

UPDATE No. 9

Wednesday, May 9, 2001



Trust Fund for East Timor



TFET is managed by the World Bank and the Asian Development Bank and receives funds from Australia, Finland, Ireland, 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 manages TFET projects aiming to rehabilitate roads, ports, water utilities, telecommunications and power, with the World Bank in charge of TFET projects in the sectors of health, education, agriculture, private sector development and economic capacity building. The World Bank and ADB work together in community development projects including microfinance.

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 Cabinet and endorsed 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 TIMOR**

1. Financial status (US\$)

<i>TFET</i>	Pledges	Cash Receipts	Commitments	Disbursements
May 9	167,440,000	82,000,000	96,300,000	40,043,400
April 9	167,440,000	78,100,000	96,300,000	35,430,000
Change	0	3,900,000	0	4,603,400

The TFET receipts by donor nations and the allocations to each of the TFET projects are presented in Section 6. To date, two projects have been successfully completed (Dili Community Employment Generation Project and Human Resource Survey), and ten on-going projects will be completed by around December 2001. Second generation projects, which will run up until September 2002, have been appraised by the World Bank in two sectors (Small Enterprise Development and Community Empowerment). Phase two projects are also under preparation in the Health, Agriculture, Education and Water & Sanitation sectors. Whilst availability of funds has not constrained implementation of first generation projects, additional funds will be required by end-June for implementation of phase II. Graph (Section 5) indicates the progress in disbursements from the Trust Fund against the overall disbursement targets. Expenditures to date are in line with the revised disbursement plan prepared in February. All projects are expected to be fully disbursed by their respective closing dates.

2. Project update¹

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. (USD21.5 million over 2.5 years, USD7 million in the initial grant agreement)

[1] Community Grants and Credit – The first cycle of grants to village (sucu) councils has been completed. The grants provided by the second cycle are larger and may include proposals for economic activities that will be supported by subloans rather than grants. Disbursement has commenced under this cycle in 36 of the 60 subdistricts (postos). 35% of these disbursements are credits that will be managed through revolving funds at the sub-district level. At least 11 more postos are expected to receive new grants during May 2001. In the meantime, preparation is underway for elections of the new posto and sucu councils expected to take place throughout the territory in May.

[2] Cultural Heritage and Reconciliation – To date, *Uma Fukun Timor* has hosted four exhibitions - including an exhibition of photographs taken by children throughout the country; a show featuring Portuguese music; two conferences on the history of the territory as well as a book and a project launch. Preparation is under way for a cultural festival to take place on 26-27 May. An agreement has been signed with UNESCO and bidding documents are being prepared for the reconstruction of the Cultural Center Building in Dili. A fundraiser has also been appointed to help the Uma Fukun Timor fund future activities. The squatter issue in the ground of the Cultural Centre is being resolved amicably thanks to the mediation of the Cultural Board.

[3] Community Reporter and Radio – A manager has been appointed for this component. A series of district visits has started to familiarize people with the concept of District Reporter Station. A first visit to the Oecussi district took place from 17 to 19 April 2001.

► **Issues Being Addressed** – The installation of community radio stations will be postponed until after the national elections are held at the end of August, in order to avoid any pressures for inappropriate use of the facilities for political gain by particular parties. Also, in view of the pending elections, the PMU is maximizing its efforts to distribute funds under the second cycle before the commencement of activities associated with the election; any distributions that are not made before then will be delayed until after the elections.

CEP II – The Transitional Administrator / SRSB has approved signing of legal documents for a second tranche of the Community Empowerment and Local Governance Project Following the principles of CEP I and building on the lessons of first tranche, CEP II will continue to support communities through the provision of grants for the building and reconstruction of their basic economic infrastructure, to support productive local economic activities, and to provide assistance in strengthening district level capacity in planning development activities. CEP II will also continue to assist in the preservation of cultural heritage – through the provision of small grants for Arts and Culture initiatives starting in May-June 2001, and through the promotion of social reconciliation initiatives. It will pilot a number of carefully designed mechanisms to provide assistance to disadvantaged groups including widows, orphans and disabled people. Finally, CEP II will foster the development of local communications through a new component aiming to support the establishment of Radio UNTAET's district reporter stations, train a core of potential journalists, managers and technicians, and help establish community radio stations after the national elections.

¹ This update has been prepared using a new format. Project achievements are presented component by component while effort was made to present progress against target. A new section entitled "Issues being addressed" has been introduced. Information previously included in the Workplan section is now part of the progress by component section.

The Dili Community Employment Generation Project, in partnership with UNDP, used labor 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 neighborhoods and manage solid household waste. (US\$499,000)

The project has reached completion in December 2001. 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 assessed the achievement of project objectives from March 1st to 8th, 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 is being finalized.

The Emergency Infrastructure Rehabilitation Project aims to implement emergency repairs to key infrastructure (roads, ports and power) within a two-year sector framework. (\$29.8 million over 2.0 years, with \$27.8 of this provided in the second grant agreement). The project will mobilize 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 will support the reestablishment of institutional control over the road network.

[1] Roads – The project has thus far expended approximately \$6.3 million on emergency and backlog maintenance works throughout the country since May 2000. A series of countrywide rehabilitation contracts are underway, designed to further address the issue of backlog maintenance and repair on the core road network and on principal district roads. 24 such contracts have been awarded since December 2000, 4 of which were awarded in April (total contract value \$205,005). Tenders for a further 9 contracts with an estimated value of \$442,000 were received also during April and these are expected to be awarded in the second week of May. A total of 90 such contracts will be designed and implemented by December 2002. Community based contracts for routine maintenance (grass cutting and drain cleaning) are planned with community consultation having taken place during the last week of April. These contracts will cover approximately 1800 kms of the main roads and will be progressively introduced over the next six months. The rehabilitation contracts are proceeding well but organization of the community based maintenance contracts has been delayed due to slow recruitment of Timorese staff for the regional works offices. This problem has been overcome.

[2] Ports – The Dili Port Authority has requested that the balance of available funds (\$600,000) be used to upgrade the eastern container hardstand from gravel to concrete surface along with lighting, power outlets for refrigerated containers and fire fighting facilities. These works will be designed by the end of July and implemented by December 2001. A least cost subsidy type bid document will be prepared for the hire of a tugboat to serve Dili port. Beach matting will be purchased for Suai, Betano, and Beacu beach landing sites. The Ports component will be completed within the project time frame.

[3] Power – A detailed engineering survey of 21 rural and district power stations has been undertaken. Tenders close July 4th 2001 for the supply and installation of equipment required for these stations to become operational again. Work is expected to start in August 2001 and to be completed in May 2002. Technical Assistance has been prepared to establish financial management systems within a power authority and a contract has been concluded with KPMG. The study will be conducted over a period of approximately 10 months with completion envisaged in February 2002. All Power sector components are delayed but will be completed within the time frame of the project.

► **Issues being addressed** – Progress towards development of operational institutions in the infrastructure sector is hampered by shortage of candidates for middle and senior management positions. A consultant has been hired to study possible alternatives and design additional capacity building programs.

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.

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 land and property administration system and to develop the capacity of the private sector in East Timor (US\$4.85 million).

Ernst & Young audit draft report for the year 2000 is currently being finalized.

[1] Small Loans for Private Businesses – Approximately 85% of the US\$ 2.77 million approved during the first round of applications have been disbursed to 265 borrowers. The average loan size is US\$10,453. The loan size and the involvement of women (17.6%) are in accordance with project expectations. New requests for loans have been solicited from all districts to allocate US\$ 1.2 million of uncommitted funds. BNU (the loan executing agency) is currently providing assistance to entrepreneurs, processing and approving the applications. A total of 360 applications have been received so far. To date, 14 applications valued at US\$ 270,000 have passed initial screening. Disbursements under these new loans should be completed by the last quarter of 2001.

[2] Communities-Business Support Services – The shortlist of consulting companies to undertake Business Skills Training has been finalized. Requests for proposals will be sent to the short-listed firms during the second week of May. The results of a Technical Evaluation for the Survey of the four BDC's have been finalized. Contract award for the company to undertake the Survey of the four Business Development Centers is underway

[3] Land and Property Administration Study – Land and Property Summary Report has been received from UNCHS and is currently being reviewed.

► **Issues Being Addressed**– The delay incurred in inviting the second series of applications for BNU loans has meant that the repayment period will have to be relatively short for the second series of loans. Repayments have to be made by end-August 2003 to meet the intention to transfer the recovered funds to Treasury at that date. This could imply that many worthy loans that need a longer repayment period will have to be rejected in favor of applications that generate quick profits but which have a lower return in the long run. A proposal is under consideration to transfer the affected applications to grant program under SEPII to overcome this constraint.

The Health Sector Rehabilitation and Development Program supports the restoration of health services (including the rehabilitation and re-equipment of health facilities in the territory), and the development of the country's health policy and system (US\$38 million over 3 years, US\$12.7 million in first grant agreement).

The Division of Health Services completed the complex task of preparing a comprehensive 2001-2002 budget submission covering all projected sources of funding including CFET, the current and proposed TFET projects, multi- and bilateral donors and NGOs. A joint donor mission started on 1 May. It will review progress to date and plan for the next phase of TFET support to the health sector.

[1] Restoring Access to Basic Services – Substantial progress has been made in the recruiting of health staff. Provisional recommendation for the recruiting of level 3 to 6 is now complete. The appeals process is nearing completion. Around 330 appeals are being assessed individually and re-interviews conducted where necessary. A number of positions remain vacant and have already been re-advertised. Training courses for new recruits will start during the second week of May on reproductive health and in July on Integrated Management of Childhood Illness. The national TB program six-monthly technical review concluded that 28 out of 64 sub-districts were now covered. It placed expansion to other sub-districts as a high priority. Bids were opened on 27 April for the construction of the first Community Health Centre in Dili Comoro. Bidding documents were issued for the next 21 in batches of two. Bidding closes for the construction of two batches of health centres on 24 May and 8 June, respectively. Construction is scheduled to start in July. The bidding for the hospital capacity and needs assessment closed on 4 May. Contract is expected to be awarded in May with the assessment starting in June. A contract is about to be awarded for the construction of the Autonomous Medical Store warehouse. Construction is expected to start in June. A contract will also

be awarded in May for the management of the Central Pharmaceutical Warehouse in its temporary location.

[2] Health Policy and System Development – Eighteen senior East Timorese health staff started a 5-week training course in Dili on health sector management. Following an orientation workshop on STDs/HIV/AIDS conducted with national stakeholders on 24 and 25 April, an East Timorese working group on awareness and prevention was formed. Four key decisions have been taken by East Timorese health professionals and stakeholders as part of a structured health policy decision-making process covering 36 topics. Work will continue over the coming months on policy development, through weekly meetings and periodic stakeholder consultation, and on drafting regulations aimed at ensuring the quality and safety of health care both in relation to import, sale and use of pharmaceuticals and the registering of health practitioners. This group will also need to carefully assess the outcome of the hospital needs assessment.

[3] Program Management and Administration – The international staff of the Division was reinforced by the arrival of a UNV to work on environmental health issues. Managerial training will start in June for the newly recruited district health team members. Planning will continue for the next phase of the District Health Plans, which will include the provision of managerial and technical support to the newly recruited district health teams. A one-week long public awareness campaign on malaria prevention involving the collaboration of many parties is planned for May/June in Ermera District.

► **Issues Being Addressed** – Resolution of the recruitment appeals process may take some time and result in some unrest. For a number of posts (in particular 6 out of 13 section heads in the central Division of Health Services) no candidate was successful in the first round of recruitment. Continued delays in the recruitment process, albeit unavoidable, continue to hamper full involvement of national staff in all aspects of DHS' work. Another implication is that DHS vehicle fleet cannot be distributed until recruitment has been completed. Negotiations are under way between the World Bank (as TFET's Trustee), UNTAET/DHS (as contracting party), and the NGOs (as recipient of the funds) on a format to cover funding of NGO support to district health services through September 2001. Agreements are expected to be concluded with individual NGOs in May.

The Agriculture Rehabilitation and Development Project aims to restore priority productive assets, such as livestock, irrigation and rural infrastructure and will provide for the establishment of Agriculture Service Centres throughout the country (US\$20.7 million over 3 years, US\$6.8million in the first grant agreement).

[1] Asset Restoration – More than 10,000 piece of agricultural tools were distributed to beneficiaries in Liquisa and Bacau. This brings the number of tools distributed since January to a total of 23,646. 275 out of 500 cattle have been arrived from Oecussi and have been distributed to beneficiaries in the districts of Bobonaro (129), Manatuto (42), Aileu (44) and Liquiça (60). Additional heads of cattle procured in Oecussi will be shipped to Dili at a rate of 75 animals per shipment every two weeks. Provided clearance by ETTA of contracts for the purchase of 1,000 buffaloes from Indonesia is obtained, these will be signed with delivery expected to start in June 2001. Preparation is underway for the next vaccination campaign for pigs and chickens expected to start in May. This includes the procurement of 1,5 million doses of Newcastle vaccine and 275,000 doses of Swine fever disease. A contract for the purchase of 100,000 chicken is awaiting approval of the contract committee.

[2] Irrigation/rural infrastructure rehabilitation – The community irrigation scheme and road rehabilitation schemes continue to make good progress. Ten staff from the Agriculture Division travelled to the People's Republic of China to attend a month long workshop in management of irrigation systems. Irrigation feasibility studies, design specification and bidding documents for two out of four medium to large-scale schemes have been finalized. Distribution of tender documents will start in May. Preparation has also started on 39 community work projects to be funded under the second phase of the agriculture project. 18 agriculture access roads have also been identified for rehabilitation in the second phase of funding.

[3] Agriculture Service Centers. Three managers have been selected for the management of ASC in Viqueque, Bobonaro, and Aileu whilst work is advancing on building rehabilitation. Focus group consultation was completed in these three districts providing information on farmers needs. 1000 solar-powered portable radio sets will be procured for distribution to eligible farmers in 5 districts (in collaboration with CEP). A consultant has arrived to help establish a soil-testing laboratory at the University of East Timor.

► **Issues Being Addressed** – The World Bank Mission in Dili is meeting with UNTAED/ETTA to ensure that the frequency of the CAS -ETTA approval committee meetings does not hamper efficient processing of procurement contracts for livestock.

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. (The amount of the grant agreement is US\$13.9 million).

[1] Schools Rehabilitation – Difficult access to some areas of the territory has slowed down school rehabilitation work in some areas. To date, 427 participation agreement out of 631 (2,939 classrooms) have been signed for the rehabilitation of schools. 254 schools are now completely renovated. All 631 schools included in the school rehabilitation program are expected to reach basic operational level by August. 25,733 sets of school furniture (out of 45,000 locally produced and internationally procured) have been received of which 12,417 are in Dili or at local furniture workshops awaiting delivery to the districts. 8,489 have been delivered to the districts and 4,827 sets have been delivered to schools. The balance of the furniture under manufacture by local and foreign suppliers is expected to arrive in Dili in May. Furniture sets have already been distributed to 82 schools. Production is also underway for 2,600 sets of teacher furniture. Production is expected to be complete by 15 June 2001. 500,000 Indonesian textbooks ordered in March 2001 are expected to reach Dili next week.

[2] School System Improvement – A contract to complete a school-mapping program in East Timor was signed on April 4, 2001. Preliminary data collection has begun. The school mapping exercise is expected to be complete by September 2001. Bidding documents for the construction of two pilot junior secondary schools in Same and Maliana have been amended to include a third school in Oecussi. As a result, bid opening has been delayed until 15 May 2001.

► **Issues Being Addressed** – The delivery and assembly of furniture sets to the districts continues to be a source of concern. A consultant has been hired to assist in the coordination between the different parties involved. PKF has been contacted to assist in the transport to central locations in each district.

The East Timor 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] by re-establishing human and institutional capacity to manage, operate and maintain water supply and sanitation infrastructure (US\$4.5 million in the first grant agreement).

A Mid-term Review team from the ADB/OPO completed its assignment in March and Memorandums of Understanding were signed with UNTAET/ETTA for the Mission as well as for the Fact Finding Mission related to preparation for Phase 2 of the project, which is scheduled to run from July 2001 to October 2002.

[1] WSS Implementation – During the month of April, contracts were signed with Hamoris Timor Oan (HTO) and ProBem, local NGOs, for rehabilitating the water supply systems in Liquiça and Lospalos. Proposals have been received from other NGOs, Bia Hula and Oxfam, for rehabilitation works in Liquiça, Bobonaro and Covalima districts. Two contract extensions for activities in Ermera and Manatuto were awarded to Action Contre la Faim (ACF). In May, the project will continue to

supervise and monitor the implementation by NGOs and local sub-contractors of water supply rehabilitation activities at the district level. This includes WSS office and store construction activities in 12 districts. WSS institutional development activities will also continue. Particular emphasis will be given by the IEC consultant to the WSS public awareness campaign to promote WSS and help make people aware of the need to save water and to use it properly.

[2] WSS Sector Management – The draft of a Water Supply and Sanitation Policy for East Timor, including proposed Legislation and Regulations has been completed for submission to Cabinet during May/June. The development of Water Supply and Sanitation (Technical) Standards and Guidelines for East Timor is also in process and should be completed in May with a presentation of draft documents to WSS management. Short-term consultants selected for preparation of Water Tariffs Legislation and Regulations will return next month to complete their assignments, including finalizing draft documents after receiving Cabinet approval.

[3] Institutional Development – A total of nine short-term consultants have been mobilized for a range of activities supporting the institutional development of the Water and Sanitation Service, ETTA.

► **Issues being addressed** – (1) The project consultant has prepared a draft report on water tariffs, which proposes four options for an East Timor tariff structure (water user fees). The tariff allows for different rates for different users and in keeping with ADB and World Bank policy also allows for special reduced tariffs for the poor. The report is awaiting Cabinet approval including a decision on which tariff option to choose. While the draft has been well received there are indications that a Cabinet decision may be deferred until after the election. This may render it difficult for the project to work at the community level when making house connections, as people need to know beforehand what costs are involved and the level of monthly tariff rates. (2) There is a need to develop national coordination procedures for the use of all water resources in East Timor, including catchment/water basin protection. Discussions have started involving the WSS, Forestry and Environment units.

***Economic Capacity Building:** The project addresses 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, analyze 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 US\$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. The project has three major components:

[1] Support to FreeBalance – The first involves the upgrading of the FreeBalance software, which 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 system will be upgraded in June through EICB's contribution.

[2] Development of a System of National Accounts – This component involves the construction 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. Expressions of interest have also closed for this component and it is expected that the work will commence around the middle of the year.

[3] Economic Training -The final component involves conducting training courses in economic analysis. This will provide East Timorese across the administration with a sound analytical framework within which to address key policy issues. Expressions of interest have for these training programs have now closed. A short list will be issued in the coming weeks for courses expected to be conducted in the second half of this calendar year.

The Microfinance Development Project (MDP) aims to help reduce poverty in East Timor. It will 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 (US\$4.0 million in the first grant agreement).

[1] Strengthening Microfinance Policy and Legal Framework – ADB provided a piggybacked advisory technical assistance (TA) of US\$0.25 million to assist UNTAET develop a policy and legal framework supportive of the establishment and growth of viable microfinance institutions (MFIs). The TA is aimed at helping create an environment conducive to the development and growth of MFIs following proven best practices. Two policy experts have completed initial fieldwork from mid-February to early April, and are expected to finish their work by July 2001. A Steering Committee was formed to provide overall guidance to the TA Team, composed of representatives from key UNTAET/ETTA Departments (CFA, CITD, NPDA and Office of the Principal Legal Advisor) and with CPO as observer/advisor. Thus far, the TA consultants have produced the following, which are being circulated among concerned ETTA offices and ADB: i) Draft Credit Union Law; ii) Concept Paper on establishing a Foundation and an Microfinance Fund to address the ownership and control issue of the proposed microfinance bank and to sustain capacity-building for local MFIs; iii) monitoring and supervisory guidelines/standards for credit unions; and, iv) operating policy & guidelines for the credit union Central Fund. The TA Team will also draft the by-laws of the microfinance bank, credit union/federation, and prepare the legal or registration documents for setting up these MFIs.

[2] Provision of Rural Finance for Microenterprise Activities – With the full staffing of the PMU, the strengthening of selected credit unions can be started by June, with at least 10 CUs (of total 21) to be operational by third quarter 2001. Barring any policy and legal impediments, the microfinance bank should also be set up by then, with at least two branches outside Dili.

[3] Establishing the Project Management Unit (PMU) – The Project was signed on 18 December 2000. In mid-January, an ADB Microfinance Specialist hired and funded by ADB was appointed by UNTAET/ETTA as the Interim Project Manager, prior to the recruitment of international consultants for the PMU. As prescribed under the Project, a Project Coordinating Committee (PCC) was also convened, chaired by the Cabinet Member for Economic Affairs and composed of the Head, CITD (EA), the acting Project Manager, and the Executive Director of the local Credit Union Federation as members. The PCC has met monthly to be apprised on the preparatory activities for the Project. A 5-person selection panel, including 3 East Timorese ETTA officers was formed for the selection of international consultants for the PMU. Five international consultants were selected for fielding by mid-May. Delivery of vehicles, office equipment and initial supplies for the PMU is also scheduled within the period. The PMU core staff will start recruiting the local consultants in coordination with the EA, for fielding in May.

► **Issues Being Addressed** – The legal existence of the credit unions and the setting up of the MF bank are contingent upon the issuance of needed laws/regulations, e.g., Credit Union Law, Companies Act, regulations on Foundations and NGOs. While the Advisory TA has completed drafting some of these laws/regulations, it is unclear how soon UNTAET/ETTA and the National Council could act on these.

3. Projects under development

SEP II: To meet continued outstanding demand for SME loans, SEP II will offer a line of credit on commercial terms, similar in style and function to that of SEP I whilst incorporating adjustments to delivery method and management processes. The SEP II line of credit will provide increased focus on

the agri-business sector. Viable loan applications from other productive industries such as small-scale carpentry shops, mechanical centers or manufacturing facilities will also be supported. So as not to crowd out microfinance loans, expected to become more readily available from 2001 onwards from other donor or agency programs, the lower loan limit will be raised from US\$ 500 under SEP I to US\$ 1,000 under SEP II. Interest rates will be maintained at 10% with a maximum loan term of 36 months and an initial grace period of up to 3 months. As in SEP I, the SEP II line of credit will operate on a revolving fund basis. At the end of the project, the repaid loan funds revert to the future government. SEP II will also support private sector development through the provision of business development services (BDS) with the objective of generating employment, increasing productivity and fostering economic growth. Assistance will be provided to entrepreneurs for project preparation and business management and development. To build awareness of private sector development issues within the public sector and assist in the preparation of staff to deal with related policy issues, a small group of civil servants will be given training in private sector development theory and practice. SEP II will also provide support to government in the establishment of a functioning business enabling environment. In addition, the appraisal work found strong demand and need for improved market place facilities, both at the district and sub-district level. Following a survey carried out to determine what had been and what still needed to be done in market rehabilitation, responsibility for the implementation of this component will be devolved to district administrations.

4. Coordination

Canberra Meeting

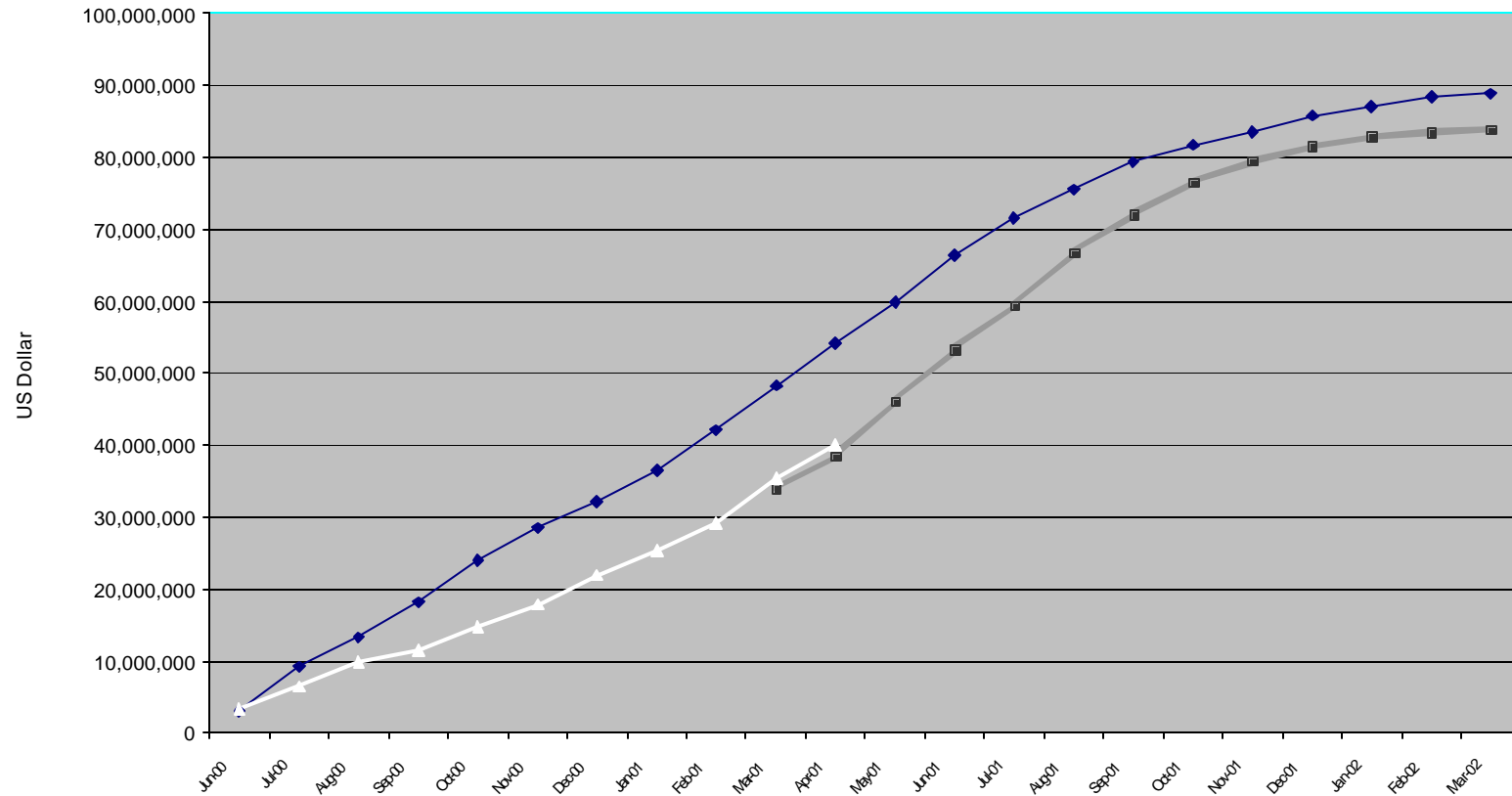
The next Donor's meeting on East Timor will be held on June 14-15, 2001. The Government of Australia has kindly agreed to host the meeting which will be chaired by Mr. Sergio Vieira de Mello, Transitional Administrator and Special Representative of the Secretary General of the United Nations, and Mr. Jemal-ud-din Kassum, World Bank Vice-President for East Asia and the Pacific Region. The TFET Donor Council Meeting reviewing progress on TFET activities will be held on June 13.

TFET appraisal and supervision missions – provisional schedule

Sector	Date
Health	April 30 – May 23
Education	May 9 – June 11
Agriculture	May 7 – June
Infrastructure	May 23 – June 6
Community Empowerment*	June 2 – July 1

TFET donors are invited to participate in all TFET supervision missions. Asterisked missions are multi-donor sector missions which will review progress in all multilateral and bilateral projects within the relevant sector.

5. TFET Disbursement Targets vs. Actuals as of 9 May, 2001



	Jun-00	Jul-00	Aug-00	Sep-00	Oct-00	Nov-00	Dec-00	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01	Jan-02	Feb-02	Mar-02
Original Target	3,178,0	9,205,0	13,255,	18,186,	24,042,	28,501,	32,114,	36,448,	42,098,	48,320,	54,172,	59,844,	66,328,	71,628,	75,578,	79,328,	81,753,	83,453,	85,853,	87,154,	88,504,	88,854,
Revised Disbursement Projection										34,003,	38,493,	46,138,	53,362,	59,487,	66,831,	72,147,	76,529,	79,508,	81,572,	82,960,	83,520,	83,854,
Actual Disbursements	3,302,2	6,491,8	9,786,3	11,450,	14,765,	17,860,	21,953,	25,344,	29,142,	35,433,	40,043,											

Month Year

6. TFET Receipts and Commitments

TFET RECEIPTS, MAY 9, 2001

TFET RECEIPTS	CASH	PROMISSORY NOTES
DONOR	US\$ million	US\$ million
Portugal	15.0	35.0
Japan	14.1	
European Union	16.0	
Australia	10.9	
World Bank	10.0	
UK	7.3	
Finland	3.0	
Japan PCF	2.0	
Norway	2.0	
USA	0.5	
IDA PCF	0.4	
Ireland	0.4	
New Zealand	0.4	
TOTAL	82.0	35.0

TFET COMMITMENTS, MAY 9, 2001

TFET COMMITMENTS	
PROJECTS AND PROGRAMS	US\$ million
Community empowerment	9.0
Dili community employment generation	0.5
Small enterprise	4.8
Education: School System Revitalization	13.9
Infrastructure rehabilitation	27.8
Health sector rehabilitation and development	12.7
Agriculture rehabilitation and development	6.8
Water and sanitation	4.5
Microfinance	4.0
Capacity building and human resource survey	0.4
Economic capacity building	0.5
Community empowerment II (CEP II)	8.5
Project preparation and supervision	2.9
TOTAL	96.3

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.