

**ASIAN DEVELOPMENT BANK**

**COUNTRY STRATEGY AND PROGRAM UPDATE  
2003–2004**

**DEMOCRATIC REPUBLIC OF TIMOR-LESTE**

**September 2003**

## CURRENCY EQUIVALENTS

Currency Unit – US dollar (\$)

## ABBREVIATIONS

ADB	–	Asian Development Bank
CFET	–	Consolidated Funds for East Timor
CSP	–	country strategy and program
CSPU	–	country strategy and program update
DMC	–	developing member country
EDTL	–	Electricidade de Timor-Leste (Electricity of Timor-Leste)
FTP	–	First Tranche Petroleum
FY	–	fiscal year
GDP	–	gross domestic product
MDG	–	millennium development goal
NDP	–	National Development Plan
PKF	–	Peace-Keeping Force
PSD	–	private sector development
SOTL	–	Special Office in Timor-Leste
TA	–	technical assistance
TFET	–	Trust Fund for East Timor
UN	–	United Nations
UNDP	–	United Nations Development Programme
UNMISSET	–	United Nations Mission of Support in East Timor
UNTAET	–	United Nations Transitional Authority in East Timor
USAID	–	United States Agency for International Development

## NOTE

- (i) The fiscal year (FY) of the Government ends on 30 June.
- (ii) In this report, "\$" refers to US dollars.

## CONTENTS

	<b>Page</b>
I. COUNTRY STRATEGY	1
II. CURRENT DEVELOPMENT TRENDS AND ISSUES	1
A. Recent Political and Social Developments	1
B. Economic Assessment and Outlook	2
C. Implications for Country Strategy and Program	3
III. IMPLEMENTATION OF THE COUNTRY STRATEGY AND PROGRAM	3
A. Progress toward a Poverty Partnership Agreement	3
B. Progress in the Country Strategy and Program Focus Areas	3
C. Highlights in Coordination of External Funding and Partnership Arrangements	7
IV. PORTFOLIO MANAGEMENT ISSUES	8
A. Portfolio Performance	8
B. Performance Monitoring and Evaluation	8
V. COUNTRY PERFORMANCE AND ASSISTANCE LEVELS	8
A. Lending Level Proposed	8
B. Nonlending Program	9
C. Summary of Changes to Lending and Nonlending Program	9

## APPENDIXES

1. Summary Statement of Strategy	10
2. Country and Portfolio Indicators, and Assistance Pipeline	
Table A2.1: Progress Toward the Millennium Development Goals and Targets	11
Table A2.2: Country Economic Indicators	14
Table A2.3: Country Social Indicators	15
Table A2.4: Country Poverty and Inequality Indicators	16
Table A2.5: Country Environment Indicators	17
Table A2.6: Development Coordination Matrix	18
Table A2.7: Assistance Pipeline for Lending Products	21
Table A2.8: Assistance Pipeline for Nonlending Products and Services	22
3. Concept Papers for Nonlending Products and Services	23

## I. COUNTRY STRATEGY

1. Timor-Leste became an independent nation on 20 May 2002, and a member of the Asian Development Bank (ADB) on 23 July 2002. Timor-Leste's National Development Plan (NDP) and associated roadmap focus on two development goals: (i) to reduce poverty and (ii) to promote equitable and sustainable economic growth. The Government's immediate priorities are law and order, justice, the legitimization of local authorities, employment creation, and service delivery for poverty reduction in health, education, and agriculture. In the medium term, the Government will focus on infrastructure development, education and health, and economic recovery. The Government is committed to a market-based economy and emphasizes the importance of foreign investment to stimulate the economy.

2. The framework for ADB's country strategy<sup>1</sup> for Timor-Leste is set out in *A Pacific Strategy for the New Millennium*,<sup>2</sup> which focuses on three broad strategic objectives: economic management, governance, and public sector reforms, with poverty reduction as a unifying theme. Accordingly, ADB's objective in Timor-Leste is to reduce poverty and improve the quality of life of the people. In view of the Government's current policy to avoid borrowing and the limited availability of grant assistance from ADB, the program is focused on the following areas: (i) improved public infrastructure to support private sector growth and basic social services; (ii) local capacity building for economic and financial management; and (iii) community-level income generation. Appendix 1 sets out a summary statement of strategy.

3. ADB's assistance to Timor-Leste was first articulated in the Country Assistance Plan 2001–2003, East Timor.<sup>3</sup> This plan was prepared between April and June 2000 in close consultation with the United Nations Transitional Authority in East Timor (UNTAET). Given the emergency conditions that applied at the time, the plan was indicative only and underwent frequent revisions.

## II. CURRENT DEVELOPMENT TRENDS AND ISSUES

### A. Recent Political and Social Developments

4. Coinciding with Timor-Leste's independence, the mandate of the UNTAET ended on 20 May 2002, and United Nations (UN) Resolution of 17 May 2002 established the United Nations Mission of Support in East Timor (UNMISSET) for the next 2 years. UNMISSET's mandate is to (i) provide assistance to core administrative structures critical to economic viability and political stability, (ii) provide interim law enforcement and assist in the development of a new police force, and (iii) contribute to the maintenance of the external and internal security of Timor-Leste. Peace and security remain fragile, as evidenced by riots in Dili in December 2002. The Timor Sea Treaty between Timor-Leste and Australia was ratified in March 2003, ensuring the development of the Bayu-Undan oil and gas field and ensuing substantial revenue flows.

5. The Government faces several challenges including the withdrawal of the UN Peace-Keeping Force (PKF) and handover of policing and peacekeeping responsibilities to Timor-Leste's national security forces, the development of the strategy and legislative framework required to legitimize local authorities and create Timor-Leste's systems for local governance,

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<sup>1</sup> The country program for Timor-Leste is formulated under the ADB Board-approved abbreviated country program process for small Pacific countries and hence has a country strategy and program update (CSPU) rather than a full country strategy and program (CSP).

<sup>2</sup> ADB. 2000. *A Pacific Strategy for the New Millennium*. Manila.

<sup>3</sup> ADB. 2001. *Country Assistance Plan 2001–2003 East Timor*. Manila.

reconciliation with those who opposed independence, reintegration of former combatants, and the establishment of a fund to manage oil and gas revenues. Foremost, however, is the contracting economy and growing unemployment.

## **B. Economic Assessment and Outlook**

6. Gross domestic product (GDP) is estimated to have contracted by 1% to 3% in 2002 as the international presence and the overall volume of aid were reduced. The first figure is an estimate of the International Monetary Fund (IMF) and the second, of the Banking and Payments Authority of Timor-Leste. Inflation was around 2% in 2002, and is estimated to have increased slightly in 2003. The balance of payments continues to be constrained by large current account deficits reflecting reduced donor-assisted reconstruction and development activities.

7. Exports, mainly coffee, have been depressed due to low international prices. With the prospect of oil and gas production rising sharply over the next few years, royalties and tax revenues are expected to increase from \$15 million in 2002 to about \$70 million by 2006. The overall deficit for fiscal year (FY) 2002/03 is estimated to be lower than budgeted, and revenues are expected to reach \$44 million (12.4% of GDP), primarily from oil and gas.

8. The medium-term challenge is to mobilize local resources and foreign aid for economic growth. Domestic savings have improved, with bank deposits reaching \$57 million (17% of GDP) by end-February 2003. However, domestic lending was only about 10% of total deposits (mostly for property development), and bank deposits are mainly invested offshore. So far, no foreign debt has been incurred. With aid support decreasing, and low levels of local and foreign investments, the Government may need to review its borrowing and investment policies to stimulate growth.

9. Prudent management and investment of oil and gas revenues are crucial to minimize negative economic effects and public waste, as has been the experience in some resource-rich developing countries. The Government has committed to the establishment of a petroleum fund with similar features to the Norwegian model, having the objectives of avoiding the potential negative economic impacts that revenue windfalls can cause ("Dutch disease"), and ensuring that long-term intergenerational benefits are obtained. The Government has committed to a high level of transparency in relation to the oil and gas revenues and has signed up to the Extractive Industries Transparency Initiative (known as the Blair Initiative).

10. The Government has achieved a balanced budget for 2003–2004, despite significant increases in allocations for the power utility, Electricity of Timor-Leste (EDTL), but predicts a financing gap for 2005/06 and 2006/07, largely as a result of uncertain Timor Sea revenues. Options for closing the gap include reducing expenditure, seeking additional funding agency financing, accessing the First Tranche Petroleum (FTP) savings, borrowing against future income, or a combination of these. The Government has indicated that it will be in a better position to clarify its plans for gap financing in December 2003 when it will have completed its roadmap and action plans and confirmed commitments from funding agencies. It is currently working on the development of an investment pipeline, which it will share with the funding agencies in December.

## **C. Implications for Country Strategy and Program**

11. The Government's no-borrowing policy for FYs 2003–2005 and intention to finalize its plans for gap financing only after December 2003 have resulted in a proposed program for 2003–2004 consisting of advisory technical assistance (TA) only. Because of the limited availability of TA grant funds, the program is focused on a narrow range of activities under two TA projects per year. ADB will seek to play more of a catalytic role, complementing and enhancing the efforts of Government, other funding agencies, and the private sector in the areas where ADB TA will be applied. The next programming cycle will provide the opportunity for discussions on a longer-term (3-year) pipeline of assistance.

### **III. IMPLEMENTATION OF THE COUNTRY STRATEGY AND PROGRAM**

#### **A. Progress toward a Poverty Partnership Agreement**

12. ADB will help address unemployment and widespread poverty through a partnership approach, working closely with the Government and other development partners in selected priority sectors. Poverty is pervasive in Timor-Leste. According to recent poverty assessment surveys, its incidence is about 40%. Poverty in urban areas is about 25% and in rural areas about 44%. Poverty incidence is lowest in the Dili/Baucau districts (14%) and highest in the western districts. More than 75% of the poor live in rural areas, and their means of livelihood are limited to subsistence and seasonal agriculture. Rural poverty is severe. The lack of data and time series for Timor-Leste makes it difficult to discern trends in relation to progress toward the Millennium Development Goals (MDGs). Appendix 2, Table A2.1 summarizes the MDGs on the basis of the limited data available.

13. The latest poverty assessment<sup>4</sup> was undertaken jointly by the Government, ADB, the World Bank and the United Nations Development Programme (UNDP), and was based on household surveys and participatory poverty assessments. A poverty partnership agreement is expected to be finalized and signed by the Government and ADB by the end of 2003.

#### **B. Progress in the Country Strategy and Program Focus Areas**

##### **1. Good Governance**

14. The Government recognizes that good governance is necessary for efficient delivery of services, sustained growth, and poverty reduction. The NDP emphasizes good governance in all government operations. The Government is also committed to adopting IMF standards of transparency to ensure accountability and fiscal discipline. Currently, most institutions are weak and it is important to strengthen the capacity of central and local governments. The Government has expressed a strong commitment to openness and transparency. In early 2003, the Open Governance Program was initiated, and the NDP was developed after an extensive process of consultation with over 38,000 people participating in public meetings. The Government has prepared legislation to establish an independent ombudsman to address citizens' complaints and safeguard public administration against corruption. In regard to the proposed petroleum fund, the Government has signaled its intention to disclose all payments in relation to oil and gas revenues, in accordance with the principles set out in the Blair Initiative.

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<sup>4</sup> ADB. 2000. *Technical Assistance to East Timor for Strategies for Economic and Social Development*. Manila.

15. ADB has provided four TA grants for capacity building at the national, district, and local levels. The first ADB assistance on capacity building at field level focused on community empowerment and supported UNTAET's efforts in laying the groundwork for a network of local councils covering all districts, subdistricts, and villages.<sup>5</sup> This was followed by a TA to develop skills in economic recovery and public sector management.<sup>6</sup> The third capacity-building TA supported the establishment of the Local Government Think Tank, a select group of people from Timor-Leste, representing political and civil society organizations, to study and formulate options for a local government structure appropriate for Timor-Leste.<sup>7</sup> The fourth TA, approved on 5 March 2002, focused on developing the technical and administrative competencies of local authorities in public administration and governance.<sup>8</sup> These TAs have been well received and the Government has requested ADB to continue this support. To ensure sustainability, the National Institute of Public Administration is being developed to be the main channel for delivery of training and source of trainers and facilitators.

## 2. Private Sector Development

16. Private sector development (PSD) is critical to achieving growth and employment generation for social stability and poverty reduction, and requires a politically stable and business-friendly environment. The immediate challenge is to implement basic business laws and regulations, and establish critical market-supporting institutions. ADB, with other funding agencies, will continue to support the Government's initiatives in these areas. The World Bank and United States Agency for International Development (USAID) are helping with the preparation of relevant legislation. USAID has also provided assistance for small and rural enterprise development, particularly for the coffee industry. Much of ADB's TA activity, as well as its advisory support to TFET programs, is focused on creating the enabling environment for private sector participation in the infrastructure and microfinance sectors, for which ADB has the lead responsibility. ADB has helped establish a microfinance banking system for rural livelihoods enhancement.<sup>9</sup> ADB has also supported the finalization of Timor Sea oil and gas agreements, and assisted in establishing the base line data to determine the likely demarcation of Timor-Leste's exclusive economic zone for resolution of the jurisdictions of living aquatic resources. To enhance PSD, the Government is undertaking a pre-investment study for establishing an industrial zone project and will seek private sector support in its establishment. The Government is committed to privatizing key utilities, and recently the telecommunications sector was privatized with ADB assistance.<sup>10</sup> ADB also provided a TA for the establishment of an efficient postal system.<sup>11</sup>

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<sup>5</sup> ADB. 2000. *Technical Assistance to East Timor for Community Empowerment Program*. Manila.

<sup>6</sup> ADB. 2002. *Technical Assistance to East Timor for Capacity Building for Governance and Public Sector Management*. Manila.

<sup>7</sup> ADB. 2000. *Technical Assistance to East Timor for Capacity Building for Local Government*. Manila.

<sup>8</sup> ADB. 2002. *Technical Assistance to East Timor for Capacity Building to Develop Public Sector Management and Governance Skills*. Manila.

<sup>9</sup> ADB. 2000. *Technical Assistance to East Timor for Strengthening the Microfinance Policy and Legal Framework*. Manila; ADB. 2001. *Technical Assistance to East Timor for Microfinance Information Technology Systems Development*. Manila.

<sup>10</sup> ADB. 2000. *Technical Assistance to East Timor for the Rehabilitation of the Telecommunications Sector (Phase I)*. Manila; ADB. 2000. *Technical Assistance to East Timor for the Rehabilitation of the Telecommunications Sector (Phase II)*. Manila.

<sup>11</sup> ADB. 2001. *Technical Assistance to East Timor for Postal Services Development*. Manila.

### **3. Economic Growth**

17. By international standards, the economy of Timor-Leste is small and the population is poor. GDP in 2002 was approximately \$370 million, and GDP per capita was \$445. The violence and unrest in 1999 shook the foundations of the economy, with the destruction of public and private property and much of the infrastructure, and significant disruption to the agricultural cycle and trade. Widespread starvation was avoided due to a switch to alternative foods, timely distribution of food by aid agencies, drawing on past savings, and support from relatives. Since then there has been a slow rebound in the economy. The medium-term outlook is for gradual growth and improvement in social conditions. The agriculture sector accounts for about 30% of GDP, and employs the vast majority of the people in subsistence rice and corn farming, and supplementary export-oriented production of coffee and beef. Large out-migration after 1999 left a large human resource gap, particularly in the skilled labor force.

18. The Government has recognized that skills development is key to the generation of employment and growth. This makes the social and economic development challenge a daunting one that can be met only with substantial government commitment and international assistance. Remittances from the 20,000 people from Timor-Leste living overseas will be an important income supplement. The Government will need to adopt business-friendly policies and an enabling environment for private sector development, including opportunities for increasing agricultural production, small agro-enterprise development, crop diversification, and employment-generating livelihood programs. Microfinance development can provide critical support to rural livelihoods, raising incomes and living standards. Lack of infrastructure and weak institutional capacities are the main impediments to growth in Timor-Leste. The Government has identified a serious lack of capability in the civil service, particularly in the National Statistics Office, to monitor and promote trade and other economic activities. At this stage, projects under TFET and several bilateral assistance programs have been the major contributors to economic growth.

19. Resource rent from oil and gas reserves in the Timor Gap will also be an important revenue source for the Government over time. The oil and gas income will provide the impetus for growth in the longer term. Recognizing the need to be vigilant against waste, mismanagement, and corruption, the Government proposes to establish a petroleum fund and with the assistance of the World Bank, IMF, various bilateral donors, and ADB has made significant progress in this regard. The World Bank is assisting the Government to establish backward linkages to onshore investments from the Timor Sea.

### **4. Human Development**

20. The UNDP Human Development Index ranked Timor-Leste in the “low human development category”, ranking 167<sup>th</sup> among 191 countries. The literacy level is about 48%. Enrollment in primary and secondary schools is low compared to other developing member countries (DMCs). The current teacher-student ratio is 1:62. Timor-Leste’s population is young, with 35–40% below the age of 18. Health indicators are poor but have improved slightly. The under-5 mortality rate has fallen from 204.6 (per 1,000 live births) in 1993 to 143.5 in 2001, and the maternal mortality ratio from 800 (per 100,000 live births) in 1990 to 420 in 1999. Malaria remains a serious health issue; the number of reported cases in 1999 was 16,881. Life expectancy is about 57 years. About 50% of the population has no access to safe drinking water, proper sanitation, and electricity.

## 5. Gender and Development

21. Timor-Leste was ranked low among 191 countries on the gender development index. Under most Timorese traditional systems, the role of women is severely limited, with men dominating decision making and leadership roles within villages. The respective roles of men and women changed substantially as a result of the social disruption caused by the years of struggle for independence. One social legacy of the conflict over the last 24 years is the large number of widows. Households headed by women are estimated at around 14% of the total number of households. Female literacy is low at 35%. Women constitute an insignificant number of the labor force and are mostly concentrated in lower-skilled jobs. The Government's target for participation of women in public decision-making bodies is set at 30%<sup>12</sup> to be achieved by 2007 (see Appendix 2, Tables A2.3 and A2.5).

22. Special measures need to be introduced to support changes in structures and mechanisms at the community and household levels so that women can access resources and participate equally in decision making. The existence of civil society organizations, including women's organizations, is a relatively recent phenomenon in Timor-Leste. ADB will continue to promote the mainstreaming of gender issues in its operations.

## 6. Environment

23. Timor-Leste is predominantly rural, with only 1% of its land area used for settlements, and 13% suitable for agriculture. About 86% of the total land area is covered with secondary (mostly scrub) forest (76%) and grassland (10%). As a result of slash-and-burn practices and the disruptions to the agricultural economy due to the civil conflict, land degradation has accelerated over the years. According to official estimates, as much as 70,000 hectares of forest were lost since 1972, although the real figure is likely to be higher. As of 2000, remaining forest area is estimated to be roughly 34.1% of total land area. As a result of deforestation, there has been a significant loss of biodiversity, and increased erosion and flash flooding from barren hillsides. There is inadequate information on the status of marine and coastal resources. Institutional legislation and structures need to be established urgently to implement environmental protection measures across all sectors and users. At present, the capacity to review, evaluate, and monitor the environmental impact of projects or mitigating measures is limited. There is an urgent need to develop appropriate regulatory frameworks and environmental policies. Given ADB's key role in the infrastructure sector, TA<sup>13</sup> in 2000 helped begin establishing the institutional and human resource capacity to address environmental and resource management issues in this sector. In 2002, ADB approved a TA<sup>14</sup> to develop and implement an integrated water management policy to help address water-related issues and to mitigate the adverse impact of infrastructure projects on the environment (see Appendix 2, Table A2.1).

## 7. Regional Cooperation

24. Several opportunities for regional cooperation between Timor-Leste and neighboring countries can be identified. Timor-Leste and Indonesia, in particular, stand to gain substantially through strengthening cooperation. In October 2002, an Indonesia-Timor-Leste Joint Committee started a dialogue to solve issues related to land border demarcation and maritime boundaries.

<sup>12</sup> In August 2001, 24 women were elected to the 88-member Constituent Assembly accounting for about 27% of the total. However, 2 women members resigned since bringing down the proportion to 25%.

<sup>13</sup> ADB. 2000. *Technical Assistance to East Timor for Environmental Assessment Capacity Improvement*. Manila.

<sup>14</sup> ADB. 2002. *Technical Assistance to East Timor for Integrated Water Resources Management*. Manila.

There are also pending political and social issues relating to refugees and reconciliation with those opposed to Timor-Leste's independence. There has been good progress by the Joint Committee in these areas. The extent to which Timor-Leste fosters relations with its neighbors will have a profound impact on its future. Timor-Leste has also secured membership in various organizations. Recently, it became the 79<sup>th</sup> member of the Africa, Caribbean and Pacific (ACP) group, and this will pave the way for Timor-Leste to become a member state under the Cotonou Convention (ACP-EU) giving it preferred access to markets and development aid from the European Union. It has also been given a special observer status within the Pacific Forum and a special status as guest of the Chairman within the Association of Southeast Asian Nations (ASEAN) Regional Forum. ADB provided assistance in defining Timor-Leste's exclusive economic zone<sup>15</sup> and in the Timor Sea negotiations.<sup>16</sup> ADB will explore opportunities for establishing links between Timor-Leste and other DMCs for skills development and training.

### **C. Highlights in Coordination of External Funding and Partnership Arrangements**

25. Development partners are key to Timor-Leste's development. For the country's reconstruction, bilateral donors, multilateral banks, and the UN have provided substantial development grants. The development community at large has coordinated well to facilitate efficient delivery and utilization of aid to help the country during transition. Regular coordination through biannual and monthly meetings of development partners and the Government have been crucial for strengthening partnership and country ownership. Development partners established two trust funds: the Consolidated Funds for East Timor (CFET)<sup>17</sup> and TFET; the former designed to finance largely recurrent expenditures, and the latter, the capital investment portion of the budget. Donor-financed budget support has been sustained since 2002 under the World Bank-administered Transitional Support Program<sup>18</sup> (TSP).

26. Significant collaboration with the World Bank has taken place in all TFET projects, notably the poverty analysis study and the infrastructure rehabilitation project. Successful collaboration has also taken place in regard to the water supply and sanitation sector with AusAID, the Government of Japan, and the Humanitarian Aid Office of the European Commission (ECHO). In economic and public sector reforms, there has been considerable collaboration with IMF, UNDP, World Bank, and the Government of Portugal. In the power sector, ADB has collaborated with the Government of Norway. Road works were coordinated with the Government of Japan and UNTAET and funding agencies have participated in project reviews. To address monsoon-caused road failures in 2000–2001, ADB collaborated with the UN PKF. In the microfinance project, a multi-funding agency foundation and management board were established to manage the microfinance institution. The Hera Fisheries Port Rehabilitation project is a good example of funding agency coordination among World Bank, AusAID, and ADB. Much funding agency activity and coordination has taken place with regard to the oil and gas revenue issue (see Appendix 2, A2.6).

<sup>15</sup> ADB. 2001. *Technical Assistance to East Timor for Exclusive Economic Zone Demarcation*. Manila.

<sup>16</sup> ADB. 2002. *Technical Assistance to East Timor for Capacity Building for Governance and Public Sector Management*. Manila; ADB. 2001. *Technical Assistance to East Timor for Economic Policies and Strategies for Development Planning*. Manila.

<sup>17</sup> CFET is the central account of the Government, structured to reflect revenue operating and capital income budget. Most of the budget support is from about 22 donor countries.

<sup>18</sup> TSP is a 3-year program funded by the governments of Australia, Norway, United Kingdom, United States, and other bilateral donors for \$54 million.

#### IV. PORTFOLIO MANAGEMENT ISSUES

##### A. Portfolio Performance

27. At present, ADB has no lending program for Timor-Leste. However, ADB has been assisting funding agencies in preparing and implementing TFET grant projects totaling \$52.8 million.<sup>19</sup> ADB has so far prepared and is implementing the following grant projects: two for road rehabilitation, two for water supply and sanitation, one for fishing port rehabilitation, and one for microfinance. Most projects are at an advanced stage of implementation. Generally, the implementation of projects has been satisfactory.

28. Since 2000, 20 TAs have been approved totaling \$8.6 million. The TAs are mainly for capacity building. As at 30 June 2003, there were 15 active TAs. Most TAs are being implemented satisfactorily.

29. The Government is still in the formative stage and there is a significant lack of implementation and absorptive capacity. The availability of capable local staff and contractors to implement programs is limited. In order to maximize the capacity-building impact of its assistance, ADB advocates participatory approaches in the design and implementation of its projects. ADB will continue to be involved in helping to improve the policy framework in key sectors, including infrastructure, microfinance, and environment.

##### B. Performance Monitoring and Evaluation

30. ADB currently monitors its program through review of regular progress and audit reports. All ADB assistance will be closely monitored to ensure efficient utilization of resources. Currently, the Special Office in Timor-Leste (SOTL) plays an active role in monitoring and evaluation of all ADB activities. Overall, performance has been satisfactory. Two projects have experienced delays in audit reporting. In one instance, delay was caused by the destruction in the Dili riots of project records held in the microfinance institution.

#### V. COUNTRY PERFORMANCE AND ASSISTANCE LEVELS

##### A. Lending Level Proposed

31. Based on the criteria adopted by ADB for the classification of DMCs, Timor-Leste is likely to be classified<sup>20</sup> in Group A,<sup>21</sup> in which case it will be fully eligible for Asian Development Fund (ADF) financing. For the present, the Government continues to maintain a "no borrowing" policy.

<sup>19</sup> ADB. 2000. *Emergency Infrastructure Rehabilitation Project, Phase 1* (TFET Grant). Manila; ADB. 2002. *Emergency Infrastructure Rehabilitation Project, Phase 2* (TFET Grant). Manila; ADB. 2000. *Water and Sanitation Rehabilitation Project, Phase 1* (TFET Grant). Manila; ADB. 2001. *Water and Sanitation Rehabilitation Project, Phase 2* (TFET Grant). Manila; ADB. 2001. *Hera Port Fisheries Facilities Rehabilitation Project* (TFET Grant). Manila; ADB. 2000. *Microfinance Development Project* (TFET Grant). Manila.

<sup>20</sup> A classification exercise is currently under way.

<sup>21</sup> Group A includes countries with very low per capita gross national product and limited debt-repayment capacity.

**B. Nonlending Program**

32. Nonlending assistance is crucial for Timor-Leste's overall advisory and institutional capacity building, as well as for the preparation of investment projects (see Appendix 2, Table A2.8).

33. In 2003, ADB will provide TAs for strengthening the statistics office (\$150,000) and strengthening public sector and governance (\$550,000). In 2004, TA will be provided to support the development of small and micro enterprises (\$250,000) and to build capacity in the key infrastructure ministries (\$250,000) (see Appendix 3, Tables A3.1-A3.4).

**C. Summary of Changes to Lending and Nonlending Program**

34. This is the first country strategy and program update for Timor-Leste since becoming a member of ADB in 2002. Changes, if any, to the current lending and nonlending program will be detailed in 2004.

### SUMMARY STATEMENT OF STRATEGY

Objectives	Improved public infrastructure to support private sector growth and basic social services	Local capacity building for economic and financial management	Community-level income generation
<b>Strategic Focus</b>	Rehabilitate key infrastructure, including roads and water supply and sanitation, rural electrification and other rural infrastructure.  Improve institutional capability.	Enhance economic and financial management and implementation capabilities.  Improve financial accountability and governance in key sectors.	Ensure permanent access to institutional financial services for poor people and their small businesses.
<b>Ongoing Grants (TFET Funded)</b>	Water and Sanitation II (2001) \$4.5 mn  Hera Ports Development (2001) \$1 mn  Emergency Infrastructure Rehabilitation 2 (2003) \$9 mn		Microfinance Development (2001) \$4 mn
<b>Ongoing and Proposed TAs</b>	Transport Sector Improvement (2000) \$0.5 mn  Power Sector Development (2001) \$0.4 mn  Integrated Water Resources Management (2002) \$0.6 mn  Infrastructure Ministries Capacity Building (2004) \$0.25 mn	Capacity Building and Governance for Sector Management (2000) \$1 mn  Exclusive Economic Zone Demarcation (2001) \$0.12 mn  Microfinance IT Systems (2001) \$0.15 mn  Economic Policies & Strategies for Development Planning (2002) \$0.95 mn  Postal Services Development (2002) \$0.25 mn  Capacity Building to Develop Public Sector Management (2002) \$0.688 mn  Capacity Building to Strengthen Public Sector Management & Governance (2003) \$0.55 mn  Strengthening the Statistics Office (2003) \$0.15 mn	Small and Micro Enterprise Development (2004) \$0.25 mn
<b>Other Assistance (RETAs)</b>	Poverty Assessment in PDMCs  Participation in workshops for Poverty Reduction Strategies		
<b>Target Outcomes</b>	Improved accessibility to markets and services.  Enhanced access to essential public services	Effective and accountable central and local agencies	Improved rural incomes  Increase in rural commercial activity

IT = information technology, mn = million, PDMC = Pacific developing member country, RETA = regional technical assistance, TA = technical assistance.

## COUNTRY AND PORTFOLIO INDICATORS, AND ASSISTANCE PIPELINE

**Table A2.1: Progress toward the Millennium Development Goals and Targets**

Goals and Targets	1993	1999	Latest Year
<b>Goal 1. Eradicate Extreme Poverty and Hunger</b>			
<b>Target 1: Reduce incidence of extreme poverty by half from 1990 to 2015</b>			
1. Proportion of population below US\$1 per day (PPP values) (%)	—	—	20.0 <sup>a</sup> (2001)
2. Poverty gap ratio	0.025	0.023	0.028 (2001)
3. Share of poorest quintile in national consumption (%)	—	—	7.0 <sup>a</sup> (2001)
<b>Target 2: Reduce the proportion of people who suffer from hunger by half from 1990 to 2015</b>			
4. Prevalence of child malnutrition (% of children under 5)	50.6 (1996)	44.5	—
5. Proportion of population below minimum level of dietary energy consumption (%) <sup>b</sup>	41.5 (1996)	42.4	41.1 (2001)
<b>Goal 2. Achieve Universal Primary Education</b>			
<b>Target 3: Attain 100% primary school enrolment by 2015</b>			
6. Net enrollment ratio in: (%)			
Primary (7–12 years of age)	65.3	74.2	76.2 (2001)
Lower secondary (13–15 years of age)	25.0	36.3	33.1
Upper secondary (16–18 years of age)	13.5	20.4	17.6
Tertiary (19–24 years of age)	1.6	3.8	2.8
7. Proportion of pupils starting Grade 1 who reach Grade 5	—	—	—
8. Literacy rate of 15–24 year olds (%)	—	79.0 <sup>a</sup>	77.0 <sup>a</sup> (2001)
<b>Goal 3. Promote Gender Equality and Empower Women</b>			
<b>Target 4: Eliminate gender disparities in primary and secondary education by 2005 and to all levels of education no later than 2015</b>			
9. Ratio of girls to boys in primary and secondary education (%)	—	83.0 <sup>a</sup>	97.0 <sup>a</sup> (2001)
10. Ratio of young literate females to males (% of age group 15–24)	—	97.0 <sup>a</sup>	96.0 <sup>a</sup> (2001)
11. Share of women in wage employment in the nonagricultural sector	27.9 <sup>c</sup> (1990)	—	—
12. Proportion of seats held by women in national parliament	—	—	25.0
<b>Goal 4. Reduce Child Mortality</b>			
<b>Target 5: Reduce infant and child mortality by two thirds from 1990 to 2015</b>			
13. Under-5 mortality rate (per '000 live births)	204.6	158.8	143.5 (2001)
Male	217.7	171.6	155.5
Female	192.3	146.7	132.1
14. Infant mortality rate (per '000 live births)	108.6	86.0	80.1 (2001)
Male	118.1	94.7	88.4
Female	99.6	77.8	72.3
15. Proportion of 1 year old children immunized against measles	—	24.0 <sup>a</sup>	6.0 <sup>a</sup> (2001)

Goals and Targets	1993	1999	Latest Year
<b>Goal 5. Improve Maternal Health</b>			
<b>Target 6: Reduce maternal mortality rate by three quarters between 1990 and 2015</b>			
16. Maternal mortality ratio (per 100,000 live births)	800 <sup>d</sup> (1990)	850 <sup>e</sup> (1995)	420 (1999)
17. Births attended by skilled health staff (% of live births)	16.2	27.3 (1997)	30.0 (1999)
<b>Goal 6. Combat HIV/AIDS, Malaria, and Other Diseases</b>			
<b>Target 7: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS</b>			
18. HIV prevalence rate among 15–24 year old pregnant women	—	—	—
19. Contraceptive prevalence rate (% of women aged 15–49)	16.7	19.9	5.6 (2001)
20. Number of children orphaned by HIV/AIDS	—	—	—
<b>Target 8: Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases</b>			
21. Prevalence and death rates associated with malaria (per 100,000 people)	—	4,281 <sup>f</sup> (1997) 7,217 <sup>f</sup> (1998)	16,881 <sup>f</sup> (1999)
22. Proportion of population in malaria risk areas using effective malaria prevention and treatment measures	—	—	—
23. Prevalence and death rates associated with tuberculosis (per 100,000 people)	—	1,849 <sup>f</sup> (1997)	5,743 <sup>f</sup> (1999)
24. Proportion of TB cases detected and cured under DOTS	—	—	—
<b>Goal 7. Ensure Environmental Sustainability</b>			
<b>Target 9: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources</b>			
25. Forest area (% of total land area)	36.6 <sup>c</sup> (1990)	34.3 <sup>c</sup> (2000)	34.1 <sup>g</sup> (2002)
26. Nationally protected areas (% of total land area)	—	—	—
27. GDP per unit of energy use (PPP \$ per kg oil equivalent)	—	—	—
28. Carbon dioxide emissions (per capita metric tons)	—	—	—
<b>Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water</b>			
29. Access to an improved water source (% of population) <sup>h</sup>			
Total	29.1	66.0 <sup>a</sup>	50.0 <sup>a</sup> (2001)
Urban	68.1	93.0 <sup>a</sup>	69.0 <sup>a</sup>
Rural	26.0	62.0 <sup>a</sup>	44.0 <sup>a</sup>

Goals and Targets	1993	1999	Latest Year
<b>Target 11: By 2010, to have achieved a significant improvement in the lives of at least 100 million slum dwellers</b>			
30. Access to improved sanitation (% of population) <sup>i</sup>			
Total	32.4	30.0 <sup>a</sup>	42.0 <sup>a</sup> (2001)
Urban	49.2	81.0 <sup>a</sup>	64.0 <sup>a</sup>
Rural	31.0	24.0 <sup>a</sup>	35.0 <sup>a</sup>
31. Access to secure tenure (% of population)	—	—	—
Total			
Urban			
Rural			

— = data not available, DOTS = Directly Observed Treatment Short-course, GDP = gross domestic product, HIV/AIDS = human immunodeficiency virus/acquired immune deficiency syndrome, PPP = purchasing power parity, TB = tuberculosis.

<sup>a</sup> World Bank, Household Living Standards Measurement Survey (LSMS) 2001.

<sup>b</sup> Using consumption-based poverty lines: 32,742 rupiah/capita/month in 1996; 78,396 rupiah/capita/month in 1999 (both applied to SUSENAS core data in 1996 & 1999); and 158,480 rupiah/capita/month in 2001 (applied to East Timor household survey 2001).

<sup>c</sup> United Nations Statistics Division, Statistical Databases (<http://unstats.un.org>).

<sup>d</sup> International Monetary Fund (IMF), *East Timor - Establishing the Foundations of Sound Macroeconomic Management* (2000).

<sup>e</sup> United Nations Children's Fund (UNICEF), End-Decade Databases 2002 (<http://childinfo.org>).

<sup>f</sup> For prevalence rate data only: Asian Development Bank, Discussion Papers (2001) under regional technical assistance (RETA) 5907.

<sup>g</sup> World Bank, *The Little Green Data Book 2003*.

<sup>h</sup> 1993 available data refer to proportion of households with pipe/pump drinking water.

<sup>i</sup> 1993 available data refer to proportion of households with own sanitation facilities.

Sources: Unless otherwise specified, data are from United Nations Development Programme's (UNDP) *East Timor Human Development Report 2002*.

Table A2.2 Country Economic Indicators

Item	Fiscal Year <sup>a</sup>				
	1998	1999	2000	2001	2002
<b>A. Income and Growth</b>					
1. GDP per Capita (US\$, current)	441	360	412	433	445
2. GDP Growth (% , in constant prices)	1.3	(35.0)	15.0	17.0	(1.1)
a. Agriculture	(9.8)	(27.4)	(28.6)	18.7	3.7
b. Industry	(70.4)	(21.2)	33.1	20.4	2.9
c. Services	(49.8)	(37.1)	64.0	20.4	(6.1)
<b>B. Saving and Investment (current market prices)</b>					
					(% of GDP)
1. Gross Domestic Investment	35.0	21.0	29.0	36.0	32.0
2. Gross Domestic Saving	4.0	(13.0)	(44.0)	(44.0)	(41.0)
<b>C. Money and Inflation</b>					
					(annual % change)
1. Consumer Price Index <sup>b</sup>	80.0	140.0	3.0	0.0	2.0
2. Total Liquidity (M2)	(3.6)	(14.8)	...	155.5	8.6
<b>D. Government Finance <sup>a</sup></b>					
					(% of GDP)
1. Total Revenue and Grants	...	...	...	7.7	8.2
2. Total Expenditure and Onlending	...	...	...	14.5	13.8
3. Overall Fiscal Surplus / Deficit ( )	...	...	...	(6.8)	(5.6)
<b>E. Balance of Payments</b>					
1. Merchandise Trade Balance (% of GDP)	(23)	(25)	(66)	(55)	(49)
2. Current Account Balance (% of GDP)	(5)	2	21	12	10
3. Merchandise Export (US\$) growth (annual % change)	27	(15)	(90)	(20)	50
4. Merchandise Import (US\$) growth (annual % change)	7	(22)	83	(1)	(14)
<b>F. External Payments Indicators</b>					
1. Gross Official Reserves (US\$ million, end of period)	na	na	na	na	na
a. months of imports	na	na	na	na	na
2. External Debt Service (% of exports of goods & services)	...	...	...	...	...
3. External Debt (% of GDP)	...	...	...	...	...
<b>G. Memorandum Items:</b>					
1. GDP (current prices, million local currency)	390	270	321	385	369
2. Exchange Rate (kina per US dollar, annual average)	1.0	1.0	1.0	1.0	1.0
3. Population (million)	0.88	0.75	0.78	0.89	0.83

— = not available, GDP = gross domestic product, na = not applicable

<sup>a</sup> Official government finance estimates are in fiscal year ending 30 June, all other data in calendar year (i.e., corresponding to a fiscal year ending 31 December.)

<sup>b</sup> Period average

Sources: IMF. Timor-Leste and Development Partners' Meeting, Staff Statement, 3-5 June 2003, Dili; IMF. Democratic Republic of Timor-Leste: Article IV Consultation -- Staff Report, Public Information Notice, and Selected Issues and Statistical Appendix, July 2003; staff estimates.

Table A2.3: Country Social Indicators

Item	1996	1999	Latest Year
<b>1. Demographic Indicators</b>			
Total Population ('000)	857	780	794 (2001)
Annual Population Growth Rate (% change)	1.7		
Dependency Ratio (% of dependents to working age)	81.6	78.6	82.2 (2001)
Total Fertility Rate (births per woman)	5.1 (1995)	3.8	—
<b>2. Health</b>			
Life Expectancy at Birth (years)	53.9	56.0	57.4 (2001)
Male	52.3	54.2	55.6 (2001)
Female	55.5	57.7	59.2 (2001)
Population with Access to Health Services (%)	—	—	—
Government Expenditure on Health			
As % of Total Government Spending	—	6.0 (2001)	9.5 (2002)
As % of GDP	—	—	1.6 (2002)
<b>3. Education</b>			
Adult Literacy Rate (%)	40.4	40.6	43.0 (2001)
Male	48.6	46.9	43.1 (2001)
Female	32.0	33.9	42.8 (2001)
Combined Gross School Enrollment Ratio	55.5	59.1	56.1 (2001)
Male	58.1	62.1	58.4 (2001)
Female	54.2	57.9	55.1 (2001)
Gross Primary Enrollment (% of aged 7-12 years)	90.6	94.4	111.6 (2001)
Male	—	—	—
Female	—	—	—
Gross Secondary Enrollment (% of aged 13-17 years) <sup>a</sup>	34.0 (1998/99)	33.0 (1999/00)	38.0 (2000/01)
Male	—	—	—
Female	—	—	—
Student-Teacher Ratio	—	—	52.0 <sup>b</sup> (2001)
Primary	—	—	62.0 (2001)
Government Expenditure on Education			
As % of Total Government Spending	—	19.7 (2001)	25.2 (2002)
As % of GDP	—	—	4.1 (2002)

— = data not available, GDP = gross domestic product.

<sup>a</sup> World Bank. *Household Living Standards Measurement Survey (LSMS) 2001*.

<sup>b</sup> East Timor Transitional Administration (ETTA), Asian Development Bank, World Bank and United Nations Development Programme (UNDP), *The 2001 Survey of Sucos: Initial Analysis and Implications for Poverty Reduction*.

Sources: Unless otherwise specified, data are from UNDP's *East Timor Human Development Report 2002*. Government spending data are from the Ministry of Finance.

**Table A2.4: Country Poverty and Inequality Indicators**

Item	1996	1999	Latest Year
<b>1. Development Progress Indexes</b>			
Human Development Index (HDI)	0.393	0.395	0.421 (2001)
Human Poverty Index (HPI)	51.0	49.0	—
Gender-related Development Index (GDI)	—	0.361	0.347 (2001)
<b>2. Poverty Indicators</b>			
Headcount Index (% poor of total population)	31.7	29.9	41.0 (2001)
Rural	33.6	31.1	46.0 (2001)
Urban	14.2	20.1	26.0 (2001)
Poverty Severity Index (%)	7.2	8.0	9.7 (2001)
<b>3. Inequality Indicators</b>			
Gini Coefficient	0.341	0.305	0.354 (2001)
Rural	0.318	0.281	0.323 (2001)
Urban	0.384	0.357	0.371 (2001)
Household Income (% of total)			
H20	—		45.0 (2001)
L20	—		7.0 (2001)
Income Ratio (H20/L20)	—		6.58 (2001)

— = data not available, H20 = highest income quintile, L20 = lowest income quintile, H20/L20 = ratio of share in total income of highest income quintile to share of lowest income quintile.

Sources: Data are from the United Nations Development Programme's (UNDP) *East Timor Human Development Report 2002*, except for income ratios, which were taken from the World Bank's Household Living Standards Measurement Survey (LSMS) 2001.

**Table A2.5: Country Environment Indicators**

Item	1990	Latest Year	
<b>1. Energy Efficiency of Emissions</b>			
Traditional Fuel Use (% of total energy use)	—	—	
<b>2. Water Pollution</b>			
Water Bodies Exceeding Contact Recreation Standards			
Biological Oxygen Demand (BOD)	—	—	
Chemical Oxygen Demand (COD)	—	—	
<b>3. Air Pollution</b>			
Carbon Dioxide (CO <sub>2</sub> ) Emissions			
Total (millions of metric tons)	—	—	
Sulfur Dioxide (SO <sub>2</sub> ) Emissions			
Per capita (kg)	—	—	
<b>4. Land Use and Deforestation</b>			
Total Land Area (km <sup>2</sup> )	15,007	15,007	(2001)
Average Annual Deforestation			
Area	—	—	
% change	—	0.6	(1990-2000)
Arable Land (% of total land)	—	15.0	(2002)
Cropland, Permanent (% of total land)	—	—	
Pastures, Permanent (% of total land)	—	—	
Population Density, Rural (people per km <sup>2</sup> )	—	—	
<b>5. Biodiversity and Protected Areas</b>			
Nationally Protected Area(s)			
Area (km <sup>2</sup> )	—	—	
Number	—	—	
World Heritage Sites (number)	—	—	
Mammals (number of threatened species)	—	0	(2002)
Birds (number of threatened species)	—	6	(2002)
Higher Plants (number of threatened species)	—	—	
Reptiles (number of threatened species)	—	—	
Amphibians (number of threatened species)	—	—	
<b>6. Urban Areas</b>			
Urban Population			
% of total population	7.8	9.8	(1999)
		23.5 <sup>a</sup>	(2001)
Per Capita Water Use (liters/day)	—	—	
Wastewater Treated (%)	—	—	
Solid Waste Generated per Capita (kg/day)	—	—	

— = data not available, kg = kilogram, km<sup>2</sup> = square kilometer.

<sup>a</sup> 2001 figure is not comparable with figures from previous years, as it is based on data from the East Timor Household Survey 2001, which had a sample of only 1,800 households (9,113 people) while the previous figures were based on data from the results of surveys or censuses during the Indonesian era which had samples of around 5,314 households (24,698 people). The two sources also used different definitions of urban areas.

Sources: Central Intelligence Agency (CIA). *The World Factbook 2002*. Available: <http://cia.gov>; United Nations Development Programme (UNDP). *East Timor Human Development Report 2002*; World Bank. *The Little Green Data Book 2003*.

**Table A2.6: Development Coordination Matrix**

<b>Sector/Thematic/Area</b>	<b>ADB Strategy/Activities</b>	<b>Other Development Partners' Strategy/Activities</b>
A. Economic and Public Sector Reform	<p><b>Ongoing</b></p> <p>Economic and Strategies for Development Planning</p> <p>Exclusive Economic Zone Demarcation, \$120,000</p> <p><b>Programmed</b></p> <p>Strengthening the Statistics Office, \$150,000</p> <p>Small and Micro Enterprise Development, \$250,000</p>	<p><b>Ongoing</b></p> <p>Updating/Refinement of Annual Action Plans with supporting training activities. (UNDP, World Bank, UNICEF)</p> <p>Preparation of Roadmap (DFID/World Bank, UNDP, UNICEF)</p> <p>Preparation of Revised Budget and Financial Mgmt Law (IMF)</p> <p>Preparation of Adm. Directive on Dev. Project appraisal, tracking and monitoring procedures (AusAID, World Bank and UNDP)</p> <p>Setting up the Automated System for Customs Data or ASYCUDA (UNDP)</p> <p>Str. Capacity for Poverty Analysis (World Bank)</p> <p>Economic Institutions Cap. Bldg. (TFET)<sup>a</sup></p> <p>ASYCUDA Project (UNDP)</p> <p>Eco. and Tech. Cooperation II (China)</p> <p>Cap. Bldg. for Public Sector (Finland)</p> <p>Rehab of West Container Yard (Japan)</p> <p>Assistance for MTCPW Reg. Offices (Japan)</p> <p>Population and Housing Census (UNFPA)</p> <p>Translation Conference (US)</p> <p>Volunteer Services Abroad I (New Zealand)</p>
B. Private Sector Development	<p><b>Ongoing</b></p> <p>Microfinance Info Technology Systems Development, \$150,000</p>	<p>Microfinance Development Project (TFET)</p> <p>Preparation of Commercial laws on companies, contract and bankruptcy (TA – USAID, World Bank)</p> <p>Small Enterprises II (TFET)</p> <p>Promotion of Employability (Portugal)</p> <p>Eco. Rehabilitation and Development (US)</p>
C. Infrastructure 1. Transport and Communication	<p><b>Ongoing</b></p> <p>Transport Sector Restoration, \$500,000</p> <p>Postal Services Development, \$250,000</p> <p>Emergency Infrastructure Rehabilitation Project, Phase II (TFET)</p>	<p><b>Ongoing</b></p> <p>Internet Network for Development (UNDP)</p>

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
<p>2. Energy</p> <p>3. Water Supply and Sanitation</p>	<p>Hera Port Fisheries Facilities Rehabilitation Project (TFET)</p> <p><b>Programmed</b></p> <p>Capacity Bldg to Strengthen Key Infrastructure Ministries, \$250,000</p> <p><b>Ongoing</b></p> <p>Power Sector Development Plan, \$400,000</p> <p><b>Ongoing</b></p> <p>Integrated Water Resources Management, \$600,000</p> <p>Water and Sanitation Rehabilitation, Phase II (TFET)</p>	<p>Petroleum Tech. Assistance (TFET)</p> <p>Energy and Environment (Norway)</p> <p><b>Ongoing</b></p> <p>Water &amp; Sanitation I (UNICEF)</p> <p>Rural Community Water and Communal Health (Canada)</p>
D. Environment	<p><b>Ongoing</b></p> <p>Environmental Assessment Capacity Improvement, \$250,000</p>	
E. Agriculture, Forestry and Resources		<p>Agriculture Rehabilitation II (TFET)</p> <p>Reduction of Post Harvest Losses (Japan)</p> <p>Nat. Resource Development (New Zealand)</p> <p>Support to Implement Agriculture in NDP (FAO)</p>
F. Governance	<p><b>Ongoing</b></p> <p>Capacity Building to Develop Public Sector Mgmt, \$1 million</p> <p><b>Programmed</b></p> <p>Capacity Building to Strengthen Public Sector and Governance, \$550,000</p>	<p><b>Ongoing</b></p> <p>Preparation of Foreign Investment Law (US-AID/World Bank)</p> <p>Preparation of law on land (US-AID)</p> <p>Government &amp; Public Administration Capacity Building (Canada)</p> <p>Economic and Technical Cooperation on Government (China)</p> <p>Human Resource Management (Finland)</p> <p>Special Fund for Government &amp; Civil Society (Indonesia)</p> <p>Assistance to Central Administration System (World Bank)</p> <p>Strengthening Public Expenditure Management (World Bank)</p>

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
		Support Transition to Independence (World Bank) Study on Decentralization Option (Ireland, USAID, World Bank) Preparation of civil service statute (UNDP)
G. Education		<b>Ongoing</b> Fundamental School Quality Program (TFET) English Language Teaching (Australia) Education Project (EU) Early Childhood Education (New Zealand) Short-term Training Program (Korea) Scholarship Program for Teachers (Japan) Human Res. Development (UK)
H. Judiciary		Support to Judiciary System (Denmark) Human Rights and Justice (EU) Justice II (New Zealand) Police III (New Zealand) Judiciary Support (UK)
I. Health		Health Sector Rehab. II (TFET) Health Governing Bodies (WHO) Health Tech. and Pharmaceuticals (WHO) HIV/AIDS I (UNICEF) Integrated Early Childhood I (UNICEF) National Mental Health (Australia) Primary Health II (Norway)

AusAID = Australian Agency for International Development, ASYCUDA = Automated SYstem for CUstoms Data, DFID = Department for International Development, EU = European Union, FAO = Food and Agriculture Organization of the United Nations, HIV/AIDS = human immunodeficiency virus/acquired immunodeficiency syndrome, IMF = International Monetary Fund, TFET= Trust Fund for East Timor, UNDP = United Nations Development Programme, UNFPA = United Nations Population Fund, UNICEF = United Nations Children's Fund, UK = United Kingdom, US = United States, USAID = United States Agency for International Development, WB = World Bank, WHO = World Health Organization.

<sup>a</sup> TFET is funded by Australia, Finland, Ireland, Italy, Japan, New Zealand, Norway, Portugal, UK, US, European Commission, and World Bank. World Bank is Trustee, while IDA and ADB are the implementing agencies.

**Table A2.7: Assistance Pipeline for Lending Products, 2003–2004**

Year/Sector/ Project or Program Name	Poverty Classifi- cation <sup>a</sup>	Thematic Priority	Division	Year of Project Preparatory Assistance	Total	Cost (\$ million)				
						ADB		Gov't	Cofi- nancing	
						OCR	ADF			Total
<b>2003 Loans</b>										
TBD					0		0	0		0
<b>Subtotal</b>					<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2004 Loans</b>										
TBD					0		0	0		
<b>Subtotal</b>					<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2005 Loans</b>										
TBD					0		0	0		0
<b>Subtotal</b>					<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2006 Loans</b>										
TBD					0	0	0	0	0	0
<b>Subtotal</b>					<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, OCR = ordinary capital resources, TBD = to be determined.

<sup>a</sup> This classification was completed prior to the finalization of the improved and redesigned classification system in December 2000, which will be applied from January 2001.

Table A2.8: Assistance Pipeline for Nonlending Products and Services, 2003–2004

Year/Sector/ Assistance Name	Responsible Division	Assistance Type	Sources of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
<b>2003</b>							
<b>Finance and Industry</b>							
1. Capacity Bldg. to Strengthen Public Sector Management and Governance Skills (Phase II)	PAHQ	ADTA	JSF	550.0			550.0
2. Strengthening the Statistics Office	PAHQ	ADTA	JSF	150.0			150.0
<b>Subtotal</b>				<b>700.0</b>		<b>0.0</b>	<b>700.0</b>
<b>2004</b>							
<b>Finance and Industry</b>							
1. Small and Micro Enterprise Development	PAHQ	ADTA	JSF	250.0			250.0
2. Infrastructure Ministries Capacity Building	PAHQ	ADTA	JSF	250.0			250.0
<b>Subtotal</b>				<b>500.0</b>		<b>0.0</b>	<b>500.0</b>

ADTA = advisory technical assistance, ADB = Asian Development Bank, JSF = Japan Special Fund, PAHQ = Pacific Operations Division.

## CONCEPT PAPERS FOR NONLENDING PRODUCTS AND SERVICES

This appendix contains the concept papers for projected nonlending products and services.

- (i) Table A3.1: Capacity Building to Strengthen Public Sector Management and Governance Skills (Phase II)
- (ii) Table A3.2: Strengthening the Statistics Office
- (iii) Table A3.3: Small and Microenterprise Development
- (iv) Table A3.4: Infrastructure Ministries Capacity Building

**Table A3.1: Capacity Building to Strengthen Public Sector Management and Governance Skills (Phase II)**

**Date:** May 2003

<p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input type="checkbox"/> Project preparatory</p> <p>    <input checked="" type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input checked="" type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Governance Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p>    <input type="checkbox"/> Core poverty intervention</p> <p>    <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area</p> <table border="0"> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other: Support for Bank operations</td> <td></td> </tr> </table>	<input type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other: Support for Bank operations	
<input type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other: Support for Bank operations										
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p><b>4. Responsible division/department:</b> Pacific Operations Division/Pacific Department</p>										
<p><b>5. Responsible ADB officer:</b> A. Hinduja</p>										
<p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> The technical assistance (TA) will continue to build the capacities of citizens of Timor-Leste in local public administration and governance, which is a high priority in the national development agenda. Strengthening the subnational units of government in Timor-Leste is essential in responding to the basic needs of the people and in promoting sustainable human development. A well-functioning government that is closer to the people provides more opportunities for better program development and implementation, more focused service delivery, and improved accountability of public personnel. Greater people's participation in planning and decision making is likewise enhanced, thus making the public administrative system more responsive and transparent.</p>										

Implementation experience under TA 3839 underscores a number of important lessons. A basic lesson learned is that the any capacity-building intervention and assistance should have a broad framework for implementation. However, it must be emphasized that such a framework should be designed and formulated in close partnership and consultation with the stakeholders themselves. This will provide the basis for ownership of the framework and hence guarantee sustainability.

Another major lesson learned from the ongoing TA for local authorities in Timor-Leste is that the capacity building cannot—and should not—be fast-tracked. It cannot—and should not—be a one-shot deal imposed from above by the central authorities, or worse, by any external aid agency. It is a process that should involve extensive participation of the local stakeholders themselves in all phases of the capacity-building and development process—conduct of the training needs assessment, design of the capacity-building program including the development training modules, and the implementation, review, and follow-up of program interventions. This will lay the ground for ownership of the capacity building intervention and strategies and hence increase the chances of institutionalizing human resource development efforts and eventually the success of the capacity-building intervention.

A second and follow-up TA for capacity building for local authorities in Timor-Leste is imperative if only to build upon and sustain the hard-earned gains of the first TA. The groundwork has been set. Investments to guarantee ownership of the capacity-building program have been made with a high degree of success. The local partners have many times openly declared their ownership of the primary output of the first phase of the ongoing TA, which is the Capacity Building Program for Local Authorities (CPLA). They are committed to its implementation. Additionally, other major stakeholders from the government of Timor-Leste including the Capacity-Building Coordination Unit (CDCU) in the Office of the Prime Minister, and other international funding agencies (such as AusAID) have also declared their support for the successful implementation of the CPLA. It is therefore necessary to build upon such gains and carry the capacity building program for local authorities to its successful conclusion.

**b. Goal and purpose:** The TA will strengthen the capacities of district and subdistrict officers, village leaders, and training institutions in Timor-Leste, particularly that of the Instituto Nacional da Administracao Publica (INAP) or the National Institute of Public Administration (NIPA) as the lead government agency responsible for the professional training and career development of civil servants at the national and local levels. It will likewise continue the strengthening of the mobile assistance teams and institutionalization of continuous in-service training through a capacity-building network developed during the previous TA.

**c. Components and outputs:** The TA will (i) continue to expand and train the pool of trainers from INAP, mobile assistance teams, and other indigenous groups (e.g., academic institutions and NGOs); (ii) continue to train local authorities; (iii) continue to further develop and improve training modules particularly in the subject areas of problem-solving, managing information, leadership and management, project development, and local development administration; (iv) continue to support the institutionalization of an effective delivery system of continuous, and needs-based in-service training for district and subdistrict officers including village leaders that is essentially centrally guided (by INAP) and locally managed (by the local governments themselves) and aided by the mobile assistance teams; and (v) continue to monitor results and outcomes vis-à-vis the set standards.

**d. Expected results and deliverables:** The results and deliverables will be: (i) the total number of individuals trained across the identified training courses under the CPLA, (ii) the total number trainer trained, (iii) the total number of organized and functional mobile assistance teams, (iv) the total number of training modules developed/improved, and (v) functional network for in-service training delivery system at the local level.

**e. Social or environmental issues or concerns:** None.

**f. Plans for disseminating results/deliverables:** Public and all stakeholders would be kept continually informed of the results.

**7. Proposed executing/implementing agencies:** Office of Administration for Local Government and Development (OALGD) as the counterpart agency and INAP as the executing agency.

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** All stakeholders will be consulted and involved in the project preparation.

**9. Timetable for assistance design, processing, and implementation**

a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2003

<p>b. Expected date of submission for approval Lending: Nonlending (project preparatory): Nonlending (other than project preparatory): October 2003</p> <p>Activities financed by JFICT or JFPR:</p> <p>c. Period and duration of assistance Lending: Nonlending: October 2003–December 2004 Activities financed by JFICT or JFPR:</p>
<p><b>10. Financing Plan</b></p> <p>a. For lending <input type="checkbox"/> Ordinary capital resources: <input type="checkbox"/> Asian Development Fund: <input type="checkbox"/> Other:</p> <p>b. For nonlending <input type="checkbox"/> No resources required, other than ADB staff <input type="checkbox"/> ADB's administrative budget: <input checked="" type="checkbox"/> Grant TA funds (\$550,000) <input checked="" type="checkbox"/> TA Special Fund: <input type="checkbox"/> Japan Special Fund: <input type="checkbox"/> Other: \$</p>

CSP = country strategy and program, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, SCSP = subregional cooperation strategy and program.

**Table A3.2: Strengthening the Statistics Office**

Date: 21 May 2003

<p><b>1. Type/modality of assistance</b> (double-click on appropriate box)</p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input checked="" type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input checked="" type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>										
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Statistics Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input checked="" type="checkbox"/> Other: Statistics</td> <td></td> </tr> </table>	<input type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input checked="" type="checkbox"/> Other: Statistics	
<input type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input checked="" type="checkbox"/> Other: Statistics										
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p><b>4. Responsible division/department:</b> PAHQ/ERDI</p>										
<p><b>5. Responsible ADB officer(s):</b> G. Capannelli/A. Asra</p>										
<p><b>6. Description of assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> In deriving country strategy, some basic information regarding the economy of the country is required. It includes macro-economic (and social) indicators, such as national accounts, inflation figures and other price indices, and trade statistics. This information already exists in Timor-Leste, however, the quality, the coverage, and the timeliness need to be improved. The Statistics Office is in its initial stage to develop as a functioning statistics office like in other countries because the country just gained its independence a year ago. The number of staff is limited and most of them do not have a sufficient background in statistics. It is important for ADB to take the lead in assisting the statistical capacity in the country as ADB did for Cambodia and other countries. On 8 July 2002, the Government sent a request to ADB (to the Director General of the Pacific Department) for support for the Statistics Office.</p> <p><b>b. Goal and purpose:</b> The goal of this small-scale technical assistance is to strengthen the capacity of the Statistics Office. The specific purposes are to assist the Statistics Office to develop statistics law, statistical plans, and programs (short and long-terms), and to improve the existing price statistics/survey and trade statistics.</p>										

**c. Components and outputs:**

- (i) Statistics law;
- (ii) Statistical development plans and programs (5-year master plan and the yearly plans);
- (iii) Price statistics;
- (iv) Trade statistics;
- (v) Training of the staff on price and trade statistics; and
- (v) Some equipment

**d. Expected results and deliverables:** Statistics law and statistical development plans and programs, improved price statistics and inflation figures, improved trade statistics, and better quality staff.

**e. Social or environmental issues or concerns:** None.

**f. Plans for disseminating results/deliverables:** Country workshops/seminars and publications.

**7. Proposed executing/implementing agencies:** Statistics Office

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:**

In July 2002, a fact-finding mission was fielded to Timor-Leste. A number of officials from the Ministry of Planning and Finance, Statistics office, Central Fiscal Authority, and Banking and Payments Authority, and representatives from international organizations—International Monetary Fund (IMF) advisor, United Nations Population Fund (UNFPA), World Bank, United Nations Development Programme (UNDP), UNICEF, and Japan International Cooperation Agency (JICA)—were consulted.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2003
- b. Expected date of submission for approval
  - Lending:
  - Nonlending (project preparatory):
  - Nonlending (other than project preparatory): September 2003
- c. Period and duration of assistance(s)
  - Lending: {insert period and duration}
  - Nonlending: November 2003–November 2005

**10. Financing Plan** (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

- a. For lending
  - Ordinary capital resources: \$
  - Asian Development Fund: \$
  - Other: \$

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
  - No resources required, other than ADB staff
  - ADB's administrative budget: \$
  - Grant TA funds: \$150,000
  - Other:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.3: Small and Microenterprise Development**

Date: May 2003

<p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input checked="" type="checkbox"/> Project preparatory</p> <p>    <input type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p><b>2. Assistance focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Agriculture Subsector: Sugar</p> <p>b. For project preparatory and lending, classification</p> <p><input checked="" type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input checked="" type="checkbox"/> Human development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input checked="" type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development	<input checked="" type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input checked="" type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input checked="" type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input checked="" type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development									
<input checked="" type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input checked="" type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input checked="" type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p><b>4. Responsible division/department:</b> PAHQ/PARD</p>										
<p><b>5. Responsible ADB officer(s):</b> Kunhamboo Kannan</p>										
<p><b>6. Description of assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> The economy of Timor-Leste is small and the population is poor. The land area of 14,874 square kilometers is extremely mountainous, exhibits soil erosion, and is prone to drought. The 2000 population was 784,000, with about another 60,000 as refugees in West Timor. The population has increased at an average annual rate of 1.4% from the 1960 level of 517,100. As a consequence of poor economic growth and political uncertainty, it has resulted in a low level of public and private investment. Poverty has increased, stressing the urgency to create jobs and provide greater assistance to the poor. In 2002, real gross domestic product (GDP) per capita in was about \$400. Initial estimates indicated a 40% decline in real GDP in 1999 though the decline is now considered to be smaller. The violence and unrest shook the entire foundation of the economy, involving destruction of public and private property, disruption of the agricultural cycle and trade, and destruction of a large part of the infrastructure. With a gradual return toward normalcy, there has been a strong rebound in the economy. Unemployment remains high, and high wages paid by the international organizations and the inflexible wage structure have distorted the labor market. The recovery process is expected to gather momentum</p>										

in the coming years led by agriculture, construction, and services. The agriculture sector accounted for about 31% of GDP, and employed the vast majority of Timorese in subsistence rice and corn farming and supplementary, export-oriented production of coffee and beef. The manufacturing sector is small, accounting for 3% of GDP. Out-migration of Indonesians left a large human resource gap, particularly in entrepreneurial skills.

**b. Goal and purpose:** The informal off-farm sector that is prominent in many developing countries is not well developed in Timor-Leste. The technical assistance (TA) to be provided by the Asian Development Bank (ADB) will assist the Government in designing, costing, and analyzing a project to help provide small and microenterprises as a means of livelihoods for Timorese. This will include assistance in identifying both means of livelihood and the support (for example credit and training) needed to help people still working in agriculture and unemployed. It will also entail the provision of assistance to help identify, cost, and design infrastructure requirements to support livelihood activities. In addition, the TA will identify any policy and institutional impediments to be addressed to ensure project success. It will furthermore identify and design specific grant-financed TA activities that could be financed either by ADB or by other development partners in support of the project. Specific attention will be paid to the needs and the potential of women in achieving successful microenterprises.

**c. Components and outputs:** The ultimate output of the TA will be a fully documented and costed project preparation report that could be submitted to ADB and/or other development partners for financing.

**d. Expected results and deliverables:** A project preparation report detailing the scope, cost, implementation arrangements, economic, social and environmental analysis, and required institutional support for microenterprise development

**e. Social or environmental issues or concerns.** As a result of the downsizing of international presence, as much as 50% of the workforce would face unemployment, and the social consequences would inevitably impact on the economy and could cause serious social disruption and further increase levels of poverty.

**f. Plans for disseminating results/deliverables:** The public and all stakeholders will be kept informed of the results of consultations through local level meetings and other media.

**7. Proposed executing/implementing agencies:** Ministry of Development and Environment

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** All stakeholders will be consulted and involved in the project preparation.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2003
- b. Expected date of submission for approval
  - Lending: 2004
  - Nonlending (project preparatory): 2004
  - Nonlending (other than project preparatory):
  - Activities financed by JFICT or JFPR:
- c. Period and duration of assistance
  - Lending: 5 years
  - Nonlending:
  - Activities financed by JFICT or JFPR:

**10. Financing plan** (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

- a. For lending
  - Ordinary capital resources:
  - Asian Development Fund: \$5 million
  - Other:

If cofinancing is required indicate sources, and amount sought: Yes, European Investment Bank, \$10 million  
If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):

b. For nonlending

- No resources required, other than ADB staff
- ADB's administrative budget:
- Grant TA funds
  - TA Special Fund:
  - Japan Special Fund: \$350,000
  - Other (specify, e.g., bilateral and multilateral trust funds):

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):

c. For projects financed by

- JFICT:
- JFPR: \$0.5 million

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.4: Infrastructure Ministries Capacity Building****Date:** July 2003

<p><b>1. Type/modality of assistance</b> (double-click on appropriate box)</p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input checked="" type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>										
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Infrastructure Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input checked="" type="checkbox"/> Other: Multisector</td> <td></td> </tr> </table>	<input type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input checked="" type="checkbox"/> Other: Multisector	
<input type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input checked="" type="checkbox"/> Other: Multisector										
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p><b>4. Responsible division/department:</b> PAHQ/PARD</p>										
<p><b>5. Responsible ADB officer(s):</b> H. Baxter</p>										
<p><b>6. Description of assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> The Government's National Development Plan and Roadmap identifies capacity building within government and the restoration of public infrastructure as two priority areas for development activity. These priorities were confirmed by the Country Programming Mission and are reflected in the CSPU. The Government has requested that development partners already experienced and involved in particular sectors include capacity building activities in their programs where possible. ADB has had extensive involvement in the infrastructure restoration activities undertaken in Timor-Leste both pre- and post-independence.</p> <p><b>b. Goal and purpose:</b> The proposed TA will improve the capability of managers and staff in the infrastructure agencies to achieve their mission and deliver services effectively and efficiently.</p> <p><b>c. Components and outputs:</b> The TA will: (i) identify the competencies and capacity existing in the relevant agencies, assess the adequacy of managers and staff to perform their functions and responsibilities, and identify gaps; (ii) design a capacity building program (including training, processes and tools) to address the identified gaps in</p>										

the short, medium, and long term; and (iii) deliver appropriate training to cover the short-term needs.

**d. Expected results and deliverables:** The infrastructure agencies will have improved capacity for the management of infrastructure assets, and the planning and execution of infrastructure projects. They will have a comprehensive program for training and staff development for the medium and long term.

**e. Social or environmental issues or concerns:** No major social or environmental issues are expected.

**f. Plans for disseminating results/deliverables:** Results will feed into second stage project as lessons learned and good practice, and will be disseminated to other Timor-Leste government agencies through the Capacity Development Coordination Unit in the Prime Minister's Office.

**7. Proposed executing/implementing agencies:** Ministry of Transportation, Communication, and Public Works

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:**

The Timor-Leste Government, in particular the Capacity Development Coordination Unit in the Prime Minister's Office, has developed and promulgated a comprehensive set of ministerial capacity development profiles in which ADB is nominated as the preferred development partner for this activity. The profiles were set out at the June 2003 Development Partners Meeting in Dili. The nature of the proposed assistance has been discussed with the Ministry of Finance and Planning, Ministry of Transportation, Communication and Public Works, and the Project Management Unit currently working with the Department of Public Works.

**9. Timetable for assistance design, processing, and implementation**

a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2003

b. Expected date of submission for approval  
 Lending:  
 Nonlending (project preparatory):  
 Nonlending (other than project preparatory): 2004

c. Period and duration of assistance{s}  
 Lending:  
 Nonlending: 12 months

**10. Financing Plan** (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

- a. For lending
- Ordinary capital resources:
  - Asian Development Fund:
  - Other:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
- No resources required, other than ADB staff
  - ADB's administrative budget
  - Grant TA funds \$250,000
  - Other:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.