERNANCE AND PUBLIC ADMINISTRATION

Rule of Law

61. The re-establishment of the rule of law, including a functioning legal system and a functioning police force is one of UNTAET's first priorities. UNTAET's Regulation 1999/1, stipulates that the laws applied in East Timor prior to 25 October 1999 shall apply insofar as they do not conflict with internationally recognised standards and until such time as they are replaced by UNTAET regulations or subsequent legislation. Regulation 1 also lists a number of pre-existing laws which shall no longer be applied in East Timor. The regulation outlines the procedures for UNTAET's issuance of regulations and related directives, thereby establishing the first procedures for the implementation of the rule of law for the transitional administration.
62. Steps to establish the rule of law must address the following specific challenges:
- the limited availability of trained personnel;
 - the destruction of court documentation;
 - widespread and extensive damage to infrastructure related to the justice system; and
 - the lack of a mechanism to develop effective new legislation and reform existing law.

Judiciary

63. The departure of judges, prosecutors, and court clerks, the majority of whom were Indonesian, has left an extremely limited number of legally trained professionals in East Timor. In addition, there has been extensive damage to the judicial infrastructure and destruction of court records, including virtually all law books. The legal framework will have to be reconstructed according to the priorities of the East Timorese. Immediate attention will be given to the urgently needed revision of the criminal law, the legislation governing land and property as well as the law on foreign investment. It is urgent to establish basic court services to adjudicate disputes in civil and criminal matters. In line with recommendations of the JAM, it is intended to establish a district court in Dili, with jurisdiction for the entire territory and all civil, administrative and criminal law matters. A Court of Appeals should be established within six months and rules elaborated for the appeals procedure.
64. The extension of the judicial network should be based on the evolving legal needs to ensure a gradual judicial coverage and equal access to courts for the entire population. In this respect, the early establishment of a sustainable legal aid scheme is necessary. The establishment of a legal aid fund and a legal aid commission to administer the allocation of funds is required to facilitate legal representation for all segments of society, with a particular view to complex legal matters such as property or the prosecution of cases related to the September violence in East Timor. Efforts should take into account other mechanisms for conflict resolution established by the East Timorese people.

65. The priority objectives for the restoration of a judicial system in East Timor are:
- adaptation of current law to internationally recognised human rights and other criminal justice standards;
 - development of a regulatory foundation for commercial activities;
 - establishment of a Legal Training Centre to recruit and train magistrates, judicial personnel and lawyers;
 - establishment of a Land and Property Commission, including a system of registries and land-mapping;
 - restoration of necessary judicial infrastructure, including the urgent provision of basic law books; and
 - establishment of a legal assistance programme, including a Legal Aid Commission.
66. UNTAET has initiated the establishment of the Transitional Judicial Service Commission with the issuance of UNTAET Regulation 1999/3 on 3 December 1999. The Commission was established to recommend candidates for provisional judicial or prosecutorial office, provide advice on the removal of judges or prosecutors and prepare a Code of Ethics for judges and prosecutors. UNTAET will provide funding and technical support to the Commission.

Police formation and training

67. Crucial to the success of the rule of law in an independent East Timor is the creation of a police service guided by the principle that its primary responsibility is the protection of the citizens and not the security of the state. The police service is to be professional, impartial and non-political. It will practice the principles of community policing.
68. Efforts will be undertaken to identify candidates for police training. Successful candidates will be inducted into the East Timorese Police Service as probationary constables. Appropriately experienced UNTAET international police officers will mentor the probationary constables on the job. Funds will be required not only for a police training facility, but also for ongoing equipment and training expenses.
69. The priority objectives for the restoration of a criminal justice system in East Timor are:
- creation of a Criminal Investigation Unit;
 - the establishment of a police academy;
 - recruitment and training of probationary constables and prison wardens; and
 - the restoration of necessary infrastructure, including the rehabilitation of the Dili prison to serve the current detention and imprisonment needs of East Timor.

Civil Service and Administration

70. The total size of the civil service in East Timor is estimated⁶ to have been approximately 28,000. Almost 75 percent of these employees were East Timorese however, Indonesians held the majority of the higher level positions within both the central and provincial administrations. The previous civil service structure included four levels of administrative government: provincial, district, sub-district and village level. There were 12 sectoral departments controlled from Jakarta. In most cases, these departmental functions were also decentralised to the district level, answerable to the district administrator. There were 13 districts, 62 sub-districts and 422 villages.
71. This was a very large administration for so small a population. Given East Timor's small revenue base, its administration was therefore subsidised by Jakarta. The Joint Assessment Mission has recommended that East Timorese should have a much smaller civil service of a size that it could sustain in the long term. The mission estimated that it could function effectively with approximately 12,203 staff (of whom 6750 would be teachers and 3173 health staff). The IMF also supports a lean administrative structure. The effectiveness of this lean civil service would depend on merit recruitment, adequate compensation, and intensive staff training and development. The World Bank and the IMF have recommended a salary scale for the civil service based on East Timor's expected future ability to meet the budgetary implications.
72. These are recommendations for a radical departure from the past, with significant social impact. At a time when most East Timorese have lost most, if not all, of their belongings, when employment and income generating opportunities are scarce and when uncertainty persists about the future, following them will be difficult and painful. The situation therefore calls for close consultation with the NCC, which will form a civil service commission to consider the matter.
73. The key objectives during the transitional period, in order to create a lean but capable civil service, are:
- the establishment of a Civil Service Commission responsible for determining personnel policies, recruiting candidates, and making selection and appointment decisions;
 - the establishment of a civil service training programme;
 - the reconstitution, to the extent possible, of critical public records;
 - the reconstruction and re-equipping of destroyed and damaged public buildings, including schools, health facilities and administrative buildings.

Establishment of Governance Institutions

74. During the transitional administration, governance institutions will be necessary at the national, district, sub-district and village level. The first of these, the National

⁶ Based on Wage Payments from the National Treasury and Cash Office, Dili, March 1999 (Laporan Jumlah Pegawai dan Pembayaran Gaji Pegawai Megeri Sipil Pusat Dari Kantor Perbendaharaan Dan Kas Negara Dili, Maret 1999).

Consultative Council, has been established with the issuance of UNTAET Regulation 1999/2. At the district, sub-district and village level, governance institutions will first take the form of councils, reflecting the composition and functions of the National Consultative Council. Once elected representatives are in place, these councils will be absorbed into the East Timorese governance structure. Funding, channelled through the East Timorese budget, will be needed to facilitate the participation of the East Timorese in these councils during the transitional period.

75. At the national level, other institutions will be the precursors to East Timorese commissions and bureaux, such as a Statistics and Census Bureau and the Land and Property Commission, for the management and conduct of governance functions. These institutions will be responsible for the assessment of specific needs, development of policy, collection of information and management of government functions. Each of these institutions will be established with a view to: 1) providing information and services during the transitional period; and 2) ensuring that these institutions are sustainable over the long-term.

National Level

76. **National Consultative Council.** The National Consultative Council was established on 2 December with the issuance of UNTAET Regulation 1999/2. The NCC is the primary mechanism through which representatives of the people of East Timor will actively participate in the decision making process during the transitional period. Through the members of the NCC, the views, concerns, traditions and interests of the East Timorese people will be represented. The NCC will make policy recommendations on significant executive and legislative matters. In order to enhance its ability to provide advice, the NCC will create Joint Sectoral Committees in the areas of: agriculture, education, environment, finance and macroeconomics, health, human rights, infrastructure, local administration and national resources. These committees will be composed of East Timorese and international experts. The Joint Sectoral Committees will promote information sharing, recommend policy and co-ordinate donor funded activities in each sector in order to avoid overlap and identify gaps in project funding.

District Level

77. District Councils, chaired by the UNTAET District Administrator and reflecting the composition of the NCC, will be established in all 13 districts. District Councils will establish priorities at the district level, co-ordinate donor-funded projects, identify overlap and gaps in project funding and maintain a record of projects being implemented in the district.

Sub-district and Village Level

78. The World Bank has proposed the early establishment of interim representative sub-district and village councils. The proposed vehicle to achieve this is a *Community Empowerment and Governance Program*, deploying a team of some 800 community facilitators. In the short term, these councils will focus on the co-ordination and implementation of relief and rehabilitation efforts at the sub-district and village level

in order to ensure greater efficiency and community participation in the emergency phase. Councils will also manage support to vulnerable groups and, in some areas, implement special reconciliation programmes. The councils will work closely with UNTAET District Field Officers deployed to the sub-district level. The village councils will select 2 representatives (one woman and one man) to participate in the sub-district councils and the sub-district councils will select 2 representatives (one man and one woman) to participate in the District Council meetings on local affairs. The councils will put forward proposals for spending grants provided to the districts, sub-districts and villages.

Economic and financial management

79. During the transitional period, it is critical that initiatives be taken to lay the basis for sustainable economic recovery and sound economic management. A key aspect of this is the creation of a Central Fiscal Authority and a Central Payments Office, which UNTAET will move to establish as soon as possible. Further details on the establishment and development of economic and financial management institutions are provided in Section C and will be elaborated by the IMF.

Democratisation

80. UNTAET has been charged with assisting the East Timorese in the development of a Constitution, organising and conducting elections and building the institutional capacity for electoral processes.

Constitution

81. The East Timorese will actively participate in the development of the constitution and its attendant electoral system through a constitutional commission formed by the National Consultative Council. UNTAET will assist the East Timorese, through the office for Constitutional and Electoral Affairs, by providing experts in constitutional law and advisors to present options and make recommendations regarding systems of government and representation. In addition, UNTAET will work with the East Timorese to launch a countrywide constitutional dialogue to ensure that the draft constitution reflects the expectations of the population and is therefore widely accepted.

Elections

82. The holding of elections will serve as a benchmark for the UNTAET mission as the election of East Timorese will enable the handover of authority. Elections should not be seen as the date at which UNTAET would completely disengage from East Timor, but rather as the date marking a change in its relationship with the country, when executive and legislative authority would start to reside in the Government.

83. A number of issues need to be addressed before East Timor can hold its first elections. Firstly, a constitution, defining the system of government for East Timor, must be promulgated and an electoral law must be drafted. In addition, the return of IDPs and refugees, the preparation of a civil registry, definition of voter eligibility, and

reconstruction of necessary infrastructure are all prerequisites of a successful election. The organisation of the first elections will provide an opportunity for UNTAET to assist the East Timorese in establishing an electoral management body that would have the capacity to conduct future electoral events.

Political Party Development

84. The development of strong political parties is essential to the democratic process. International organisations with experience in this area, and in East Timor, will undertake to train political parties in, *inter alia*, coalition building, message development, communication, organising and poll watching. These organisations will require donor funding.

Independent Media

85. The widespread violence in September 1999 led to the destruction of most of the media infrastructure in East Timor, including the total destruction of television and printing facilities. Funding and technical advice will be needed for a comprehensive set of interventions in this sector, including: the physical rehabilitation of buildings, the provision of broadcasting and printing equipment and supplies, professional training of journalists and media managers, and the development of communications and media policies and regulations, in consultation with the East Timorese.

Support for Civil Society

86. Effective democracy in East Timor will require a vital civil society. The Catholic Church is the largest and most influential civil organisation. Traditional structures for community mediation and conciliation may serve as important means for achieving consensus, reconciling local conflicts and maintaining social order.

87. District councils will serve as vehicles for presenting the interests of civil society and ensuring full community participation in decision making and there are important roles for local NGOs and professional associations in both rehabilitation and development as well as in democratisation and nation building. In particular, local NGOs have an important and urgent role to play in the rehabilitation of communities, families and individuals who have suffered trauma. Existing NGOs, including professional and trade organisations, must be strengthened and new ones will evolve, as the needs become apparent. One first step will be the establishment of a clear NGO policy and legal framework to ensure transparency and to establish operational standards. NGOs could benefit from capacity building programmes, including management and financial skills, programme design, monitoring and evaluation. The international community will need to build on previous efforts in NGO training and capacity building, trade union education, and programme planning in order to strengthen this sector. Specialised training will be required for those NGOs working in technical areas and social service delivery.

Establishment of Human Rights Institutions

88. UNTAET is charged with supporting the development of an independent Human

Rights Commission. Priority must be given to the development of a national action plan for the promotion and protection of human rights, including a human rights education programme, and to the establishment of the National Human Rights Commission, which will play an essential role in providing advice to the authorities, remedying human rights violations and in the dissemination of human rights information and education. These activities will facilitate integration of a human rights dimension into all development activities. Financial and technical support will be required for these efforts, including a national conference which is planned to be convened in early 2000 with participation of national and international groups.

89. In addition, local NGOs and religious organisations which have played important roles in the defence of victims of human rights violations should be recognised and stimulated beyond their traditional mission of human rights monitoring, provision of assistance to victims and co-operation with international investigation instruments such as the UN Human Rights Commission. It is important to support these groups to conduct human rights education in co-ordination with schools, universities, the judiciary, police and prisons, and community groups. There is an urgent need for training and supporting witnesses and survivors, sensitisation of health workers, establishment of family rehabilitation programmes. The NGOs working in the area of human rights, as well as the National Human Rights Commission will require financial support for premises rental or rehabilitation, basic equipment and supplies, and operational costs, including transport. There will also be need for technical assistance and staff training.

Environmental Protection and Resource Management

90. The displacement of people to unfertile lowlands in the northern coastal plains has increased pressure on the land. As much as 70,000 hectares of forest were burned in the last decade by official estimates, but some analysts believe that the real number is much higher. The main consequences of deforestation are loss of genetic resources and increased erosion and flash floods from barren hillsides.

91. The seriousness of the situation in East Timor and the lack of infrastructure or institutions with responsibility for environmental protection necessitate urgent action. It is recommended that a statutory agency or authority be established to implement environmental protection measures and enforce regulations. In the absence of such environmental regulations, it will also be necessary to draft legal texts for overall environmental regulations. The fundamental requirements for these regulations would be to ensure a working system of natural resource governance across all sectors and users.

C. RECONSTRUCTION AND MEDIUM-TO LONG-TERM DEVELOPMENT

92. The Joint Assessment Mission to East Timor identified immediate and medium- to long-term reconstruction needs in key sectors. The report of the Mission identifies the proposed priority initiatives for reconstruction that are prerequisites for sustainable development investment. The overall requirements for reconstruction and development for the next three years are assessed to be in the order of US\$300 million.
93. The Joint Assessment Mission was comprised of 44 experts from 14 different agencies and countries. Agencies from the United Nations participated, as well as experts from member countries such as Australia, Portugal, France, Japan, the United States, the United Kingdom and Mozambique, the Asian Development Bank and the European Union. The defining feature of the Mission was the pairing of each international expert with an East Timorese expert to ensure that the findings were grounded in local expertise and, above all, ownership. A concurrent mission was conducted by the International Monetary Fund (IMF).
94. The JAM was prepared with the objective of ensuring a seamless transition from relief to development in East Timor. The UN Consolidated Inter-Agency Appeal for the East Timor Crisis (CAP) also proposed a number of projects that address rehabilitation requirements beyond the initial emergency response and need to be implemented as a matter of urgency. The World Bank and the UN Office for the Co-ordination of Humanitarian Affairs (OCHA) have carefully reconciled these proposals to avoid duplication or double counting.

Economic Management

95. Prior to the recent violence, East Timor was one of the poorest areas in South-East Asia, with severe problems of illiteracy, malnutrition, malaria, and tuberculosis. An estimated 30 percent of households – or double the ratio for Indonesia – were below the Poverty Line. GDP per capita in East Timor amounted to the equivalent of US\$ 431 in 1996, while the national average was US\$ 1,153. Officially, East Timor depended heavily on transfers from the Indonesian government, which covered 85 percent of current and investment expenditures.
96. Virtually every piece of equipment and remaining physical infrastructure of the modern sector has now been destroyed. Soft infrastructure, such as services and distribution networks, no longer exists. Administrative structures of the government, including revenue and budget functions, have disappeared. In all, GDP is estimated to have declined by 40-45 percent in 1999. The markets for goods and services completely collapsed.
97. The immediate need in East Timor is to restart the flow of goods and services. However, considerable attention needs to be given to the implications for East Timor's economy in the transition period. The effect of major inflows of capital can easily lead to structural imbalances in the economy. To manage these disturbances, fiscal instruments should be used to tax urban infrastructure and increase investment in rural poverty reduction.

98. During the transitional period, it is critical that initiatives be taken to lay the foundation for sustainable economic recovery and sound economic management.

These needs include:

- establishing and reinforcing key economic institutions, including a department of finance and planning, procurement and audit agencies, revenue agency, statistical agency and customs offices;
- economic policy making, including the development of currency and exchange regimes, financial supervisory services, tax policy and collection systems and accounting systems;
- establishment of international agreements on the exploitation of natural resources;
- development of legal and regulatory frameworks, including an investment code, property and commercial law;
- establishment of a legal framework and lines of credit for the development of small and medium enterprises; and
- gathering baseline economic and social data, including the conduct of a population census, price surveys and a household income and expenditure survey.

Physical Reconstruction of Infrastructure

99. Substantial donor resources will be needed to restore East Timor's basic infrastructure. Essential infrastructure throughout East Timor has been severely damaged or degraded. Urgent repairs are required to restore power, telecommunications, water supply and waste collection and disposal. Some of the agencies working in this sector have already begun immediate repairs of the water system and will be shortly implementing programmes designed to restore, stabilise and operationalise essential services in the main population centres. An infrastructure co-ordinating committee has been established by UNDP. This body will be absorbed into the Sectoral Committee for the co-ordination of infrastructure projects to be established by UNTAET and the NCC.

100. Restoration of electricity distribution systems will require extensive long-term technical assistance as well as investment, as none of the core technical staff were East Timorese.

101. Public buildings and residential housing have borne the brunt of the violence. Roofs have been destroyed in the public buildings, while the walls are still intact in most cases. East Timor had a small construction industry before the ballot, and to date none have restarted operations. Investment will also be required for the development of airports and port facilities.

Food Security and Agricultural Development

102. The most pressing need to reactivate the family sector and small holder agriculture is seed provision before the next planting season. Rice, maize and vegetable seed distribution is being carried out by humanitarian organisations while

longer-term agricultural revitalisation (seed multiplication, irrigation, livestock restocking) must be started-up at the same time.

103. The recent violence occurred after the coffee harvest and the JAM estimates that in 70 percent of the coffee producing areas the plants completed the necessary development. A major challenge is to ensure that crop procurement and marketing mechanisms, including financing, for the small holders are put in place. Important policy decisions will have to be made concerning the management and structure of coffee export mechanisms.

104. Identified agricultural priorities assume the successful provision of adequate seeds and tools under the Consolidated Inter-Agency Appeal for the East Timor Crisis. Following the emergency phase, recommended reconstruction interventions include:

- the restoration of local seed and development of seed stations;
- a livestock restoration programme;
- a smallholder coffee development initiative;
- the rehabilitation of targeted irrigation systems;
- small-scale fisheries development;
- an agro-forestry and tree crops initiative;
- land capacity and agricultural systems mapping;
- the restoration of meteorological stations;
- agricultural survey and database development; and
- a small-holder mechanisation programme.

Income Generation, Job Creation and Micro-credit Programmes

105. The substantial work needed to rehabilitate East Timor will require a large workforce of skilled and unskilled workers as well as technical and professional personnel. At the same time, given the complete collapse of the economy, many East Timorese must be integrated into income-generating activities. Preliminary assessments indicate an acute shortage of electricians, builders and plumbers, interpreters and stevedores. More information is required to determine the extent of on-going training needs based on available and required skills.

106. A programme to support small businesses will be established. In order to re-activate the commercial and service sectors at the local level, micro-credit programmes will be launched.

Human Development

Rebuilding Communities

107. The immediate priority for community welfare is the meeting of basic needs. Emergency needs are now largely being met by UN agencies and NGOs and it is assumed that this support will continue until all families are resettled and food and shelter needs secured. Similarly, the rapid re-establishment of health and education services, as described elsewhere in the Joint Assessment Mission report, will be essential for community restoration. Because of the current administrative vacuum at and below district level, steps should be taken as soon as possible to establish

representative, community-based institutions in order to ensure greater efficiency and community participation in the emergency phase. Further steps need to be taken to consolidate existing community based institutions and strengthen links with UNTAET and organisations providing assistance. Immediately beyond the emergency phase, it will be essential to rapidly expand these institutions into a system of local governance. As discussed in the previous section (Institution and Capacity Building for Governance and Public Administration), a community empowerment and governance programme as proposed by the Joint Assessment Mission is being initiated to build capacity at the local level for the provision of rehabilitation support and establishment of safety nets for vulnerable groups.

Health

108. Concurrent with the emergency health programme and the rebuilding of health infrastructure, health service delivery must be re-established and built up. Prior to the post-consultation violence, the health situation in East Timor lagged behind Indonesian averages. Indicators such as a Life Expectancy of 55-58 years, an Infant Mortality Rate of 85/1000, under-5 mortality of 124/1000 and a Total Fertility Rate of 4, all highlight a poor health situation. Malaria and tuberculosis are highly prevalent and are main causes of morbidity and mortality.
109. The health system, with its emphasis on accessible Primary Health Care, was relatively well developed. However, its multi-line administration (provincial and direct from national level) with consequent overlap and overstaffing, and other factors, made it rather inefficient. This system can be built upon in the future, but will need substantial reform.
110. Priority interventions in the health sector to restore basic services, include:
- the restoration of primary health care services at sub-district levels;
 - the re-establishment of in-patient care, including the rehabilitation of district hospitals and the Dili hospital;
 - the re-establishment of public health management capacity;
 - the establishment of a central supply system for essential drugs;
 - laying the basis for the development of a new healthcare system; and
 - development of a programme for training and capacity building for healthcare workers.
111. Due to the post-conflict situation, which both exacerbates health problems and decreases the ability of households to privately finance healthcare, it is recommended that all public healthcare be free and publicly financed during the transition period. Options for sustainable financing of health services should be analysed during the transition. Managerial and technical capacity will have to be provided from external sources during much of this period. Where international NGOs provide this capacity, their work should take place within a national, co-ordinated framework.

Education

112. Approximately 95 percent of schools and other education institutions were destroyed in the post ballot period. Buildings, furniture and teaching materials, and

most importantly human resources have been lost. Even in the pre-ballot situation, when primary education was extensive, illiteracy was as almost 50 percent and it was higher for women in some specific districts.

113. Both education infrastructure and personnel have been hard hit by the post-ballot violence. It is estimated that 75-80 percent of primary and secondary schools have been partially or completely destroyed, and virtually all textbooks and school materials in the public school system have been removed or spoiled. For personnel, the situation varies greatly between the primary and secondary sectors: it is estimated that at least 75 percent of primary school teachers remain in the country, whilst less than 20 percent of secondary and vocational teachers are available. Approximately 4,000 students were studying at the university and polytechnic in Dili, with several thousand in Indonesian universities. The Catholic Church was the main non-government education supplier, with 185 schools, 12,700 students and 1,100 teachers. The destruction experienced in the education sector will exacerbate low educational outcomes existing before the ballot. Net primary school enrolment was 70 percent, with net secondary school enrolment at 38.7 percent.
114. The first priority is to get children back into school. Short-term interventions needed include re-recruitment of primary school teachers, the supply of basic teaching and learning resources for primary schools, mobilisation of secondary school teachers and accelerated teacher training. Rehabilitation of primary schools should be accompanied by a school mapping exercise to ensure that the geographical location of schools responds to user needs and maximises cost-efficiency. Rehabilitation and re-equipment of secondary schools, training for educational administrators and managers and vocational training for unemployed youth in urban areas are also priorities.
115. Once the basic levels of educational services are re-established, attention must turn to the quality of educational outcomes and the sustainability of public education services. Initiatives in the medium-term may include curriculum development, strengthening of the teacher-training institute and assessment of education financing options.