EXECUTIVE SUMMARY

The Government and community of Timor-Leste face substantial challenges in the transport sector. The international port and airport in Dili are operating satisfactorily, though the decline in demand that is expected to accompany the withdrawal of much of the international presence in mid-2004 will reduce demand at the facilities and hence their revenues. There is no domestic civil aviation, and formal domestic shipping services require a large annual subsidy. Timor-Leste has a substantial 6,000 km road network, though this is generally in poor condition. The country’s terrain, geology, and weather conditions significantly add to the costs of providing and maintaining roads. With only 19,600 vehicles in the country, including 6,500 motorcycles and 3,000 United Nations vehicles, the tax base for recovering the cost of providing roads from the community is small.

The Government has established much of the essential framework for the transport sector, including laws, institutions, and development plans. It has also identified a number of key issues that it will need to address in the future.

- Emphasis on infrastructure works will move from a reactive to a preventive approach.
- Road design standards and maintenance practices and vehicle load limits need to be oriented to minimizing life-cycle transport costs.
- Sustainable community-based arrangements are needed for managing the rural road network.
- There is a need to engage with the community to address social issues related to transport.
- There is a need to reduce the environmental impact of transport.
- Government staff need additional resources and new skills.
- The need to undertake more careful feasibility studies and to determine financing sources is likely to lengthen the time required to initiate projects.
- Road investment requirements in particular will remain high.
- Spending will need to rise for adequate maintenance of the current road system.
- Corporate port and airport authorities should become financially self-sustaining in the medium term.
- Developing a sustainable private contracting industry, with good contract management, will minimize the cost to the Government of infrastructure.
- Light-handed regulation of the transport sector is appropriate.
- User charges are essential for a sustainable transport system.

Roads

The road system is degraded and entails a very high cost for the reactive work needed to keep it functioning. The Government therefore has set a five-year program and a ten-year vision for the road system to:
• Bring the road network up to a sustainable condition where, with regular maintenance, life-cycle costs will be minimized, road closures will be reduced and manageable, and road access will be reliable.
• Improve key roads to support a growing economy.
• Ensure effective capacity to manage the road system, comprising asset management systems (including risk management), use of the private sector for cost-effective delivery, and reliable funding and adequate cost-recovery from users.

Ports and airports

The Government’s vision for the maritime and aviation sub-sectors in FY2008/09 is to:

• Establish the basis for financially sustainable provision of port and airport facilities from user charges.
• Ensure adequate commercial domestic services, and supplement these services for disadvantaged groups.
• Facilitate international trade and tourism.

Transport development plan

The Government has prepared a transport development plan to support these visions. The plan covers planning investigations, rehabilitation of existing infrastructure, and capacity building to support the continued development of the country’s domestic capacity to undertake this work and to sustain its assets in the longer term. Discussions are underway with several donors to implement some of the projects included in the proposed program.

The estimated cost of transport sector development and operation over the five-year period to FY2008/09 is almost $176 million. This excludes operations and minor investments in the port and airport in Dili, which are to be financed by user charges. This ambitious program is double that of the past five years. Ongoing donor programs and CFET would provide about $95 million of the funding needed. Additional CFET allocations of $23 million would be required as well as $56 million of new donor funding. The Government expects to be able to generate an additional $8 million by raising fuel taxes as the cost of imported fuel is reduced, and by introducing annual vehicle registration charges that will be enabled by a proposal in the investment program.

Under the proposed program, annual expenditures in the transport sector would rise from about $12 million in FY2003/04 to about $47 million in FY2006/07 and then tail down to about $27 million by FY2008/09. Road construction and maintenance would account for a large share of the increase, rising to $34 million in FY2006/07.

Successful implementation of the program depends not only on the availability of funding, but equally on aggressive action aimed at building implementation capacities within the sector. The program offers a major opportunity to develop Timor-Leste’s domestic construction industry since it would involve more than $100 million of civil works and maintenance
expenditures over the five-year period. Recent years have seen good progress in building the
capacity of the local industry, which in turn offers significant job opportunities. The
Government recognizes the contribution that the construction sector can make to the
development of small and medium enterprises and to employment. The policies and programs
that are needed to take advantage of these opportunities are discussed at greater length in the
draft SIP report for Private Sector Development.¹

¹ Available at <http://www.mopf.gov.tp/tldpm/SIP.htm>