

## EXECUTIVE SUMMARY

This report details the findings of a postevaluation of two phases of the Water Supply and Sanitation Rehabilitation Project (WSSRP) in Timor-Leste. This is the first evaluation carried out by the Operations Evaluation Department of the Asian Development Bank (ADB) in the newly independent country. The WSSRP was financed by the Trust Fund for East Timor—a multidonor fund to which ADB did not contribute—but the project was prepared and managed by ADB following ADB procedures.

Timor-Leste was a Portuguese colony for over 300 years. In 1975, as Portugal was preparing to grant independence to the territory, civil war broke out between those who favored independence and those who advocated integration with Indonesia. Indonesia intervened militarily and integrated Timor-Leste as its 27th province in 1976. The United Nations never recognized this integration. In January 1999, the Indonesian Government announced its intention to allow the Timorese people to vote for either autonomy within Indonesia or independence. The results of the poll on 30 August 1999 favored independence. Violence and destruction followed in September 1999, resulting in extensive damage to around 70% of the physical infrastructure. Agricultural production and trade were disrupted. About 75% of the population was dislocated and faced severe deprivation, as housing and crops, livestock, and other means of livelihood were destroyed. Out-migration of Indonesians left a large human resources gap, particularly in skilled areas.

The rationale for the project was to support the physical repair and rehabilitation of water supply and sanitation systems destroyed by the violence that followed the vote for independence, as well as to reestablish institutions and systems for managing, operating, maintaining, and developing urban and rural water supplies in an appropriate and sustainable manner.

The WSSRP produced many outputs, but sustainable operation of water supply schemes is problematic. For urban schemes, the main problems are inadequate water sources and a lack of maintenance and operation expenditure. For rural schemes, the main problem is the lack of viability of the community management model. The project did little in the area of sanitation. On the other hand, the physical infrastructure of the Water Supply and Sanitation Service (WSS) was reestablished in the capital and all 12 district towns. The project contributed to developing the capacity of WSS staff. Many planning documents were produced, but the large number of these was beyond the absorptive capacity of the emerging government.

There were strong political pressures to spread resources widely and to produce quick results. This reinforced the sense of urgency that prevailed. In fact, while there was an emergency caused by the post-referendum violence and destruction, by the time the WSSRP got under way (some 15 months after the destruction) there was no urgent requirement to address water supply and sanitation needs, even though a strong development need existed. The undesirable effects of the sense of urgency, and pressure to spread resources widely include:

- (i) An excessive focus on rehabilitation of existing poorly performing systems.
- (ii) A lack of option consideration, with insufficient consideration of whether the chosen option would produce the desired development results or meet the requirements for sustainability.

- (iii) A failure to reintroduce service charges, which makes doing so now politically difficult.
- (iv) The atomization of available funds across many subprojects, which imposed strong budget constraints on each and limited the choice of options and resulted in high transaction costs.
- (v) A less than desirable level of effort on capacity building.

While the WSSRP was formulated and implemented prior to the adoption of ADB's current disaster and emergency assistance policy, the experience provides useful lessons for dealing with post-disaster development. The conclusion is that ADB needs to ensure that interventions carried out in an emergency situation are consistent with sound development. There may be a need to separate the emergency response (which needs to take place quickly) and the development intervention, rather than trying to combine the two.

The project is rated partly successful. It was assessed as being relevant, efficacious (although close to partly efficacious), less efficient, with less likely sustainability, and moderate institutional development and other impacts. The performance of ADB and the Government (given the context of the establishment of a completely new administration) were satisfactory.

A challenge for the Government is how to ensure needed operation and maintenance expenditure for urban systems. The Government is moving slowly toward the reintroduction of user charges. However, even if successfully introduced, these will only be made available to WSS via budget provision. Creation of one or more corporate utilities would be one way of ensuring direct availability of user fees for system operation and maintenance. However, such entities often have problems, so careful consideration of the options in the Timor-Leste context will be needed before moving in this direction.

Although considered to be international good practice, the community management model adopted has not proven to be sustainable. This is because the model was based on incorrect assumptions about the nature of social relations in the communities involved.

The evaluation did not seek to answer the question as to whether ADB should continue to be involved in the water supply and sanitation sector in Timor-Leste. However, if ADB does, the report recommends that it focus on urban systems and capacity building of WSS. A number of bilateral and other agencies are active in the rural sector, and ADB should not directly engage in this area.

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