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Trust Fund for East Timor



TFET is managed by the World Bank and the Asian Development Bank and receives funds from Australia, Finland, Ireland, Italy, Japan, New Zealand, Norway, Portugal, the United Kingdom, the United States, the European Commission and the World Bank.

This monthly report updates the activities of the Trust Fund for East Timor (TFET), established by the World Bank's Board of Governors following the December 1999 Tokyo Donors' Meeting. The multi-donor TFET provides grants for economic reconstruction and development activities in East Timor that are prepared and supervised by the World Bank and the Asian Development Bank (ADB). The World Bank is the trustee. The ADB administers TFET projects in the sectors of roads, ports, water utilities, telecommunications, power and microfinance, with the World Bank responsible for TFET projects in the sectors of health, education, agriculture, private sector development and economic capacity building. All TFET projects are implemented by government departments.

The Trust Fund's activities are guided by the following principles:

- **East Timorese leadership and participation** – critical at all stages to ensure sustainability of reconstruction programs. TFET priorities are set by the Council of Ministers and endorsed by the National Council; sector plans and projects are prepared by joint teams of international and Timorese specialists.
- **Donor coordination** - vital to ensure a strategic approach and avoid duplication or gaps. The World Bank and the ADB support the Transitional Administration in developing sector-wide frameworks, to attain a maximum of added value in reconstruction and development.
- **Speed is important, so is quality** - the TFET is designed to provide flexible grant funding, both quick-disbursing aid - the first major sector project started disbursing in March 2000 - and longer-term investment programs.

**ALL FUNDS CHANNELED THROUGH TFET ARE GRANTS
AND DO NOT HAVE TO BE REPAID BY THE PEOPLE OF EAST TIMOR¹**

1. Financial status (USD)

TFET	Pledges	Cash Receipts*	Commitments	Disbursements
March 22	167,555,700	151,440,000	148,980,000	81,144,270
February 14	167,555,700	151,440,000	148,980,000	77,348,250
Change	0	0	0	3,796,020

* Including promissory notes

TFET receipts by donor nations and allocations to each of the TFET projects are presented in Section 4.

General issues – The draft Land and Resettlement Framework for project-affected persons has been revised to include comments from the Council of Ministers and was approved by the Council on 26 March 2002. The framework is an effectiveness and disbursement conditions on the civil works portions of several of the second-generation projects.

2. Projects update

The Dili Community Employment Generation Project, in partnership with UNDP, used labour intensive public works to generate jobs for the poor in the capital city, bridging the employment gap as private sector activities revive. The project sought to help communities organize and remove debris from Dili neighbourhoods and manage solid household waste. (USD 499,000)

The project reached completion in December 2000. The project was operational for 8 months in ten communities and has employed more than 4,500 people with around 60% of budget paid out in actual salaries. All assets have been transferred to the Dili District Administration. An evaluation mission

¹ For questions or email versions of specified materials, such as Project Information Documents or detailed Project Appraisal Documents, please contact Natacha Meden <nmeden@worldbank.org> in the World Bank's Dili office or Kimberly Versak <kversak@worldbank.org> in Washington.

assessed the achievement of project objectives from 1-8 March 2001, including the number of people employed, recruitment and targeting procedures, financial controls, goods/equipment procurement and environmental safeguards in waste disposal. The project implementation completion report (ICR)² has been finalized and is available upon request.

***The Community Empowerment and Local Governance Project** supports the creation of democratically elected village development councils in order to build accountable and participatory local institutions. Through the councils, local communities receive grants to rehabilitate basic infrastructure and restart economic activities. The project includes special windows for cultural heritage and vulnerable groups such as widows and orphans. (USD 21.5 million over 2.5 years, USD 7 million in the initial grant agreement and USD 8.5 in the second grant agreement).*

[1] Community Grants and Credit – The first and second tranches of grants under CEP II – respectively 50% and 40% of the total allocation for grants – were disbursed to all postos. The third tranche – the remaining 10% of the allocation – has been disbursed to 10 postos to date. To date, 104 wells have been dug and some 131 km of pipe for water has been installed, mainly from upland springs. During this cycle villages have also built 39 bridges and 214 km of road. Some 22,000 men and 12,000 women have benefited directly through temporary employment created through the project. Since the cycle is continuing, these figures will still increase before the end of the year.

[2] Cultural Heritage and Reconciliation – A contract was signed for the restoration of East Timor Cultural Centre "Uma Fukun Timor", with works scheduled to start by end-March. Socialization on the formation of Klibur Media ho Kultura, districtal bodies to be established to manage the allocation of small grants for cultural activities – has been conducted in several districts. Oecussi, Manufahi and Ermera have formed their Klibur. Training on the preparation of proposals have also been organised in the three districts mentioned above. The Kliburs will also serve as resource centres for community radio stations.

[3] Radio and Television - Radio station equipment and radio receiver sets to be distributed to Districts are being procured. In addition to socialization and consultation, the Community Radio Centre (CRC) has also been distributing radio sets to the Districts. The CRC team is also focussing on demand analysis on the establishment of community radio stations.

➤ **Issues being addressed** – The third tranche of grants has been put on hold until the reorganization of the project has been completed. The purpose of the reorganization is to strengthen the structure of the suco and post development councils.

***The Emergency Infrastructure Rehabilitation Project** aims to implement emergency repairs to key infrastructure (roads, ports and power) within a two-year sector framework (USD 29.8 million). The project is mobilizing local and international contractors to undertake civil works as well as providing opportunities for community groups to participate in routine road maintenance activities. The project supports the reestablishment of institutional control over the road network.*

[1] Roads – Wet season conditions continued to restrict progress on road works during the month of February, particularly in the mountainous areas. Good progress was made with repairs to the pavement of the north coast road in the Maubara area and this contract also deals with parts of the main road through Dili. Community based routine road maintenance is continuing throughout the core network. Data collection for a road condition and asset database has been completed for the core network and this has been used for the preparation of the annual road maintenance budget. Two additional contracts were awarded for the repair of potholes and asphalt sections of failed pavement on the north coast road from Batugade to Baucau.

[2] Ports - The project has completed the extension of the wharf, in addition to earlier physical work on the wharf and slipway. A contract was awarded to pave the eastern hard stand, provide lighting, improved security fencing and fire fighting facilities. Work will be completed by mid-May 2002.

² The purpose of an ICR is to meet requirements for accountability and transparency of project activities, reevaluate expected project benefits and sustainability and maintain a record of implementation experience so as to facilitate assessment of development impacts.

[3] **Power** – A contract was awarded for the rehabilitation of 14 rural power stations. The PMU has initiated a series of consultations designed to prepare the communities to receive the equipment. It is expected that the rural communities will be required to pay at least the cost of fuel and oil.

➤ **Issues being addressed** – The contract for the establishment of financial management in the power service was completed in February. A billing system and database have been established in Dili but revenue receipts since inception in October have been disappointing. In addition, variations to the consultant's contract asking him to concentrate on managing the billing functions for the power service has been at the expense of institutional development. The outputs of the consultants' work have been reviewed in detail and shortfalls in TOR delivery have been identified. An options paper has been prepared for consideration by Government.

The Small Enterprises Project (SEP) aims to revive the local economy and promote job creation by restarting viable business activities in the private sector through the provision of loans on commercial terms. SEP also includes grant components to strengthen the land and property administration system and to develop the capacity of the private sector in East Timor (USD 4.85 million for the first Grant Agreement and USD 7.5 in the second).

[1] **Small Loans for Private Businesses** – The lending operation under SEP I extended loans to 345 borrowers, 79 of whom (about 23% of all approved loans) were in Dili, whilst 266 (about 77% of approved loans) were distributed in the other 12 districts of East Timor. The entire USD 4 million has been disbursed.

[2] **Business Development Centres (BDC)** – The construction of three centres in Maliana, Baucau and Oecussi has started and is expected to be completed by independence. The bids for the Dili BDC are under evaluation.

[3] **Private Sector Capacity Building** – The first phase of the Business Skills Training started on 11 February 2002 for 24 master trainers from the Government, BNU and NGOs. This was complemented by three training programs in Dili, Same and Maliana, which were attended by 69 small business entrepreneurs.

The Health Sector Rehabilitation and Development Program supports the restoration of health services (including the rehabilitation and re-equipment of health facilities), and the development of the country's health policy and system (first grant: USD 12.7 million, and second: USD 12.6 million).

[1] **Support to ongoing service delivery** – Eleven of the twenty one international doctors the Ministry of Health is recruiting to strengthen service delivery are already working in the districts. Hiring of the remaining 10 doctors will be complete by end-April. Five recently recruited international district health specialists have arrived and will start building the capacity of district health management teams shortly. A workshop was held early February to develop a short term plan (6 months) for Dili National Hospital. The Dili Hospital Management team subsequently developed in collaboration with the Ministry of Health an action plan to support implementation of the objectives defined during the workshop for management and quality of service. The Dili National Hospital is currently supported by fourteen international professionals. Four international specialists are serving at the Regional Hospital in Baucau.

[2] **Improvement of range and quality of services, and development and implementation of support systems**– The opening ceremony of a new medical warehouse was held on February 20. Crow Agents, the company managing the warehouse, is working on setting up an Autonomous Medical Supply System (AMSS). Bidding documents for the procurement of USD 1.5 million of pharmaceuticals and medical consumables were prepared. Two pharmacy assistants were hired to process AMSS orders and provide drug supply management training in the districts (a basic training manual was prepared in Indonesian). The first training session was held in Manatuto. A new tracking system has been put in place to reduce the number of untracked items and improve stock rotation.

The Memorandum of Understanding for voluntary testing has been prepared for the establishment of a Counselling Centre at the Dili National Hospital. The national HIV/AIDS situation assessment is being carried out by the relevant working group with stakeholder interviews and district focus group meetings. Assessment findings will be presented in a national workshop.

A cross-sectoral task force has been established to address the issue of food security. Measuring instruments and equipment for child health have been distributed. Health promotion training has been conducted for all District Public Health Officers. The health promotion campaign is on-going with the

2002 slogan “Our health is in our hands”. The MoH Health Promotion Sub-Division is planning a campaign on asbestos related issues, tuberculosis and blood transfusion. Four MoH staff are on study tour on School Health in the Philippines this month. Installation of high-frequency radios continues.

[3] Development and implementation of health sector policy and management systems - The Health Policy Working Group (HPWG) is formulating health policies aiming at regulating the sector to improve the health of all East Timorese. Six broad health policy areas have been identified: priority setting; financing; human resource development; organization and management; drug policy; external assistance. A stakeholders’ consultation was carried out on three of these issues on March 25.

The Agriculture Rehabilitation and Development Project aims to improve food security and increase agriculture production in project areas (USD 20.7 million over 3 years, USD 6.8 million in the first grant agreement, USD 8 million in the second).

A general information campaign was conducted in all districts. CESVI was then contracted to carry a survey on the effectiveness of this campaign, the results of which will be delivered by end-March to the project’s monitoring team who will analyse them and prepare a report.

[1] Priority Asset Restoration – Over 71,000 chicks and feed have been distributed to beneficiaries in Liquiça, Covalima, Bobonaro, Dili, Viqueque, Oecussi, Lautem and Manatuto districts. 875 buffaloes and 777 cattle have been distributed to 10 districts of East Timor. 110,000 cattle and buffaloes were vaccinated against Hemorrhagic Septicemia in all district of East Timor. A total of 76,959 agricultural hand tools was received and have been distributed to the 20,658 beneficiaries in all districts with the total cost expended USD 275,475.

[2] Irrigation/Rural Infrastructure Rehabilitation - Rehabilitation of 21 access roads (equivalent to 109 km) contracted to communities is complete. 28 community irrigation schemes have reached completion, covering 7,737 hectares of irrigated land. Construction of new schemes is underway in Bobonaro and Viqueque districts. Progress in Bobonaro is at 90% for Bilimau, whilst rain has prevented work from starting in Halicau. Work is starting in Viqueque. Four Water Users Associations have been established in these two districts. Irrigation related training courses were held in country and abroad.

[3] Pilot Agriculture Service Centres (PASCs) – The Bobonaro PASC has been operating for a month, marketing rice, selling agricultural inputs and offering transport services. The Viqueque and Aileu PASCs were established as associations and are now awaiting signature of subsidiary agreements with the Government to start rehabilitation of the selected premises, then start operation. The Viqueque PASC plans to market candlenut, coconut and rice; and Aileu to sell coffee and agriculture inputs. There has been requisition of agriculture inputs; seeds and fertilizer for Bobonaro PASC, vegetable seeds, fertilizers, pesticides and tractor spare parts for Viqueque PASC and hand tools, fertilizers, sacks, sprayers, and tractor spare parts.

[4] Project Management Unit (PMU) - Field monitoring of cattle and buffaloes vaccination campaign against Hemorrhagic Septicaemia, of animal distribution and irrigation projects is on-going. The Procurement Officer has finalized a contract awarded to a local supplier for the purchasing of cattle locally. The financial team prepared a Financial Monitoring Report.

➤ **Issues being addressed** - A study is underway to determine the cause of an unusually high mortality rate in some districts among the chicks distributed under the project.

*The Emergency School Readiness Project (ESRP) is the initial phase of the School System Revitalization Program and addresses East Timor’s large educational needs. ESRP includes funding for the renovation of damaged schools and for the building of new prototype schools. The project is implemented in close cooperation with UNICEF, which manages programs for the re-roofing of primary schools in East Timor. A second grant supporting the Ministry of Education through a **Fundamental School Quality Project (FSQP)** was signed in October 2001 (Two Grant Agreements of USD 13.9 million each).*

[1] Schools Rehabilitation – 535 schools representing 2,780 classrooms have been rehabilitated to Basic Operational Level (BOL) under ESRP. The construction of 3 junior secondary prototype schools in Oecussi, Same and Maliana is now complete. The primary prototype school in Baucau is completed; the second primary prototype in Manatuto has experienced some delays but is expected to be completed by end March. 1,584,600 Indonesian textbooks, 272,800 Portuguese and 216,000 picture books were distributed up to school level. The contract for the second lot of Portuguese as a Second Language

textbooks has been issued – delivery is expected in April. The distribution of student furniture ordered last year is now complete: 54,484 sets of student furniture and 2,000 of teachers' furniture were delivered and assembled in classrooms. An additional 18,000 sets have been ordered, the first shipment of which is on its way and expected to arrive in East Timor early April.

[2] Fundamental School Quality Project (FSQP) – Design of the Escolas Basicas is well underway. Site surveys of 15 schools to be upgraded to Fundamental Quality Level (FQL) have been completed in Viqueque, Maliana and Suai and for 12 of the 14 Escolas Basicas. Data is being gathered to prepare bidding documents for the upgrading of 65 schools to FQL. The first round of bidding documents will be issued late March.

[3] Social Mobilization and Communications – Filming and interviewing is on-going for the weekly 30 minute Education program on TVTL. Three additional members reinforce the team: 1 Media Assistant and 2 Community Liaison Officers who are now preparing for information sessions in the districts. New campaigns on hygiene in schools are being prepared in cooperation with the Ministry of Health, the Ministry of Water & Public Works (WSS Department) and Action Contre la Faim (funded by ECHO). Other campaigns have covered issues such as anti-violence in schools, hygiene for students or school maintenance.

The Water Supply and Sanitation Rehabilitation Project aims to provide the people of East Timor with sustainable water supplies and sanitation services, by [1] providing assistance to rehabilitate and restore damaged and inadequate water supply and sanitation infrastructure; and [2] re-establishing human and institutional capacity to manage, operate and maintain water supply and sanitation infrastructure (USD 4.5 million in the first grant agreement and another USD 4.5 million in the second).

[1] Water Supply and Sanitation (WatSan) Sector Management - The Phase II Inception Report is now guiding Project implementation. A Joint Donor Co-ordination Mission is currently on the ground. This Mission will make recommendations for improved donor project implementation and improved co-ordination of projects between donors. Specialist consulting services have been provided to assist the Water & Sanitation Service (WSS) and MWPW in the development of their input into the Draft National Development Plan.

[2] Institutional Development - Specialist consulting services have been engaged by the project for the review, development and implementation of the essential legislation and regulations required in the sector. Terms of reference are being developed for provision of a range of other specialist consultancy services to assist WSS, including the development of an information technology network, a water user billing system, and the revision of the Dili Water Supply Master Plan.

[3] WSS Implementation - A number of Phase I carry-over activities have recently been completed including water supply rehabilitation projects at Bidau Santana, Hera and Viqueque. Final reports on each activity are under preparation and arrangements for hand-over to the WSS is under way. Preparation is underway for water supply rehabilitation projects in Oecussi, Viqueque, Suai, Liquiça, Gleno and Maliana and a number of capacity building projects. Local contractors have been pre-qualified for the Phase II implementation program. Several NGOs have submitted expressions of interest in accordance with the prepared terms of reference for water and sanitation activities in districts outside the main towns. These submissions are currently being assessed. PMU and WSS staff are currently reviewing these proposals to assess which proposals are appropriate for funding through the project.

➤ **Issues being addressed** - In line with local capacity building objectives, an East Timorese Project Manager and a Finance Officer will be recruited to assist with better coordination of the activities undertaken under the project.

Economic Capacity Building aims to address the scarcity of needed skills in East Timor, which constrain the operation of key economic and financial institutions – in particular the Central Fiscal Authority, the Central Payment Office, and the Census and Statistics Unit, which should provide data for economic analysis and policy making. The project aims to train East Timorese to compile, analyse and maintain the main macroeconomic aggregates. To assist with retention and improve sustainability, the project will also focus on developing and mentoring East Timorese staff in the core financial institutions (the amount of the grant agreement is USD 0.5 million). The EICB has been designed to complement

and reinforce the support provided through other bilateral donors and through multilateral donors to the Consolidated Fund for East Timor.

[1] **Support to FreeBalance** - The Freebalance software is the cornerstone of the Treasury's Financial Management Information System. This is a critical part of the integrated IT system being developed within the Central Fiscal Authority and supports contributions from CIDA, Germany and AusAID. The FreeBalance accounting system has been established and is being used by East Timorese on a daily basis.

[2] **Development of a System of National Accounts** - This component involves the development of a preliminary system of national accounts and the training of East Timorese counterparts in the management of this system. These will provide the data to facilitate effective decision-making. Preliminary estimates for East Timor GDP 2000 have been completed. Formal training of East Timorese civil servants has been completed.

[3] **Economic Training** - The final component involves the delivery of training courses in economic analysis for public policy development. This will provide East Timorese across the administration with a sound analytical framework within which to address key policy issues. Negotiations are progressing with a number of training consultants, however, this component is subject to the issues being addressed as noted below. It is envisaged that the Economics Training component will be aligned with the overall civil servant training strategy for ETPA and adapted to reflect an integrated approach to service delivery.

➤ **Issues being addressed** – In relation to the Freebalance and the Economics Training components, an amendment to the Grant Agreement to refocus the project to reflect the priorities of the East Timorese Government is being finalised, particularly to enhance the Freebalance applications for procurement functionality.

The Microfinance Development Project (MDP) aims to help reduce poverty in East Timor and to facilitate community-based opportunities for income-generation and the creation of sustainable farm and non-farm employment. The Project will (i) help the poor to engage in income-generating activities; (ii) rehabilitate and strengthen the operations of credit unions; (iii) establish a sustainable microfinance bank to provide financial services to poor and low-income households (USD 4 million).

[1] **Revival and the rehabilitation of the credit unions** – Intensive training activities have been carried out during the last quarter for Credit Union members, officers and Credit Union federation. An adjusted chart of account appropriate to the conditions of credit unions in East Timor has been developed. Similarly, an appropriate performance indicator system for credit unions dubbed “LAFHEC” has been developed. The project has allotted funds for the building and setting up of new credit union offices. Funding now amounting to USD 23,800 was allocated among qualified credit unions through the Federation as it supervises the reconstruction work. Reconstruction work is expected to be complete by end-March.

[2] **Strengthening of the Federation of credit unions** – A national conference and general assembly of the credit unions all over East Timor was held on 8-9 March 2002 at the CISPE conference hall. The election of a new set of directors of the board of the federation has been scheduled and will be held during the general assembly.

[3] **The formation of the Microfinance Bank** – The bank's trade name and logo have yet to be approved. However, the bank business forms, such as passbooks, deposit/withdrawal slips, loan forms and promissory note, discount statements, cashier/ bookkeeper proof sheets, etc., have already been designed awaiting the inclusion of the approved trade name and logo. Key staff have been recruited and subjected to rigorous examination. The loan officers are presently undergoing training in loan administration and loan product handling, particularly on microfinance schemes. Transaction dry runs are being conducted, in time for the soft launching on April 2002 and the inauguration May 2002.

➤ **Issues being addressed** - Upgrading of accounting and financial management skills of the recruited staff in preparation for the launch of banking operations. Adoption of strong governance systems that will ensure sound banking practices.

3. Coordination

TFET Missions

Sector	Date
Microfinance	February 9 - 15
Agriculture I & II	May 15-31 Economic Analysis (ARP I) Early June ICR for ARP I (3 weeks)
Health I & II*	July (TBC)
SEP I & II	May 27 – June 7
Water & Sanitation*	March 19 - 29
Infrastructure	April 11-19
CEP	April 15-20 CEP III Negotiations
Education Sector*	July (TBC)

* TFET donors are invited to participate in all TFET supervision missions. Missions marked with an asterisk are multi-donor sector missions, which will review progress in all multilateral and bilateral projects within the relevant sector.

4. TFET Receipts and Commitments

TFET RECEIPTS, March 22, 2002

TFET RECEIPTS	CASH	PROMISSORY NOTES
DONOR	USD million	USD million
Portugal	15.00	35.00
European Commission	35.31	
Japan TFET	23.86	
Japan PHRD	2.00	
Australia	12.36	
World Bank	10.00	
UK	7.36	
Finland	2.94	
Norway	1.94	
USA	0.50	
Ireland	0.46	
IDA PCF	0.40	
New Zealand	0.35	
Italy	0.20	
Investment income	3.76	
TOTAL	116.44	35.00

TFET COMMITMENTS, March 22, 2002

TFET COMMITMENTS	USD million
Community empowerment (CEP)	9.00
Dili community employment generation	0.50
Capacity building and human resource survey	0.40
Infrastructure rehabilitation (EIRP)	27.80
Small enterprises (SEP I)	4.85
Health I (HSRP I)	12.70
Education I (ESRP I)	13.90
Agriculture I (ARP I)	6.80
Water and sanitation I (WSS I)	4.50
Microfinance	4.00
Economic capacity building	0.50
Community empowerment II (CEP II)	8.50
Health II (HSRP II)	12.60
Water and sanitation II (WSS II)	4.50
Agriculture II (ARP II)	8.00
Education II (FSQP)	13.90
Small enterprises (SEP II)	7.50
Hera Port (part of ARP II)	1.00
Emergency Infrastructure (Supplemental)	2.00
Project preparation and supervision	6.03
TOTAL	148.98

ADDITIONAL INFORMATION

Additional information on the activities of the Trust Fund for East Timor, as well as information on East Timor in general, can be found at www.worldbank.org/eap. For questions or email versions of specified materials, such as Project Information Documents or detailed Project Appraisal Documents, please contact Natacha Meden <nmeden@worldbank.org> in the World Bank's Dili office or Kimberly Versak <kversak@worldbank.org> in Washington D.C.