

Australian Development Cooperation With East Timor

INTERIM STRATEGY OUTLINE PAPER



Introduction

As part of one of the poorest regions in the world, East Timor faced enormous development challenges even before the crisis of 1999. The violence following the August 1999 popular consultation on the future of East Timor left most infrastructure destroyed, the agricultural cycle severely disrupted, and nearly three quarters of the population displaced. All government functions, including public services, law and order, health, education and community services collapsed.

With security now established in most of the territory and the need for emergency relief abating, East Timor is entering a challenging phase of reconstruction. As a close neighbour and one of the four largest bilateral donors to East Timor, Australia is committed to its reconstruction and long-term development. Australia has made a four-year commitment of \$150 million of development assistance, including \$40 million for the 2000-01 financial year.

This paper outlines an Interim Country Strategy to cover the period of the United Nations Transitional Administration in East Timor (UNTAET). This strategy will be reviewed with the new East Timorese authorities, when they are established, in order to ensure it remains relevant and to develop a longer-term development cooperation strategy.

Goal of Australia's Development Cooperation with East Timor

The goal of Australia's aid to East Timor during the interim period is to *reduce poverty and build East Timorese capacity to govern a peaceful, democratic and independent East Timor*.

The key objectives are:

- contributing to the development of a simple, effective and sustainable government and administrative structure
- assisting the process of reconciliation and peace building, including by strengthening institutions of civil society and promoting human rights
- supporting the restoration of basic services and improved service delivery in the key sectors of education, health and water supply and sanitation
- strengthening productive sectors of the economy, especially agriculture, and
- promoting continued engagement and coordination with other donors.

Program and Strategy

In recognition of East Timor's continuing development needs, the Australian Government has committed \$150 million over four years from 2000-01 to 2003-04, comprised of \$40 million per year in 2000-01 and 2001-02, and \$35 million per year in 2002-03 and 2003-04. This multi-year commitment will provide East Timor with increased certainty in development planning in the medium-term.

Australia's assistance covers contributions to multilateral trust funds, bilateral projects, and humanitarian relief. Of the \$40 million to be provided in 2000-01, \$10 million will be given as cash contributions to the multilateral trust funds. This will include support for the establishment and operation of the East Timorese civil service through the Consolidated Fund for East Timor (CFET) managed by UN Transitional Administration (UNTAET) through the recently formed East Timor Transitional Administration (ETTA), and support for high priority reconstruction projects under the Trust Fund for East Timor (TFET) implemented by ETTA and overseen jointly by the World Bank and the Asian Development Bank. The remaining \$30 million for 2000-01 will be delivered as directly funded bilateral within the multilateral framework endorsed by the UNTAET and donors.

The strategy supports the broad framework for development cooperation agreed at the December 1999 Tokyo Donor Meeting, which identified priority reconstruction and nation-building objectives. All Australian development cooperation activities are developed in close consultation with ETTA and other donors, through joint planning missions and coordination mechanisms, to avoid overlap and duplication of assistance and to simplify aid administration.

During the interim period and beyond, Australia will maintain a strong engagement at the policy level through participation at international fora on East Timor and joint donor coordination groups based in Dili. We will also maintain a constructive dialogue with the UN and ETTA as well as the East Timorese leadership and community groups, in support of the establishment of an effective and democratic government and administration, and the rehabilitation and development of basic services for the East Timorese community.

Our engagement at the program level during the interim period, will focus on striking a balance between multilateral and bilateral programs, and finding approaches to maximise development results, while maintaining flexibility. The program will meet immediate and emerging needs through a range of flexible program and project approaches to provide for pressing needs for technical assistance and training needs, while designing larger, longer-term inputs in priority sectors.

Poverty Reduction

East Timor is one of the poorest territories in the world. Before August 1999 approximately 80% of its estimated 750,000 people lived in East Timor's 442 villages and rural areas, many dependent on subsistence agriculture. Estimated GNP per capita in 1997 had dropped to US\$246 due to the East Asian financial crisis, and is thought to have halved during the 1999 violence. Life expectancy was estimated to be 57 years in 1997 and infant mortality over 124 per 1,000 live births. A recent study reported that between 35-45% of children were undernourished due to poor nutritional practices. In 1997 almost half the population over the age of ten had never attended school.

Australia's program will target poverty through measures aimed at:

- facilitating policy and administrative frameworks conducive to long-term inclusive economic growth and sustainable development
- improving the delivery of basic services

- enabling the poor to increase productivity (especially through training and skills development), and
- overcoming structural impediments.

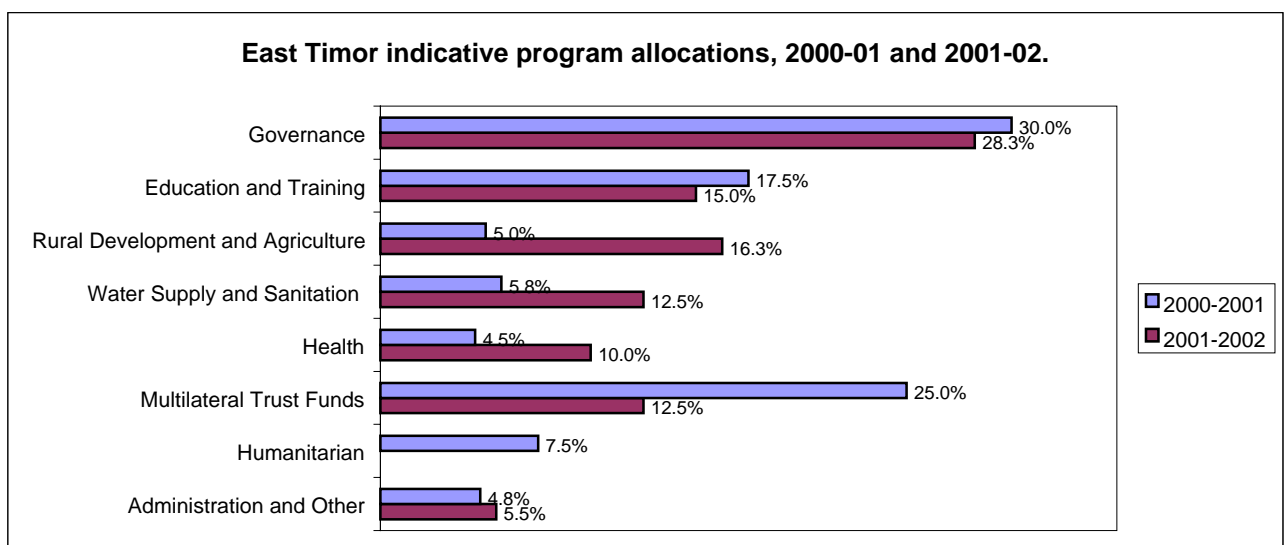
During the interim period, there will be a significant emphasis on building East Timorese capacity to manage an effective and accountable government and administration after independence. Effective economic management and good governance will contribute to investor and private sector confidence, which will in the longer-term contribute to increased economic activity and poverty reduction. Activities include technical assistance to establishing democratic institutions and budgeting and tax revenue, support for the Land and Property Commission, and support for the establishment of various sectors within the administration.

However, given the very serious levels of poverty resulting from the destruction of 1999, it is equally important that the program, during the interim period and for some time beyond, include activities which directly benefit vulnerable groups and those currently living with limited access to resources and services outside of Dili. This includes support for community and NGO programs, and programs supporting the health, water supply and sanitation, education and rural development sectors.

Sectoral and Cross-Sectoral Priorities

The key sectors for Australia’s aid to East Timor are **education and training, health, rural development, water supply and sanitation, and governance**. The scope of Australian assistance in each sector has been defined within a multilateral framework, including joint donor sectoral missions, donors’ meetings and AusAID’s own planning missions.

The following chart illustrates proposed funding allocations for priority sectors and multilateral trust funds as a percentage of the total program.



Governance

With the greatest priority placed by UNTAET/ETTA and the East Timorese leadership on capacity building in the lead-up to independence, Australia has developed a range of technical assistance and training activities to support the establishment of effective government and administrative systems across the priority sectors of health, education, water supply and sanitation, agriculture and public administration.

Priority is given to support for the development of democratic systems, including training and capacity building for the members of the new National Council and their support staff. Australia will also assist East Timor to design an appropriate parliament building and will support its construction over the next few years. With elections scheduled for 2001, Australia will provide capacity building assistance in preparation for management of the elections.

At the same time, grant programs will support reconciliation and the strengthening of civil society, particularly through support for community-based activities and building the capacity of local NGOs and civil society organisations.

In the longer-term allocations across sectors are expected to be reasonably even. However, given the immediate need to establish a government and administration for a new country, governance program will occupy a large part of the program during the two financial years 2000-02 with an estimate of almost \$11 million for 2000/2001.

Education and Training

As TFET activities will target primary and lower secondary education, Australia's bilateral program will focus on other priority areas within the education sector. A higher education scholarship program has been introduced which has provided 74 undergraduate and post-graduate scholarships for study in Australia during 2000/2001. This program will focus on priority areas of medicine, health, infrastructure, agriculture, teacher training and public administration. Assistance is proposed for technical/vocational training in areas linked to labour market needs, such as carpentry and building and mechanical trades, and on computer skills. Other assistance includes English language training and strengthening the Division of Education. Australian education and training assistance will total approximately \$6 million in 2000-01.

Water Supply and Sanitation

Australia's program supports ETTA's water sector strategy is implemented in close coordination with the TFET water program. Priorities for Australia's bilateral program include capacity building for ETTA's Office of Water Supply and Sanitation, emergency water supply and environmental health awareness, and rehabilitation of water supply and sanitation facilities in rural districts. Expenditure on water supply and sanitation will be approximately \$2.5 million in 2000-01 and \$4.5 million in 2001-02.

Rural Development

Australian assistance during the interim period will focus initially on technical assistance and capacity building within the Department of Agriculture in key areas such as land capability and agricultural systems mapping, an agricultural and rural livelihoods database, and a forest resources. During the interim period a longer-term activities will be designed which will focus initially on assisting rural communities achieve food security through increased crop yields, disease control in animals, environmentally responsible rodent control, development of fishponds, improved post-harvest storage, marketing, transportation and stimulating local enterprise development. Expenditure on rural development will be approximately \$2 million in 2000-01, increasing to \$6.5 million in 2001-02.

Health

Australia's bilateral assistance will be provided within the sector wide framework developed by the ETTA Division of Health Services (DHS) and will provide support for key public health areas and specialised services not covered by TFET. Assistance will be available to support DHS priorities such as, public health programs focusing on vector borne disease, tuberculosis and HIV/AIDS, the restoration of public dental care services, specialist surgical services, nutrition, mental health and psychiatric services, and the strengthening of professional and community groups. Bilateral assistance to the health sector will be approximately \$2 million in 2000-01 and \$3.6 million in 2001-02.

Trust Funds

Contributions to the UN and World Bank Trust Funds, allows Australia to significantly increase its support to all sectors in East Timor. The UNTAET Trust Fund, now the Consolidated Fund for East Timor (CFET), provides funding for the staffing and operation of ETTA across all departments and agencies. The World Bank Trust Fund for East Timor (TFET) provides support for reconstruction activities across all sectors. Australia provided \$27 million towards these trust funds in 1999-2000 and will provide a further \$10 million during 2000-2001.

Humanitarian Assistance

While the immediate emergency phase of the crisis is over, it is likely that relief assistance will continue to be required as a safety net for vulnerable groups and returning refugees, or in the event of an emergency resulting from crop failures or floods. Assistance will be provided as required.

Partnership

Local ownership of a development strategy is essential. Australia's development cooperation program will be developed in partnership with ETTA, the National Council of Timorese Resistance (CNRT), church and NGO organisations, and other key community representatives. The program will seek to involve skilled and professional members of the

East Timorese community in development planning and design, monitoring and review of all programs, and to maximise employment opportunities for East Timorese in activity implementation. Where possible, programs will work within existing social structures and partner with local NGOs and community-based organisations. Given the particular language issues in East Timor, the program will aim to include interpreters in Tetum, Bahasa Indonesia/Malay and Portuguese on teams, and translate project materials into appropriate local languages.

Gender

Women and children frequently carry the greatest burden of crisis situations as a result of loss of income, unemployment and family displacement. Under most Timorese traditional systems, women's leadership and decision-making roles were severely limited. However, while crisis creates serious problems for women it also creates opportunities that can be built upon. Men's and women's roles changed substantially during the years of conflict and social disruption since 1974. Women assumed active roles in the clandestine liberation front and the armed resistance. In the absence of the male household head, women assumed new responsibilities in traditional male income generation roles. East Timorese women have expressed their desire that society will respect their newly acquired roles post-conflict, and will not force a return to traditional powerless roles.

The Australian program will emphasise full and equitable partnership between men and women at all stages and levels of planning, implementation and review of activities. Gender impacts and constraints will be considered to ensure that capacity building and professional development promote gender equity. The program will actively encourage women's participation in training and scholarship programs. The program will also emphasise support to build the capacity of East Timorese women and women's organisations. Technical assistance and training will be provided to the ETTA Gender Affairs Unit and this unit will be consulted by design and review teams.

Environment

Environmental impacts will be considered in the design and implementation of all activities. Environmental considerations are particularly important for the water supply and sanitation and agriculture sectors because of the interdependence between unsustainable development, environmental degradation and increasing poverty. The program's activities will promote sustainable agricultural practices, improved sanitation, clean water and better management of natural resources. The program will also provide capacity building assistance to ETTA's Environmental Protection Unit.

Conclusion

Australia recognises the need for long-term assistance to develop a prosperous and peaceful East Timor. Australia will work with the UN Transitional Administration through ETTA, East Timorese leaders and communities, and the international donor community, both to support the establishment of an accountable, democratic East Timorese Government and administration and to re-establish and develop a reasonable standard of living for the people of East Timor.