

**Document of
The World Bank**

Report No. 36590

TIMOR-LESTE

PROJECT PERFORMANCE ASSESSMENT REPORT

**COMMUNITY AND LOCAL GOVERNANCE PROJECT (PROJECT ID P069762)
SECOND COMMUNITY EMPOWERMENT PROJECT (PROJECT ID P072356)
THIRD COMMUNITY EMPOWERMENT AND LOCAL GOVERNANCE PROJECT
(PROJECT ID P075342)
AGRICULTURAL REHABILITATION PROJECT (PROJECT ID P070533)
SECOND AGRICULTURAL REHABILITATION PROJECT (PROJECT ID P073911)**

June 27, 2006

*Sector, Thematic and Global Evaluation Division
Independent Evaluation Group*

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Currency Equivalents

(As of March 25, 2004)

Currency Name = US\$

Fiscal Year

July 1 – June 30

Abbreviations and Acronyms

ADB	Asian Development Bank
ARPI	Agriculture Rehabilitation Project
ARPII	Second Agriculture Rehabilitation Project
ASC	Agriculture Service Centers
ASEAN	Association of South East Asian Nations
AusAID	Australian Agency for International Development
CAA/O	Community Aid Abroad/Oxfam
CAS	Country Assistance Strategy
CEP	Community Empowerment Project
CFET	Consolidated Fund for East Timor
CGIAR	Consultative Group for International Agriculture Research
CNRT	(Conselho Nacional da Resistencia Timorenses) National Council of Timorese Resistance
CRC	Community Radio Center
CSF	Classical Swine Fever
ETTA	East Timor Transitional Administration
GDP	Gross Domestic Product
IEG	Independent Evaluation Group
IEGWB	Independent Evaluation Group World Bank
HS	Haemorrhagic Septicaemia
ICR	Implementation Completion Report
IEG	Independent Evaluation Group
JAM	Joint Assessment Mission
KDP	Kecamatan Development Project
MAFF	Ministry of Agriculture, Forestry and Fisheries
MTR	Mid-Term Review
NDP	National Development Plan
NGO	Non-Government Organization
OED	Operations Evaluation Department
O&M	Operation and Maintenance
PASC	Pilot Agricultural Service Center
PMU	Project Management Unit
PSR	Project Status Report
TFET	Trust Fund for East Timor
UNMISSET	United Nations Mission of Support in East Timor
UNTAET	United Nations Transitional Administration in East Timor
VLW	Village Livestock Worker
WUA	Water User Association

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IEG Mission: Enhancing development effectiveness through excellence and independence in evaluation.

About this Report

The Independent Evaluation Group (IEG) assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the Bank's self-evaluation process and to verify that the Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEG annually assesses about 25 percent of the Bank's lending operations. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or Bank management have requested assessments; and those that are likely to generate important lessons. The projects, topics, and analytical approaches selected for assessment support larger evaluation studies.

A Project Performance Assessment Report (PPAR) is based on a review of the Implementation Completion Report (a self-evaluation by the responsible Bank department) and fieldwork conducted by IEG. To prepare PPARs, IEG staff examine project files and other documents, interview operational staff, and in most cases visit the borrowing country for onsite discussions with project staff and beneficiaries. The PPAR thereby seeks to validate and augment the information provided in the ICR, as well as examine issues of special interest to broader IEG studies.

Each PPAR is subject to a peer review process and IEG management approval. Once cleared internally, the PPAR is reviewed by the responsible Bank department and amended as necessary. The completed PPAR is then sent to the borrower for review; the borrowers' comments are attached to the document that is sent to the Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

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The time-tested evaluation methods used by IEG are suited to the broad range of the World Bank's work. The methods offer both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. IEG evaluators all apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for each evaluation criterion (more information is available on the IEG website: <http://worldbank.org/oed/eta-mainpage.html>).

Relevance of Objectives: The extent to which the project's objectives are consistent with the country's current development priorities and with current Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, Operational Policies). *Possible ratings:* High, Substantial, Modest, Negligible.

Efficacy: The extent to which the project's objectives were achieved, or expected to be achieved, taking into account their relative importance. *Possible ratings:* High, Substantial, Modest, Negligible.

Efficiency: The extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. *Possible ratings:* High, Substantial, Modest, Negligible. This rating is not generally applied to adjustment operations.

Sustainability: The resilience to risk of net benefits flows over time. *Possible ratings:* Highly Likely, Likely, Unlikely, Highly Unlikely, Not Evaluable.

Institutional Development Impact: The extent to which a project improves the ability of a country or region to make more efficient, equitable and sustainable use of its human, financial, and natural resources through: (a) better definition, stability, transparency, enforceability, and predictability of institutional arrangements and/or (b) better alignment of the mission and capacity of an organization with its mandate, which derives from these institutional arrangements. Institutional Development Impact includes both intended and unintended effects of a project. *Possible ratings:* High, Substantial, Modest, Negligible.

Outcome: The extent to which the project's major relevant objectives were achieved, or are expected to be achieved, efficiently. *Possible ratings:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Bank Performance: The extent to which services provided by the Bank ensured quality at entry and supported implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of the project). *Possible ratings:* Highly Satisfactory, Satisfactory, Unsatisfactory, Highly Unsatisfactory.

Borrower Performance: The extent to which the borrower assumed ownership and responsibility to ensure quality of preparation and implementation, and complied with covenants and agreements, towards the achievement of development objectives and sustainability. *Possible ratings:* Highly Satisfactory, Satisfactory, Unsatisfactory, Highly Unsatisfactory.

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This report was prepared by Nalini Kumar and April Connelly who assessed the projects in October 2005. William Hurlbut edited the report. Helen Phillip and Romayne Pereira provided administrative support.

Principal Ratings

	<i>ICR*</i>	<i>ICR Review*</i>	<i>PAR</i>
Timor-Leste Community and Local Governance Project (TF-23534 TF-26209 TF-28376 TF-51103)			
Outcome	Satisfactory	Moderately Satisfactory	Unsatisfactory
Sustainability	Unlikely	Unlikely	Unlikely
Institutional Development	Modest	Modest	Modest
Bank Performance	Satisfactory	Unsatisfactory	Unsatisfactory
Grantee Performance (CEP I)	Unsatisfactory	Unsatisfactory	Not Rated
Grantee Performance (CEPII)	Unsatisfactory	Unsatisfactory	Satisfactory
Grantee Performance (CEP III)	Unsatisfactory	Unsatisfactory	Satisfactory
Agriculture Rehabilitation Project (TF-23824)			
Outcome	Satisfactory	Satisfactory	Moderately Satisfactory
Sustainability	Likely	Unlikely	Unlikely
Institutional Development	Modest	Modest	Modest
Grantee Performance	Satisfactory	Satisfactory	Not Rated
Bank Performance	Satisfactory	Satisfactory	Satisfactory
Second Agriculture Rehabilitation Project (TF-50151)			
Outcome	Satisfactory	Moderately Unsatisfactory	Moderately Unsatisfactory
Sustainability	Likely	Non-evaluable	Unlikely
Institutional Development	Substantial	Substantial	Modest
Grantee Performance	Satisfactory	Satisfactory	Satisfactory
Bank Performance	Satisfactory	Satisfactory	Unsatisfactory

* The Implementation Completion Report (ICR) is a self-evaluation by the responsible operational division of the Bank. The ICR Review is an intermediate IEG product that seeks to independently verify the findings of the ICR.

Key Staff Responsible

	Task Manager	Sector Manager	Country Director
Timor-Leste Community and Local Governance Project (TF-23534 TF-26209 TF-28376 TF-51103)			
Appraisal	Scott Guggenheim/Gillian Brown	Zafer Ecevit	Klaus Rohland
Completion	Jacqueline Pomeroy	Maria Teresa Serra	Xian Zhu
Agriculture Rehabilitation Project (TF-23824)			
Appraisal	Sofia Bettencourt	Geoffrey B. Fox	Klaus Rohland
Completion	Sofia Bettencourt,	Mark D. Wilson	Xian Zhu
Second Agriculture Rehabilitation Project (TF-50151)			
Appraisal	Sofia U. Bettencourt	Mark D. Wilson	Klaus Rohland
Completion	Oliver Braedt	Mark D. Wilson	Xian Zhu

Preface

The purpose of this report is to assess individual project performance as well as to inform an Independent Evaluation Group-World Bank (IEGWB) study on Low-Income Countries under Stress (LICUS). Hence, the report goes beyond individual project assessments to examine relevant cross-project issues in post-conflict reconstruction. The report consists of five Project Performance Assessments, complemented by a review of opportunities and challenges in post-conflict Timor-Leste. The projects assessed were supported under a multi-donor Trust Fund for East Timor (TFET) and implemented by the World Bank. The projects assessed are as follows:

- Community and Local Governance Project (Project ID P069762), for which a US\$7.00 million TFET grant and a US\$1.55 million Japanese grant were signed in February 2000. The project closed on June 30, 2002.
- Second Community Empowerment Project (Project ID P072356), for which a grant of US\$8.50 million was signed on May 21, 2001. The project closed on March 31, 2004.
- Third Community Empowerment and Local Governance Project (Project ID P075342), for which a grant of US\$1.50 million was signed on July 1, 2002. The project closed on March 31, 2004. A combined completion report was produced for the three Community Empowerment projects and submitted on May 9, 2005.
- Agricultural Rehabilitation Project (Project ID P070533), for which a grant of US\$6.8 million was signed on June 21, 2000. The project closed in September 2002, three months behind schedule. An Implementation Completion Report was submitted on March 25, 2003.
- Second Agriculture Rehabilitation Project (Project ID P073911), for which a grant of US\$8 million was signed on October 29, 2001. The project became effective in December 2001. The project closed on June 15, 2005, a year and a half behind schedule. An Implementation Completion Report was submitted on June 27, 2005.

The report has been prepared by IEGWB based on the Implementation Completion Reports, Project Appraisal Documents, Grant Agreements, as well as a review of Bank files, joint donor mission and TFET reports, and a survey of the literature. An IEG mission traveled to Timor-Leste in October 2005 and discussed the projects with Bank staff, government officials, nongovernmental organizations (NGOs), beneficiaries, donors, and consultants. Discussions were also held with Bank staff based in Washington. The cooperation and assistance of all stakeholders and government officials is gratefully acknowledged, as is the support of the staff of the World Bank Country Office in Dili. The report also benefited considerably from a European Union interim evaluation of the TFET program.

While the findings of the project assessments served as a springboard for the section on cross-project challenges in post-conflict Timor-Leste, the discussion in this section of the report goes beyond the evidence contained in the project assessments and builds on the considerable literature available on the post-conflict experience of Timor-Leste.

Following standard IEG procedures, the draft report was sent to the Grantee for comments before being finalized. No comments were received.

Summary

Seventy-nine percent of the people of East Timor voted for independence from Indonesia in a 1999 referendum. In the two weeks following the referendum, members of the pro-integration faction destroyed much of the new country's infrastructure as well as many of its meager productive assets—its farms and markets. The 1997 Asian financial crisis had already devastated East Timor, so the violence further undermined an already poor and weakened economy.

The international community responded swiftly. The United Nations Transitional Administration in East Timor (UNTAET) was established in late October with a mandate to ensure stability and establish a transitional government. It was also charged with oversight of the country's reconstruction, development of Timorese capacity, and ultimately, transfer of all functions to a Timorese administration. In December 1999 donors met in Tokyo, pledged more than \$500 million in assistance over three years, and endorsed the creation of the Consolidated Fund for East Timor (CFET) to be managed by UNTAET and the Trust Fund for East Timor (TFET) under the trusteeship of the World Bank with the Asian Development Bank (ADB) as co-implementer. CFET resources were to be used to establish public administration, rehabilitate administrative buildings, and build capacity, technical systems, and a judicial system. TFET resources were to support sector reconstruction programs implemented as IDA or ADB projects. In May 2002, UNTAET transferred control to the government of an independent Timor-Leste, which was accepted into the United Nations on September 27, 2002.

The five projects assessed in this report were supported from TFET and accounted for 21 percent of the total TEFT grants. The overall objective of the three Community Empowerment Projects (CEPs) was to strengthen local capacity to build institutions that reduce poverty and support inclusive patterns of growth. The projects followed a community-driven development (CDD) model and attempted to build a structure of local governance by supporting the creation of democratically elected village development councils. Both the Agriculture Rehabilitation Projects (ARP I and II) focused on improving food security and agricultural production and on promoting rural growth. While ARP I was an emergency recovery operation, ARP II was meant to address longer-term development challenges in the agriculture sector.

Under the unusual circumstances of Timor-Leste at the time, with the UN acting as government, and the World Bank assigned a major part of the responsibility for managing resources for reconstruction, the Bank had a very high level of responsibility for the design and implementation of these five projects. As it was an emergency situation, Bank procedures were streamlined to accelerate project preparation and the projects were approved at the vice presidential level rather than by the Board. While this hastened the delivery of assistance and project implementation, it also had a cost.

The five projects successfully ensured that funds were quickly made available to rural communities and remote areas and provided for the construction of considerable physical infrastructure (although the record of detailed outputs is incomplete). However, the hasty delivery also led to weaknesses in project design and implementation and too little attention to the political, social, and economic context in which the projects were to be implemented. In consequence, the quick results ultimately achieved were not the most appropriate ones for long-run sustainable development. With the benefit of hindsight, it is easy to see why this happened: the needs of the people of Timor-Leste were great and international pressure to achieve early results was high.

The three CEPs were highly visible, created temporary employment for many people, and built a large amount of community infrastructure. However, the quality of the infrastructure constructed was undermined by lack of familiarity at the local level with standards and procedures. Moreover,

the distribution of funds was not always transparent, resulting in widely-reported cases of elite capture. The village development councils created by the project bypassed traditional leaders and failed to become the foundation of a local governance structure. Instead, the councils were primarily seen by beneficiaries as conduits for channeling the donor money and were unable to assume the role of development agents in their communities. Nor is there any evidence that they are capable of supporting inclusive patterns of growth leading to poverty reduction. Neither were the projects able to meet most of the reconstruction needs visualized in the immediate aftermath of the conflict. The experience of the CEPs shows that when a project using a community demand-driven approach is implemented under tremendous time pressure, actual results may not reflect genuine community needs nor the goals of reconstruction. Project efficiency was also modest. Based on the modest relevance, efficacy, and efficiency of the projects, their **outcome** is rated **unsatisfactory**. Based on the failure of the village development councils and the projects' inability to effectively build capacity, **institutional development impact** is rated **modest** and **sustainability** is rated **unlikely**. In the light of the significant shortcomings in project design and implementation supervision **Bank performance** is rated **unsatisfactory**. Project implementation was largely driven by the pressure to deliver funds, rather than the need for development results. Too little attention was given to the level of capacity in the communities to identify needs and prepare development proposals. Management oversight of fiduciary compliance was also weak.

While both ARPs met several quantitative targets for vaccination of livestock, construction of irrigation schemes, and rehabilitation of roads, the quality of those achievements is questionable. The contribution of the projects to long-term food security was limited as most activities they supported are unsustainable and the projects did not address some issues critical for the promotion of food security (such as issues relevant to the cultivation of the main staple crops maize and cassava) and the enhancement of agricultural production (such as the cost of inputs). ARP I was an emergency operation but ARP II was meant to be moving toward tackling the long-term development challenges in agriculture and should have taken these issues into account. The **outcome** of ARP I is rated **moderately satisfactory** whereas that of ARP II is rated **moderately unsatisfactory**. As community commitment of rehabilitation activities and maintenance is low and the government is struggling to carry on with the vaccination program, **sustainability** for both projects is rated **unlikely**. **Bank performance** is rated **satisfactory** for ARP I (albeit marginally so) but **unsatisfactory** for ARP II. In moving beyond the emergency phase, ARP II should have corrected for some of the design weaknesses that were present in ARP I. In particular, weakness in monitoring and evaluation and capacity building should have received much more attention. As in the CEPs, the pressure to achieve quick results negatively affected project design and implementation. As acknowledged by the Bank's own completion report, a better understanding of farming systems and livelihood opportunities and the most severe pockets of food insecurity and its causes could have led to an improved design of ARP II's activities and would have improved the project's overall outcome.

The Bank had the primary responsibility for designing of both the CEP and the agriculture projects and where applicable Grantee performance is rated on implementation only. The assessment does not rate Grantee performance for CEP I since there was no national government during the implementation period of the project. Grantee performance is rated satisfactory for CEP II and III on implementation. The project management unit staff, acting under Bank supervision, did what they could to implement the projects, in spite of design weaknesses. The relations between the project management unit and the government were not close and it is not clear how well informed the latter was about the overall CEP program. Further, formal government structures were still getting strengthened during the implementation period for CEP II and III as limited capacity was one of the biggest constraints faced by the government. For

ARP I Grantee performance is not rated as there was no national government for most of the implementation period. For ARP II, Grantee performance is rated satisfactory.

The experience of the five projects offers four lessons for the Bank's future involvement in post-conflict situations. In general, such interventions may require greater Bank management oversight than usual since projects are prepared quickly and implemented under very difficult conditions. IEG's 1998 review of the Bank's experience with post-conflict reconstruction had noted the importance of proactive involvement by senior Bank management as a requirement for Bank assistance in a post-conflict context.

- With its global outreach and the expertise and experience of its staff the Bank is well-positioned to make a substantial contribution to post-conflict reconstruction and development. However, the experience of the three community empowerment and the two agriculture rehabilitation projects shows that careful thought to suitability of design and strategies to country conditions is paramount, especially where country capacity is weak. Mistakes can be difficult and expensive to correct.
- Even in the case of post-conflict Timor-Leste, where sophisticated M&E was impractical, there was a need to have a system to track project inputs, outputs, and outcomes and also provide information about the adaptations needed in project design to ensure that the project objectives and activities are in keeping with the emerging institutional context and the absorptive capacity of the country. IEG's 1998 Review of the Bank's experience with post-conflict reconstruction had noted that a post-conflict context requires that operations receive more intensive monitoring to ensure their continued relevance, as well as effectiveness and efficiency.
- Particularly in post-conflict environments, an approach to capacity building that considers the underlying capacity in the country as well as how it would be promoted by the various donors is critical. It cannot be assumed that government capacity will get built during project implementation through on-the-job transfer of expertise from international advisors and project-supported training activities.
- The experience of Timor-Leste highlights the critical importance of coordinating multi-agency reconstruction efforts more effectively in a newly independent post-conflict country. While the international community was able to raise a large amount of resources for development of Timor-Leste, there was lack of agreement between the major players on critical strategies, in particular those dealing with promotion of micro-credit and local governance. This worked both to the detriment of the donors and the country and led to less effective and efficient utilization of resources.

Ajay Chhibber
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Evaluation

1. Introduction

1.1 Timor-Leste occupies the eastern part of the island of Timor, the easternmost of the Lesser Sunda Islands.¹ The Indonesian province of Nusa Tenggara Timur is on its west, the Savu Sea and the Strait of Wetar lie to the north, and Australia is to the south. The country has a land area of approximately 14,610 square kilometers, a coastline of about 700 kilometers and a total population of 923,198 people (2004 estimate). The area had been a Portuguese colony from the sixteenth century and was annexed by Indonesia in 1975. It gained independence in 1999.

1.2 Even before its independence Timor-Leste was poor—the poorest part of Indonesia. Today, the world's newest nation is also among its poorest, with both low income and poor social indicators. Per capita income has been estimated at US\$370 per year (UNDP 2006). Timor-Leste ranks 158 out of 177 countries according to the Human Development Index (2002), making it the lowest ranked country outside of Sub-Saharan Africa. About 60 percent of the population lives below less than dollar a day (UNWFP 2005) and a recent poverty assessment found 41 percent of the population below the national poverty line (established at an equivalent of US\$0.55 per person per day). Poverty incidence is higher in rural areas (46 percent) than in urban areas (26 percent) and the poorest groups are in households that have small landholdings or are headed by fishermen (National Development Plan 2002). The non-poor are more likely to produce higher paying crops such as coffee.

1.3 Timor-Leste had been devastated by the 1997 Asian financial crisis which had hit Indonesia hard. Even before the financial crisis, however, East Timor had not been self-sufficient in staple food production for the preceding three decades and ranked at the bottom of Indonesian provinces in terms of food security and agricultural productivity in 1997 (Pedersen and Arneberg 1999). Food insecurity is most prevalent in upland rural areas. Ninety percent of the population suffers food shortage for at least one month in the year and a large percentage experiences food shortages from 3 to 5 months every year (WFP/FAO/Donor, 2003). Among the several causes of food insecurity are low yields, vulnerability to climate variability, natural disasters, high post-harvest losses, and limited access to markets.

INDEPENDENCE AND ITS AFTERMATH

1.4 The annexation of East Timor by Indonesia was followed by two and a half decades of struggle for Timorese independence. A May 1999 agreement between Indonesia and Portugal led to a referendum that offered a choice between special autonomy for East Timor within Indonesia or full independence. In August 1999, 79 percent of the population voted for independence. In the two weeks following the vote, members of the pro-integration faction destroyed over 80 percent of Timor's houses and public buildings, including more than two-thirds of its health facilities and schools. More than 1,500 people were killed and about 250,000 were displaced or forcibly moved to West Timor. About a third of the displaced people returned within six months to find their homes, crops, farming supplies, and other means of livelihood destroyed.

1.5 The violence exacerbated the problems of an already poor and weakened economy. The agricultural sector, the largest employer and contributor to the country's gross domestic product (GDP), was badly hit. Agricultural domestic product declined by 49 percent relative to the previous year. Food crops, livestock, and fisheries suffered the most significant decline. Irrigation structures deteriorated severely due to neglect and lack of maintenance and over 85 percent of the

1. Timor-Leste was adopted as the official name of East Timor in November 2002.

fishing vessels were reportedly destroyed. According to the 2001 Suco Survey,² 58 percent of goats, 48 percent of cattle, and 47 percent of pigs were destroyed. In addition, homes and markets were burned, farming infrastructure and implements smashed, farm and food processing machinery destroyed or stolen, and food stocks and seeds looted.

1.6 The international community responded swiftly to the crisis. The United Nations Transitional Administration in East Timor (UNTAET) was established on October 25, 1999, under a Security Council Resolution to ensure stability and establish a transitional government. In December 1999, donors met in Tokyo and pledged more than US\$500 million in assistance to the country over the next three years and endorsed the creation of two trust funds.

1.7 UNTAET was given a mandate to oversee the country's reconstruction, develop Timorese capacity, and implement a strategy to hand over functions to a Timorese administration. Peace was restored quickly under a United Nations-led administration. In July 2000 the process of "Timorization" of the government structure began with the formation of the East Timor Transitional Administration (ETTA) and the appointment of five Timorese Cabinet Ministers. An election was held in August 2001 and a Council of Ministers, led by a Chief Minister, was appointed along with a Constituent Assembly of 88 members with a mandate to write the country's constitution. The economy recovered—GDP that had declined by 34 percent in 1999 grew by 15 percent in 2000 and 18 percent in 2001. By 2001 the principal development indicators were at or near their pre-crisis levels. On May 3, 2002, the first National Development Plan, that outlined a strategy for transition of the country from reconstruction to national development with a clear focus on growth and poverty reduction, was published and 17 days later, on May 20, UNTAET handed over control to the government of an independent Timor-Leste. The country was accepted into the United Nations on September 27, 2002.³

THE WORLD BANK IN EAST TIMOR

1.8 The Bank became involved in the planning for East Timor's development before the 1999 ballot.⁴ In April of that year it established a separate program for East Timor within the PNG/Pacific Islands Country unit. The Bank was not part of the political deliberations that shaped the post-conflict arrangements in Timor-Leste (Schiavo-Campo 2003). But before the ballot, it did work with the UN Department of Political Affairs on economic issues for the country. The Bank also participated in a Columbia University study of social and economic conditions in East Timor. In addition, as a part of its assistance to Indonesia, the Bank provided support for activities in East Timor, among others, through the Kecamatan Development Project (KDP).

1.9 After the referendum in 1999, the Bank organized a meeting of the Friends of East Timor at the time of the Annual Meetings in Washington. Following the meeting the Bank organized a

2. A substantial effort was undertaken in 2001 to understand the nature of poverty in Timor-Leste through a Suco (village) survey, a household survey, and a participatory potential assessment.

3. On May 20, 2002 the United Nations Mission of Support in East Timor (UNMISSET) replaced UNTAET. UNMISSET was given the mandate to assist key state building efforts and provide interim law enforcement and security. UNMISSET handed over all policing and external security to the government on 20 May 2004. The substantially reduced UNMISSET ceased to function on 20 May 2005.

4. Only since the mid-1990s has the Bank again begun to be active in post-conflict countries. In 1994 the Bank was asked to administer the multi-donor Holst Fund for West Bank and Gaza. The reconstruction program in Bosnia followed, as did a series of programs in Rwanda, Sierra Leone, Kosovo, Democratic Republic of Congo, other Balkan states, and East Timor.

Joint Assessment Mission (JAM) in October/November 1999,⁵ which produced priorities and cost estimates for a reconstruction program for East Timor. The three-year costs of basic reconstruction estimated by the JAM were presented in December to a donors' meeting in Tokyo, co-chaired by the Bank and UNTAET. A large amount of resources were mobilized (Table 2.1).

1.10 The Tokyo meeting also endorsed the creation of two trust funds: the Consolidated Fund for East Timor (CFET) to be managed by UNTAET and the Trust Fund for East Timor (TFET) under the trusteeship of the World Bank with the Asian Development Bank (ADB) as co-implementer. A World Bank Board Resolution established TFET as an IDA trust fund in December 1999 and US\$10 million of Bank surplus was transferred into it. In January 2000, TFET was expanded into a multi-donor trust fund. CFET resources were to be used for public administration, including recruitment and payment of civil servants, rehabilitation of administrative buildings, capacity-building, technical systems, and the justice sector. TFET resources were to support sector reconstruction programs implemented as IDA or ADB projects. The ADB was to administer TFET projects in roads, ports, water facilities, telecommunications, power and micro-finance, while the World Bank was responsible for TFET projects in health, education, agriculture, private sector development, and economic capacity building.

1.11 The five projects being assessed were supported from TFET and accounted for 21 percent of the total TEFT lending. The first of the three Community Empowerment Projects (CEPs) was approved in fiscal year 2000 and was identified on the basis of the JAM mission of November 1999. CEP I was the first project prepared by the international community in response to the crisis in Timor-Leste and was national in scope. The first Agriculture Rehabilitation Project (ARP I) was also approved in the same year. ARP I was designed to respond to the priorities identified for reconstruction of the agriculture sector by the first Joint Agriculture Donors' Mission, also held in November 1999. Annex B provides a brief background on the sector and local government context in which the five projects were implemented

Box 1.1 Chronology of Events

1975 Indonesian occupation begins
April 1999 Bank establishes separate program for East Timor within PNG/Pacific Island Country unit
August 1999 Timorese vote for independence
September 1999 Friends of Timor meeting
October 1999 UNTAET established
October-November 1999 JAM takes place
December 1999 Donors meet in Tokyo and pledge resources
December 1999 TFET established as IDA trust fund
January 2000 TFET becomes multi-donor trust fund
March 2000 CEP I becomes effective
August 2000 ARP becomes effective
May 2001 CEP II becomes effective
December 2001 ARP II becomes effective
May 2002 UNTAET hands over control to independent government
July 2002 CEP III becomes effective
September 2002 Timor-Leste becomes member of UN

2. Timor's Reconstruction and Development: Opportunities and Challenges

2.1 Several factors provided Timor-Leste with a unique opportunity to tackle its long-term development after independence, though many challenges stood in the way. This section first discusses the opportunities and then the challenges.

5. The mission was led by the World Bank, UNTAET, and several Timorese and had representation from major donors and UN agencies. An IMF mission also accompanied the JAM.

THE OPPORTUNITIES

2.2 Three factors represented opportunities for the small island nation. First, Timor-Leste, like several post-conflict countries in Africa and southeastern Europe, had suffered high physical destruction and the collapse of state structures, but unlike those other countries, Timor-Leste did not experience a prolonged and divisive civil war. The root cause of the conflict in Timor was foreign occupation; once that ended, so did the conflict. While incursions from pro-integrationist militias continued to impede reconstruction in the western provinces for some time, overall peace came quickly after the violence providing a favorable climate for reconstruction.⁶ Second, a large amount of aid was mobilized following the conflict. TFET received US\$169 million for the reconstruction—on a per capita basis the highest amount of aid ever mobilized by the international community through multi-donor trust funds (Table 2.1). The World Bank was crucial in helping mobilize those resources. Third, since the Bank was the trustee and administrator of TFET, the institution’s international experience and expertise was available for helping with reconstruction and development. IEG’s 1998 review of the Bank’s experience with post-conflict reconstruction notes rebuilding physical infrastructure as an area of strength (World Bank 1998). TFET was designed to provide flexible grant funding, both quick disbursing aid and longer-term investment programs.

Table 2.1. Reconstruction Aid Mobilized Through Multi-Donor Trust Funds in Selected Post-Conflict Countries

	Population (Million)	GDP per capita (US\$)	Aid per capita (US\$)
Timor-Leste	0.8	430	212
West Bank and Gaza	2.5	1,433	118
Bosnia and Herzegovina	3.7	987	41
Afghanistan	28.0	N/A	15

Source: Interim Evaluation Report, European Union 2004

THE CHALLENGES

2.3 Despite the favorable climate and the abundance of aid, three circumstances made the reconstruction extremely challenging. The rest of this section discusses these.

Ambiguous Role of the Transitional Government

2.4 No national government existed during the initial reconstruction period, so the UN transitional administration was made the legal government of East Timor and had overall responsibility for administration of the territory and exercised all legislative and executive authority, including the administration of justice.⁷ This created an ambiguous situation:⁸ while the UN was the legal governing authority, it also was a mission of the UN and hence had a role in the

6. “The security factor is taken for granted and forgotten in cases when order has been re-established quickly, but as Sierra Leone and Afghanistan show, insecurity is by far the most severe constraint to reconstruction efforts” Schiavo-Campo 2003.

7. “A potential local partner did exist, in the form of the National Council for Timorese Resistance (CNRT), the umbrella organization of pro-independence group. However, UNTAET treated the CNRT as a political party rather than as proto-government, and kept its distance.” Schiavo-Campo 2003.

8. Thus UNTAET was the legal government of Timor-Leste throughout most of the reconstruction period, which created considerable confusion over who constituted legitimate Timorese representatives for decision making. European Union 2004.

promotion of the operations of UN agencies. In its governing capacity it was also the counterpart to UN agencies and other donors (Rohland and Cliffe 2002).

2.5 At the time it seems that this ambiguous role was largely unrecognized, as the UN had never played such a role before.⁹ In other post-conflict countries in which it had been present it had responsibility primarily to prevent the resurgence of hostilities after the conflict had ended. In Timor, as the sovereign government, the UN had the power to enact new laws and regulations and to amend, suspend, and repeal existing ones. As the government, UNTAET was also to establish full governmental structures and prepare the territory for independence.

2.6 Apart from the scale of this responsibility, the effort was hindered by the UN's limited knowledge of the country at the time. Project files for the five projects under review and the literature indicate that World Bank staff also were not clear about the role of the UN and did not consider it the sovereign government.¹⁰ However, Bank management began to realize as early as 2000 that the ambiguous role of the UN was creating confusion for project implementation, yet not much appears to have been done to provide clarity to Bank staff.

Nonexistent Government Capacity and Professional Expertise

2.7 The reconstruction and development needs of post-conflict Timor-Leste were massive, but there was no government capacity or professional expertise to meet those needs. The institutional and human capital of the territory was heavily damaged by the violence (World Bank 2000). Teachers, managers, administrators, engineers, accountants, doctors, nurses, plumbers, electricians, and other professionals were in short supply (World Bank 2005). With the departure of the Indonesian residents, Timor-Leste faced a complete brain drain.¹¹ The majority of government officials, including staff of the Ministry of Agriculture at the senior levels were Indonesians who left the country. The JAM mission concluded that the Indonesian withdrawal of government staff had resulted in a local power vacuum that had to be filled quickly. However, analysts note that the JAM conclusion was based on a narrow focus on government institutions and did not consider the informal power structure, which was intact (Hohe 2004, Chopra and

9. "UNTAET's scope of responsibilities and the range of the mandate were without any precedent in the peacekeeping or peacemaking operations that came before (UNMIK[UN Interim Administration in Kosovo] is the only, but partial, exception). For the first time, the UN had sovereign control over a trust territory, and UNTAET was a "trusteeship administration" preparing a territory for independence." Gorjao 2002.

10. It was not clear what was the nature of the relationship which was to be between the two organizations. "Relations between the Bank and UNTAET would be governed by their roles and mutual obligations as partners within the UN system whenever UNTAET would be seen acting as a UN mission. The usual business model between the Bank and recipient governments would prevail whenever UNTAET was seen as the "Government."

"Despite excellent relations between the Bank and both DPA [UN Department of Political Affairs] and DPKO [UN Department of Peace-Keeping Operations] during 1999, it is not clear that the Bank team fully understood the implications of UNTAET acting as the legal Government, or that the United Nations team fully understood the implications of the Bank financing reconstruction programs implemented by a UN administration." Rohland and Cliffe 2002.

"The World Bank and UNTAET began their respective operations in East Timor with differing expectations of the roles each other would play, and some confusion emerged once the focus turned from program design to implementation. In particular, this was related to the mandate of the UN to act as a Government as well as a UN mission. Improved mutual understanding between the institutions of their respective mandates and procedures, and detailed joint planning for project implementation would have averted some tensions." World Bank 2000.

11. "For example: in 2000, only 20 Timorese doctors and one dentist were available to assure medical treatment. The judicial system was defunct and qualification of personnel remains a serious problem, because of the time span that is needed to qualify judges. Engineers and teachers were just not available." GTZ 2004.

Hohe 2004).^{12, 13} Traditional institutions and traditional village structures, legitimized by culture, had shown considerable resilience through both the Portuguese and Indonesian periods and continued to operate during the crisis period (Annex B). While several Suco (village) chiefs were among the thousands of people in refugee camps in West Timor, these positions had been quickly filled in accordance with traditional practices.

Coordination Among Activities of Numerous Donors Continued to Be a Challenge

2.8 Post-conflict Timor-Leste received more aid than most recent post-conflict countries, whose experience had highlighted the importance of aid coordination. The JAM identified priority reconstruction objectives across sectors and the TFET was seen as a means for coordination. The TFET brought together contributions from several donors under one trust fund and had a comprehensive donor coordination mechanism. The Donor Council met twice a year to discuss and approve work programs (though these meetings were reduced to one a year after May 2002), and the Bank, as administrator, ensured comprehensive reporting to donors and several joint donor missions were held in key sectors. This potentially offered great scope for donor cooperation on reconstruction in Timor.

2.9 However, about half the resources available to the country for reconstruction and development were provided outside the TFET by donors who used their own policies and procedures (EU 2004). Several of the major TFET donors (Portugal, AusAid, JICA) had their own programs in different sectors outside TFET. USAID, which only made a small contribution to TFET, provided most of its assistance outside the trust fund. Several of these donors (AusAid, USAID) had been providing support to Timor-Leste during Indonesian period.¹⁴

2.10 The coordination challenge is illustrated by the situation with the Ministry of Agricultural Affairs (later the Ministry of Agriculture Forests and Fisheries, or MAFF). In addition to the ARP projects supported by TFET, several donors had separate projects and programs in the agriculture sector. For example, AusAid supported a *Seeds of Life* program carried out in cooperation with the Australian Centre for International Agricultural Research. Some of the separate projects were integrated into MAFF activities, while others built parallel structures outside MAFF to overcome capacity limitations (Republica Democratica de Timor-Leste 2004). Consequently, in addition to the joint agricultural donor missions, there were multiple other donor missions which strained the capacity of the government. Coordination was also inadequate on ensuring that all issues relevant to the agriculture sector were covered. For example, agriculture service delivery and land use planning were included in several donor programs while other subsectors, such as watershed management, received little support.

2.11 Tasks unrelated to projects were also a challenge. For example, Timor-Leste received donations of goods from other nations that needed to be distributed. Bank supervision missions

12. "There is never a vacuum of power on the ground. Even when there is the complete absence of an identifiable state government or any semblance of governing institutions—as was the case when Indonesian forces withdrew from East Timor or when Somalia disintegrated—traditional structures evolve, social organization is redefined, and people continue to survive, filling the space; if it ever existed in the first place." Chopra and Hohe 2004.

13. "Outsiders frequently and mistakenly, conclude that community institutions in the countryside are either non-existent or inadequate. In fact Timor-Leste has many traditional rural structures that have survived centuries of colonial rule or occupation. Indeed the resistance movement itself was organized largely using the pool of skill from traditional organizations." UNDP 2006.

14. The Indonesian government declared East Timor to be an "open" province in 1989. This led to the arrival of an increasing number of aid organizations which overtime directed funding into longer term development assistance projects. Pedersen and Arneberg 1999.

note that the implementation of the ARP I project was handicapped because staff were overburdened by other non-project related tasks such as the distribution of US\$6.0 million in agriculture inputs donated by the Chinese government. Similarly, several agencies delivered humanitarian aid in the emergency situation and there was little coordination of their activities.¹⁵

3. Community Empowerment Projects (CEPs)

3.1 This section and the next assess the three community empowerment and the two agriculture projects. Though implemented over a period of about four years, CEP was processed as three separate projects in the Bank's database and accounting systems presumably because committed TFET resources became available at different times. However, they were reviewed as one project by the completion report and this assessment also presents a combined review of all three projects.

OVERVIEW OF CEPs

3.2 The overall objective of the three Community Empowerment Projects (CEPs) was to strengthen local-level social capital to build institutions that reduce poverty and support inclusive patterns of growth.¹⁶ Through the creation of development councils the projects aimed to reduce poverty by strengthening the institutional capacity of sub-districts and villages. The projects were also attempting to build a structure of local governance as in the longer term, the village development councils were expected to prepare and execute village development plans that would address local needs in various sectors, produce village codes of conduct and resolve disputes, manage village funds, and relay priority development needs that could not be met through local efforts to sub-districts and districts.

PROJECT DESIGN AND IMPLEMENTATION

3.3 The project design was based on the Kecamatan Development Project (KDP) in Indonesia. The largest component of CEP (component A) provided for elections at the lowest strata of society, in the hamlets, for equal numbers of men and women to form village development councils. Next, the village councils were to elect equal numbers of men and women to form sub-district councils. Grants were provided directly to the sub-district councils, which would then spend the funds based on proposals received from the villages. It was hoped that this would introduce local decision making in reconstruction and reverse centuries of reporting upward to authority, as well as introduce accountability downward.¹⁷

15. "There are many cases of overlaps and conflicting approaches between different projects/organizations including many examples where two or more different organizations are working in the same village." Oxfam 2004a.

16. The objective as noted above was stated in the appraisal document for the first CEP which at that time was meant to cover the time period for all the three projects. Subsequently, separate appraisal documents were produced for CEP II and III. The appraisal document for CEP II does not include an objective statement in the main text. The objective statement in the Annex of that report has the same formulation as that in the appraisal document for CEP III where the project objective is stated to be to "reduce poverty and support inclusive patterns of growth and development." The completion report for all the three CEP projects however notes that the overall project objective over all the three CEP projects remained "To strengthen local level social capital to build institutions that reduce poverty and support inclusive patterns of growth. "

17. "Indeed, the project [CEP] deliberately aimed to reverse the historical tendency of accountability upwards; each layer of administration, rather than receiving instructions from higher authorities, would now be accountable downwards to a popular constituency." Chopra 2002.

Box 3.1 CEP Projects at a Glance

There were three main components in all three projects:

Component A: Community Sub-Grants and Credits

Component B: Cultural Heritage and Social Reconstruction.

Component C: Civil Society Support. This was replaced by a Community Radio Development component in CEP II and III.

GRANT AMOUNTS AND DATES

CEP I (Actual and Disbursed US\$ 8.55 million).

Signed: February 2000. **Effectiveness:** March 2000. **Original Closing Date:** June 30, 2001. **Actual Closing Date:** June 30, 2002

Appraisal estimates:

Component A: US\$6.75 million

Component B&C: US\$0.25 million

Cost estimates are taken for tranche one as presented in the appraisal document for CEP I. Here costs for component B and C were presented together.

CEP II (Actual and Disbursed US\$8.50 million).

Signed: May 21, 2001. **Effectiveness:** May 31, 2001. **Original Closing Date:** December 31, 2003. **Actual Closing Date:** March 31, 2004.

Appraisal estimates:

Component A: US\$6.2million

Component B: US\$1.5 million

Component C: US\$0.80 million

CEP III (Actual and Disbursed US\$1.50 million).

Signed: July 1, 2002. **Effectiveness:** July 12, 2002. **Original Closing Date:** December 31, 2003. **Actual Closing Date:** March 31, 2004.

Appraisal estimates

Component A: US\$0.70 million

Component B: US\$0.20 million

Component C: US\$0.40 million.

Project Management: US\$0.20 million.

The appraisal document of the first CEP presents total project costs for all three CEP projects at US\$22.5 million—TFET grants for US\$20 million, a Japanese grant of US\$1.55 million, and an ADB TA grant of US\$1.0 million. This appraisal document however did not indicate that there would be three projects. It was not possible to verify the use of the ADB TA grant. Excluding the ADB grant, actual total project costs including the Japanese grant (US\$1.55 million) and TFET grants (US\$17 million) were US\$18.55 million. Breakdown of costs as presented in the completion report does not permit comparison by components with appraisal estimates.

3.4 Grants under Component A were for construction and rehabilitation of basic infrastructure. The village development councils (*Conselho do Suco*) had responsibility for preparation of development proposals on behalf of their communities and for allocation and management of development funds provided by the project. UNTAET Regulation No. 2000/13 on the *Establishment of Village and Sub-district Councils for the Disbursement of Funds for Development of Activities* provided the legal framework for the establishment of the councils. While village chiefs could not be members of these councils, they were expected to help guide the processes. The rationale for excluding the village chiefs and traditional leaders was to promote a more horizontal and democratic system and, hence, reduce elite capture and corruption.¹⁸ A second financial window under the same component was earmarked for highly vulnerable groups within each community identified through on-site participatory rural appraisals managed by the facilitator together with the communities. A credit subcomponent was also included to allow the

18. Given the role the village chief had previously had in the top-down, corruption ridden Indonesian administration the World Bank feared that allowing them to sit in the councils would be to replicate the bad practices of the past. Nordhaug 2004.

project to provide support to individuals for income-generating activities. It was implemented as a revolving fund alongside community sub-grants.

3.5 The cultural heritage program (Component B) was intended to give voice to East Timor's cultural traditions and experiences and supported two core activities: a small grant program to support community-based cultural development programs, which could include musical instruments, costumes, school sports equipment; and development of a national heritage and performance center. UNESCO was to supervise the design and reconstruction of the national heritage center.

3.6 The civil society strengthening component (Component C) was to aid in the development of regional and local Timorese civil society groups such as national NGOs, student organizations, and church groups. This component was dropped in the second and third projects and was replaced with a community radio component. This was identified by a joint Timorese and donor mission that reviewed progress in community development in September 2000 and found that the destruction of the communication infrastructure had a deeply negative impact on the ability of communities to plan and rebuild their lives. Support for expanding coverage of the national radio station and for the establishment of community radio stations (including provision of training and equipment) in the districts was expected to establish professional, sustainable television and radio systems in the country and help strengthen local social capital while providing an important communication tool for poor rural communities.

3.7 A Japanese grant for US\$450,000 supported project preparation. The Grant Agreement between TFET (represented by IDA) and UNTAET was signed on February 21, 2000, to establish the first CEP. When CEP I became effective, UNTAET did not have the staff capacity or operational facilities to manage the operation. Hence, a contract was issued to Community Aid Abroad /Oxfam (CAA/O), an Australian International NGO, to work as the implementing agency. In August 2000, the Project Management Unit (PMU) of CEP was integrated into the Department of Internal Administration. A month later, it was decided to transfer the general management of the project to Timorese staff once the contract with CAA/O ended. At the end of 2000, the PMU was run by Timorese, and about 200 facilitators were contracted to support field activities ranging from organizing elections to technical verification of the projects and disbursements of the grants (EU 2004).

3.8 At this time there were no elected representative bodies at the district or sub-district levels (Annex B). UNTAET appointed District Administrators, supported by a District Development Officer and a number of support staff. The sub-district was managed by a field officer, initially UN volunteers. By September 2000, CEP councils had been elected in 406 villages throughout East Timor, well ahead of schedule, and a standard amount of US\$15,000 had been disbursed quickly to 56 sub-districts as emergency funds to be divided equally among each village in a one-time grant. This initial grant, referred to as the "emergency" cycle, was restricted to a limited positive list of priorities. In the subsequent two cycles, village council choices from an open menu were sent to the sub-district councils for consideration.

3.9 The project was launched well before systems were in place for its implementation and consequently faced several challenges. Bank supervision missions and other reviews report concerns about lack of understanding of project goals and procedures among project staff and communities, poor facilitation of the democratic council formation process, quality and content of

the training and information provided to project staff, lack of required actions in areas of financial management, and lack of technical capacity at the district level.^{19, 20, 21}

RATINGS

3.10 Unless specified otherwise, the ratings below apply to all three CEP projects.

Relevance

3.11 The assessment of relevance considers the relevance of the project objectives as well as their actual translation into the project's design. On balance relevance is rated **modest**. When CEP was launched, East Timor was recovering from a humanitarian crisis and the project was intended to be a timely Bank response to the crisis. The project was expected to support IDA's key objectives in the country—to repair the destruction caused by the violence, and to ensure that reconstruction activities occurred within a framework that strengthened participatory, transparent, and accountable institutions. While the project was consistent with the priority areas identified by the JAM mission, its endeavors to build capacity at the community level and set up a local governance structure were not in keeping with the agreement made at the Tokyo meeting in which the donors entrusted UNTAET, and not the World Bank, with responsibility for capacity building.²² As noted by the EU evaluation (footnote 22), given the importance of capacity building there should have been discussion and agreement between the Bank and UNTAET to address the issue jointly.

3.12 While the overall project design was innovative, the quick project preparation did not allow for careful consideration of the circumstances on the ground. The expectation that grassroots institutions established by the project would provide the foundation of the future local governance structure in East Timor after the immediate reconstruction period was both *premature* and *unrealistic*.

3.13 It was *premature* because the CEP projects proposed to build the foundation for the new country's structure of local governance within three years, when there was no national government in the country to buy into the idea and no supporting legislation for local governance. While UNTAET Regulation No. 2000/13 provided the legal framework for the establishment of the councils, the same regulation also stated that these councils “shall not exercise the legislative,

19. “Both CEP facilitators and Council members interviewed identified lack of community participation as the biggest problem facing the project. For the community, the Councils were repeatedly perceived as World Bank run, external to the community and therefore largely viewed as a source of “easy” foreign money. Also discouraging community involvement was a lack of knowledge about the purpose and rules of the project, a legacy both of the ambitious scope of the project and the pace of project implementation.” Joint Government-Civil Society Study of Development Projects 2004.

20. An internal Bank document in October 2000 noted that key concerns surrounded the quality and content of the training and information provided to project staff, and the lack of clarity among facilitators, councils, or communities in general regarding the project, its objectives, and the procedures to be used. There were also concerns about the methods used in election of the council members, which often were not fully democratic processes.

21. In December 2001 an internal Bank document noted that while the physical outputs of the project were significant, insufficient attention had been given to the principles of the project (empowerment, inclusion, transparency, accountability, open choice, and sustainability).

22. “The official division of labor gives UNTAET the responsibility for capacity building. However, because of the importance of this issue in the Implementing Agencies' work in general and particularly in Timor-Leste, given the extremely low capacity, they should have discussed and agreed with UNTAET right at the start on a modus operandi and on a global strategy to jointly address the issue. In fact, capacity building was tackled in a piecemeal way by all the involved institutions, without a clear vision and expected results, with the exception of the health sector.” European Union 2004.

executive or judicial power of government.” The Transitional Administration never promulgated documents defining a formal local government structure for the *Suco* level. It was only after independence, with the approval of the Budget Law by the Parliament in July 2002, that the existence of local government authorities below the sub-district level was formally recognized. (Republica Democratica de Timor-Leste 2003). Only now is the government of Timor-Leste attempting to draft a decentralization policy and piloting a local development approach (with UNDP financial support) which, in contrast to the CEP model, provides for inclusion of village and hamlet chiefs in the village councils. Decentralization legislation is expected to be developed in the next two years.

3.14 It was *unrealistic* because it was assumed that electing village councils to manage development funds would be an effective way of setting up democratic institutions and bypassing traditional leaders. Too little credence was given to traditional notions of leadership and authority (Annex B). “Because village chiefs were excluded from the CEP councils, they were not perceived by the community to have any political authority, which in turn meant that they could not form the basis of local administration. Instead, people elected to the councils precisely those individuals who were not older and senior or able to exercise political authority, but who were young, literate, and capable of interacting with foreigners. The village chief continued to rule as the acknowledged political ahead” (Chopra and Hohe 2004).^{23,24} The Social Appraisal Report carried out for the Third Agriculture Rehabilitation Project also notes the importance of the village and hamlet chiefs for any village-level decision making.²⁵ An OXFAM (2004a) study designed to look into community-based and participatory projects implemented during the four years since independence identified a range of factors important for success in project implementation at the community level. Chief among the factors identified was the effective engagement of community leaders—both traditional leaders and local government leaders such as *Chefe de Suco*.^{26,27}

23. “The council members position is seen as purely functional. They are not perceived as having the “traditional” political tasks: conflict resolution and political decision-making. They are solely seen as implementers of projects and, therefore, their position in the local socio-cosmos, does not collide with the traditional powers. This also means that most of the councils have not yet developed as a parallel power to the traditional power holders. Not only that, but the local community does not perceive them as political power holders because they are also too young to have authority. Political and ritual authority are strongly connected to age. Council members are perceived as “commoners” who cannot have political powers.” Ospina and Hohe, pg. 157.

24. “The CEP Councils were intended to be the key governance institution at the local level. However, by not including traditional and existing authorities within this hastily introduced model, Councils often struggled to gain legitimacy with communities.” Joint Government-Civil Society Study of Development Projects 2004.

25. “The main players most frequently identified as associated with decision making relating to development activities and community mobilization are the *Chefe do Suco* and the *Chefe do Aldeia*. Only in one of the Oecussi groups were the *Chefe Aldeias* considered more important than the *Chefe do Suco*, and this was because the role of the *Chefe do Suco* was unclear according to the community (possibly a result of the *Suco* wanting to separate into two administrative units). This finding is also supported by the “Government Within Reach” report which states that “There seems to be mostly high regard for those occupying these positions, due to their closeness with people during the struggle....” Seven out of the nine non-pilot *Suco* preferred money to be kept/administered by the *Chefe do Suco* as the most trusted mechanism.” MAFF 2003.

26. “In general working with pre-existing groups formed during the Indonesian period has the advantage that group members are already aware of the benefits of communal activities and have established relationships. However, many groups during this period were formed specifically to receive an input or “incentive” and consequently many projects have found it necessary to use “incentives” to encourage community involvement and motivation. Incentives can be used as effective entry points, however they must be used with care to ensure that community involvement is motivated by interest in the project and not the incentive.” OXFAM 2004a.

27. Bank staff commented that a deliberate decision was taken to exclude traditional leadership structures from the new councils at the time of project design.

3.15 This assessment also questions the relevance of using the community-driven development approach when the pressure to deliver quick results is immense. As implemented, the projects were not able to meet one of IDA's key objectives in the country—to repair the destruction caused by the violence. The first round of grants was to be focused on priority rehabilitation or emergency village needs, however, as seen under the section on efficacy below, it is questionable whether the infrastructure constructed in that phase met 'emergency village needs.' About 50 percent of the resources of that phase went into the construction of community centers and almost no resources went into school and health infrastructure, destruction of which was a major JAM concern (see also para 5.7).

Efficacy

3.16 Overall efficacy—the extent to which the objectives were achieved—is rated as **modest**. The overarching project objective was “to strengthen local social capital to build institutions that reduce poverty and support inclusive patterns of growth.” According to the appraisal document of the first CEP, establishment and continuation of local development councils was to be a key performance indicator of strengthening local capacity. While local development councils were established, these ceased to exist when the resources from the project stopped flowing. Hence, the project councils are unable to fulfill the long-run role envisioned for them.^{28, 29} IEG discussions with community members and with other stakeholders found that the community saw the project as a source of income or aid and not as an investment to manage for their own development in the future.³⁰ Studies show that the pressure to roll out the program quickly had negative implications for building capacity of project staff, council members, and communities to manage local development.³¹

3.17 That said, project resources were able to reach all the villages in Timor-Leste just a few months after the emergency, a large amount of infrastructure was built and temporary employment was created for a large number of people. This was a significant achievement given the logistical constraints and the absence of government structures at the sub-district level. However, there is no data to show how much employment was actually created over the three projects and since no targets were set for number of sub-projects at appraisal, it is impossible to say how well the project did in comparison to appraisal expectations. The completion report only provides information on dollar amounts spent on each kind of sub-project and total number of sub-projects and does not give a break-down by kinds of sub-projects. This assessment was able

28. “In the districts examined, the CEP failed to build up a collaborative and complementary relationship with local government. This failure stemmed from managerial tensions between the CEP and government at all levels as well as a view, embedded in project design, that government is ineffective in delivering services.” Joint Government-Civil Society Study of Development Projects 2004

29. The Social Appraisal carried out for the Third Agriculture Rehabilitation Project by the Ministry of Agriculture, Forestry and Fisheries in early 2003 also found that the Conselho do Suco established under the project were not able to play a broader role beyond that of planning for and administering CEP activities “What is clear is that a broader role for the conselho do Suco beyond that of planning for administering CEP activities appears not to have been realized. Communities firmly associate them with CEP only. Had they not been specifically prompted to consider the Conselho do Suco, they would not have been mentioned at all in the majority of cases as a Suco institution which could be considered in managing a hypothetical new agricultural activity.” MAFF 2003.

30. “Many have criticized the World Bank and the CEP for trying to create rapid cultural change, mainly through the imposition of rules as opposed to systematic efforts aimed at consciousness raising and capacity building.” La'o Hamutuk Bulletin October 2002.

31. “Whilst it is too early to say whether the existing compromise between a quick roll-out and capacity building is appropriate, CAA/O is concerned that at present, too much weight is being accorded to the speed of implementation, particularly with the World Bank's most recent directive to accelerate second round activities.” CAA Progress Report 2. (Community Aid Abroad)

to get information on number of different kinds of sub-projects constructed over the life of the three CEP projects only through a review of the available literature. The quality of the infrastructure built by the sub-projects was also sometimes questionable and may not have consistently met “emergency village needs” as envisioned.^{32,33} About 50 percent of the resources of the first phase went into the construction of community centers and no resources went into school and health infrastructure reconstruction, destruction of which was a major JAM concern. In addition, the distribution of resources was not always transparent, and elite capture is reported.^{34,35,36}

3.18 Neither is there any evidence to show that the village and sub-district institutions that were set up will be capable of supporting inclusive patterns of growth leading to poverty reduction. In the first phase, the community sub-grants were given equally to all villages. This may be justified because this was considered emergency assistance. However, no poverty targeting strategies were used to direct funds to poorer districts even in the subsequent phases, although the early results from the 2001 Household and Suco Surveys, which give a fairly clear picture of the level and extent of poverty, were available during the time the project was being implemented (footnote 2).

3.19 The highly vulnerable groups subcomponent was established in CEP II to ensure that the interests of the most vulnerable (widows, the elderly, and the disabled) were considered. The subcomponent was slow to start and, with the overall pressure to implement, its facilitation and planning was not a priority for CEP staff and it was not able to reach its target. Analysts note that the subcomponent did not cover groups that were even more vulnerable than those targeted, such as migrant populations.

3.20 The credit component also was not successful. The total value of loans made is reported to be US\$1.3 million (Conroy 2004). Approximately 1,050 primarily unsecured loans were disbursed all over the country over the 3-year period at an average value of US\$1,200, mostly for small retail kiosks (54 percent of total loans). There is limited information on the viability of the businesses supported and the broad conclusion of an independent review is that the businesses were generally in better shape than the loan program (Conroy 2004).³⁷ The products sold at the kiosks, which had normally been imported from Indonesia, are reported to have undermined local production of rice, coffee, and cooking oil (Nordhaug 2004). Other investments were for

32. Governance Background Paper Joint Assessment Mission November 1999.

33. “However, implementation reports [..] have repeatedly raised concerns about the quality of the infrastructure built in general, and especially the roads, although this is based on random field visits rather than consistent monitoring.” Nordhaug 2004.

34. “But the negative impacts that people had worried about also appeared: non-transparent distribution, poor quality work and elite capture.” Cliffe Guggenheim and Kostner 2003.

35. “An informant in Oecusse told me that it was a general problem in East Timor that paid work generated by development projects was only carried out by the community leaders and their families, and that much of the economic output of projects such as CEP therefore went to certain clans. In his opinion this was also the situation with the allocation of credit.” Nordhaug 2004.

36. “The clan-structure in East Timor is very strong, and after a while I detected a tendency that areas that were left out with regards to receiving projects were inhabited by families from the lowest-ranking clans or migrant communities” Nordhaug 2004.

37. “The PMU had some difficulty in assessing the extent to which the businesses concerned are viable and active. There is provision for *post*o monitors to report on the condition of businesses under the heading of Physical Targets (Economic Infrastructure), but this report (which clearly derives from the subgrant process for community infrastructure projects rather than any business analysis) is not returned by many or most UPKs.....There does not appear to be any consolidated reporting of this material for the Project as a whole.” Conroy 2004.

livestock, fishing, and rice hulling. The lack of transparency around the distribution of the credit allowed elite capture of benefits. The repayment rates across districts ranged from 28 to 31 percent. Analysts have found several reasons for poor performance of the credit component: failure to clearly explain the objective and working of the credit program to communities, weak and ill-enforced lending practices, and poor monitoring, among others.³⁸ Analysts (Conroy 2004) have also noted the potential long-term negative impact on the development of the credit culture of the country, although there is no firm evidence to support this claim.

3.21 The most visible aspect of CEP in the urban environment has been the renovation of the national cultural heritage and the performance center. The former Portuguese Garrison Headquarter, now better known as Uma Fukun, was to serve as the Cultural Center and National Museum for East Timor.

3.22 The community radio component that was added under CEP II established eight community radio stations in selected districts which began functioning effectively. A Community Radio Center (CRC) was set up in 2002 to administer and provide technical support to the eight CEP radio stations. The CRC was in fact to function as the hub for a number of supportive services for community radios throughout the country. The most significant challenge for this component is also long-term sustainability of activities begun.

Efficiency

3.23 Overall project efficiency is rated **modest**. It is difficult to assess the efficiency of the sub-projects constructed under the main component as rate of return calculations were not made at appraisal or completion. However, the appraisal reports of CEP I and II include data from a cost-effectiveness analysis for some activities though there is no information on how the cost-effectiveness analysis was actually carried out. The analysis was done for a sample village in Indonesia as data for Timor was not available. It is questionable how far this is a reliable estimate for conditions in Timor, particularly post-conflict Timor, where conditions were very different from Indonesia. Also, life expectancy, morbidity rates, average population per village, market prices for different traded items are different for the two countries. Further, no cost-effectiveness analysis was carried out at completion. Data is not available on the number of different kinds of sub-projects constructed and the costs and benefits arising from them and hence it was not possible for this assessment to calculate rates of return.

3.24 Further, while the overall project objective was to strengthen local social capital to build institutions that reduce poverty and support inclusive patterns of growth, it is apparent that the high costs incurred in attempting to achieve this objective were not commensurate with the benefits as project established councils seem to be no longer functioning. Because of weak government capacity nearly 58 cents of every dollar disbursed to sub-projects was used for technical assistance and local staffing costs (World Bank 2004a).³⁹ The project implementation document (Report No. PID8576) noted that the project exceeded all normal technical assistance ratios but that such high short-term ratios were justified by the institutional development goals of the project in the context in which every single government and private sector institution had disappeared. The PID also noted that “In most parts of the country and for much of the project’s

38. “The change in type of funds being disbursed by the project, from grants to credit, seems not to have been communicated effectively to the councils and the final recipients. This has created confusion and some resistance towards the credit arrangement.” Nordic Consulting Group 2003.

39 The EU evaluation cites a government evaluation that reports a cost of \$5 to disburse \$7 (EU 2004) and notes that the “Government evaluation questioned the high level of technical assistance and overhead involved in making the village grants.”

lifetime, the community and sub-district councils formed through the project will be the only functioning forum for community decision-making and action.... Benefits from developing capable, democratically elected and accountable representatives will extend well beyond the lifetime of this project.” The fact that the ICR itself rates sustainability unlikely strengthens the assessment that these benefits did not, and are unlikely to, materialize. It is difficult to justify the high costs when the institutional development goals finally did not receive the priority attention that was planned for them.

3.25 Resources were not well spent in the highly vulnerable groups and credit components, which reduced the efficiency of resource use for the projects as a whole. Finally, IEG field visits and studies and reports also show that leakage of resources occurred because of inadequate financial control and corruption in various components (see Box 3.3).

Outcome

3.26 Based on the assessment of relevance, efficacy, and efficiency, the outcome for all three projects is rated **unsatisfactory**. While the project ability to get money out quickly to communities has been regarded as a significant achievement in a crisis, getting money out quickly was not a stated project objective and came at the expense of the projects’ community capacity enhancing objective. The unstated goal led to pressure from the Bank to deliver money in a short period, sometimes even at the expense of following Bank procedures.⁴⁰ At the same time the stated objective of “strengthening local level social capital” required that time be spent to prepare communities to effectively manage CEP funds. Hence, there was an internal conflict among the unstated and stated goals. The recent evaluation of TFET by the European Union also noted that “quick and transparent disbursements are not compatible with building up capacity of local councils” (EU 2003).

Institutional Development

3.27 Institutional development impact is rated **modest**. While the project introduced villagers to several aspects of democratic governance, and contributed positively to increasing the participation of women in village activities, it was not able to establish a structure of local governance. The institutional goal under the project was to build and fortify local institutions, but the expectations for the councils were weakly understood even among council members and women representatives. The councils became mechanisms for channeling project resources only and were not integrated into the local government structures. Neither were they able to expand their activities to include activities beyond those funded by the project.

3.28 The project was managed by a PMU whose staff benefited from considerable training activities during project implementation. However the PMU never achieved integration with the relevant ministry (initially the Department of Internal Administration and later the Ministry of State Administration) even though it was the first PMU to be “Timorized.”⁴¹ The significantly high wage

40. In March 2001 an internal Bank document noted that it is clear that Bank procedures for procurement of goods and services were not well adhered to in the early stages of the project in part due to a need to respond quickly under extremely difficult situations. Goods were delivered faster than would have been possible if full procedures had been followed, and at prices lower than those on UNTAET lists. The document also noted that in the review of expenditures documentation was found to be incomplete, there was no linking of data between project management, financial management, procurement and monitoring and evaluation, standard World Bank procurement documents were not being used, and project management staff had a low understanding of procurement procedures.

41. “CEP did not coordinate well with the District Administration and its PMU remained not integrated with the Ministry of Local Affairs.” EU 2004.

levels of the PMU staff was one factor that made integration with the government difficult. On project closure little of the capacity generated in the PMU was transferred to the government.

3.29 Through most of the life of CEP, there was little integration between project structures and the district level administration and both continued to operate separately at the sub-district and village levels. This was not surprising since the project was modeled on the Indonesian KDP, which was designed to bypass the district government. Only toward the end of the project was some integration achieved. CEP II provided financial support to improve and build capacity in the districts related to community development. In late 2002, District Community Development Committees were finally established integrating district government, NGOs representatives, and CEP sub-district council members. However these committees only became operational in mid-2003, very close to the end of the CEP III project. It is not clear what the future of these committees will be given that the government is now piloting an alternative local governance model.

Sustainability

3.30 As in the completion report, project sustainability is rated **unlikely** based on two aspects: (i) sustainability of the village-level councils that were created under the project; (ii) availability of resources and technical skills for maintenance of the infrastructure constructed and other activities initiated under the project, including the radio and cultural activities.

3.31 The local councils established under CEP are no longer functioning. The councils were primarily seen as a means of channeling the money and were not able to take on a larger role as development agents in their communities.⁴² In fact, other Bank projects, such as the ARP, have also not used the CEP councils in their implementation. The current Timorese government also does not consider the structure established under CEP appropriate for local governance and is now piloting an alternative model with UNDP support (par. 3.13).

3.32 Lack of resources and technical skills for maintenance is an issue for most infrastructure constructed under the grant component.⁴³ In addition, CEP sub-projects were not integrated with the activities of line ministries in the communities and hence the project is not in a position to use the skills and knowledge of line ministries on project closure. For example, the sub-projects in water supply are not integrated with the other activities carried out in the villages through line ministries, which could have provided technical support for maintenance when needed.

3.33 Both the culture and radio components face sustainability challenges. The Uma Fukun Culture Center has already begun deteriorating. Doors, windows, walls, and floors have been damaged. Funding for CRC ceased in September 2004 and all CRC assets are now owned by the Ministry of Interior and additional support has been secured through July 2006. The community radios have not yet developed a revenue stream sufficient to support day-to-day operations. Need for training is also high, but resources for it are scarce. The mission visited the community radio station in Ermera district and found that much of the equipment was not working. Workers at the station noted the challenge of continuing to run the station using volunteers.

42. "The CEP councils were not used by other TFET projects or by other projects as had been planned. They seem to have vanished with the closing of the CEP projects." European Union 2004.

43. This issue was also raised as a concern by IEG's recent CBD/CDD evaluation. Shortage of resources with the community is a constraint in providing for operation and maintenance of infrastructure and facilities constructed.

Bank Performance

3.34 Bank performance is rated **unsatisfactory**. While it is creditable that in a post-conflict environment when most infrastructure and communications had been destroyed, Bank staff were able to design and implement a project that reached remote communities, the initial design had several serious shortcomings. These could have been overcome had there been strong monitoring and evaluation. It is also worrying that even though all the three projects were under implementation for only four years (from March 2000 to March 2004) there were three changes in Task Manager. This created gaps in supervision. Several of the shortcomings noted below could have been contained with stronger management oversight.

3.35 *The projects were premature and overly ambitious in design.* The pressure to produce quick results was strong. Inadequate attention was given to the level of capacity in the community to make decisions for identifying needs and preparing development proposals, a problem that could have been addressed at least in CEP II and III. The completion report notes that: “The project attempted to compensate for this in the emergency assistance phase, but failed in many respects to follow up and provide the additional capacity building necessary for later cycles. This meant that many councils continued to suffer from low capacity levels in later phases of the project” (ICR page 31). In fact, today, the Government of Timor-Leste does not consider the local councils established under the project to be the basis of the local governance structure.

3.36 *More management attention was needed to overcome the lack of project ownership by the transitional government (UNTAET) and by the national government that came to power in May 2002.* Lack of UNTAET ownership and commitment is to some extent understandable because in preparing the CEP, the Bank got into a sphere which was not its agreed-upon mandate (par. 2.4).⁴⁴ Bank staff interviewed by IEG note the commitment which Timorese in leadership positions had toward the project at that time. Project documents indicate that the CNRT (National Council for Timorese Resistance, which was disbanded in June 2001 because of tension within the party) endorsed and supported the project initially. Although the CNRT leaders agreed to initiate the CEP program, conversation with stakeholders in the field and the findings from the literature reveal that they and UNTAET saw it as a World Bank project separate from the effort to set up a Timorese administration (Nordhaug 2004).⁴⁵ This perception continued after a sovereign government came to power in Timor. Timorese officials interviewed by the mission noted that CEP was essentially a Bank project with little ownership within the country and pointed out their disagreement with the project concept and approach to utilization of scarce grant resources. The country political situation has been changing rapidly and it is quite possible that initial support from those in leadership positions may have been replaced by resistance from later leaders. It is important to remember, however, that the legal government when the project was designed was the UNTAET, which opposed the project and only reluctantly decided to go along with it. To be fair, the ambiguous position of the UN seems not to have been clearly appreciated by Bank staff at that time (par. 2.6). However, the reluctant support of UNTAET had a significant negative impact on project implementation.

44. “CEP was ambitious and dealt with political aspects, such as the role of the traditional chiefs and the provisional CNRT structures or the interaction with the emerging local administration, which were not the World Bank’s mandate.” EU 2004.

45. A fundamental problem for the CEP...is a lack of East Timorese ownership. From the village level to the national level, CEP is viewed as a World Bank project.... Local community members view the councils as CEP councils, not their own, and most East Timorese believe that the councils would dissolve without the community grant monies which now give them a purpose. At the national level, the project officially falls under the new East Timorese government. Several CEP staff, however described limited communications between the CEP and government structures.” La’o Hamutuk Bulletin October 2002.

3.37 *The rural finance lessons of the past were ignored and a credit component was included* with possible negative long-term implications for the development of a credit culture in the country. Even during project preparation, project files reveal that there was considerable advice from peer reviewers against including the micro-credit component based on past experience.

3.38 *Little thought was given to how such an ambitious project would be monitored when in-country capacity was so weak.* Monitoring was largely confined to tracking of inputs and outputs and could not report on overall project objectives. Even in monitoring inputs and outputs, there were significant weaknesses. The completion report shows that some basic output indicators identified by the project were not monitored, for example number of O/M committees formed.

3.39 *Management oversight was also weak on fiduciary compliance.* Supervision reports noted lack of transparency and weakness in financial management at the sub-district level and below. Supervision reports also noted that procurement rules were not well understood by communities and that there was lack of transparency. The IEG mission found several examples that point to lack of fiduciary compliance under the CEP project (Box 3.3). IEG's conversations in the field with various stakeholders indicate that the problem may not have been small. It is also not clear how far the Bank, with its limited ability to monitor scattered communities, will be able to avoid a recurrence of such problems in similar future interventions.

Box. 3.3 Examples of Fiduciary Issues in the CEP Projects

In Humboe village, Ermera District, CEP funds were used to construct a village water tank. Villagers report that old pipes were used and water no longer reaches all of the houses in the hamlet because many of the pipes have holes in them. Rather than purchase good quality, new pipes, the person responsible for procuring the project materials kept the money for personal use and supplied the community with used pipes that had been salvaged from an old Indonesian water system. The villagers complained to the CEP council "but no one wanted to take action to do anything about it." (IEG mission field visit).

In Wailili village, Baucau District CEP funds were obtained to build a village road. The road was only partially constructed and the CEP village chief kept the rest of the money for his personal use. In addition the project proposal stated that community members would be paid \$2 per day for labor but when the project was implemented village laborers received only \$1 per day. The current *Chefe do Suco* claims that the village received \$7,000 in CEP funding yet only \$2,000 was spent on village projects. (IEG mission field visit).

Council members often used "local shopping" to "make money." They provided quotes for inputs and then, using local networks, purchased cheaper inputs than prices listed in proposals. Procurement savings were usually divided among council members and village heads, or used to finance village parties. (Knezevic, N.2004 pg. 43)

"It seems to have been a problem that cheaper equipment than budgeted for was purchased, with the surplus funds often not being accounted for." (Grieg, K and Nordhaug, L. 2004. pg.10).

"After the PMU's reorganization in Aug 2003, CEP's new CFO worked with Treasury to establish a regular process for GOTL [Government of Timor-Leste] disbursement of funds to the districts.... Unfortunately,...several district treasury officers stole large amounts of community funds (\$20,000-25,000 in each incident). Even though they were caught, the GOTL has been extremely weak in following up these cases (they are still pending action). This seriously jeopardizes any level of trust that has been built between communities and local government." (ICR, pg. 29).

"Reports however exist of funds being misused or appropriated for other purposes than intended in the project. A continued cause of misunderstanding and misuse seems to have been the 5% set aside for the administrative costs which was often seen as wage for council members." (Nordic Consulting Group. 2003. pg. 16).

3.40 *It is not possible to tell whether there were any safeguard violations as facilitators did not have adequate training to identify these.* This was flagged as an issue by supervision missions, but it is not clear what was done to address the concern.⁴⁶

3.41 *The project implementation was driven by the unstated objective of getting money out quickly to poor communities rather than outcomes.* As already noted this compromised the capacity building objective.

Grantee Performance

3.42 No national government existed during the immediate post-conflict period when the CEP project was designed. There was also no national government when the bulk of the resources under CEP I were expended. However, while CEP II became effective when UNTAET was in control (see Box 3.1), a significant part of the implementation of the project was carried out under the national government which came to power in May 2002. CEP III became effective only in July 2002, after the national government took over from UNTAET. The three projects were designed on the KDP model by the Bank and hence the grantee cannot share the blame for the poor design. In fact, Timorese officials interviewed by the mission noted that CEP was essentially a Bank project with little ownership within the country and pointed out their disagreement with the project concept and approach to utilization of scarce grant resources. However a national government was in place during a large part of the implementation period for CEP II and III. Hence, while this assessment does not rate grantee performance for CEP I, it does rate it for CEP II and III on implementation.

3.43 As is already clear, in both CEP II and III, the World Bank exercised control over project implementation through a PMU which had been set up prior to the establishment of the formal national Government structures. The PMU staff, acting under Bank guidance, did what they could to implement the project. The relations between the PMU and the government were not close and it is not clear how well informed the latter was about the overall CEP program. Further, formal government structures were still getting strengthened during the implementation period for CEP II and III as limited capacity was one of the biggest constraints faced by the Government. Hence the Government was not really in a position to take control of the project or argue against it. Hence, under the circumstances Grantee Performance is rated **satisfactory** for CEP II and III.⁴⁷

46. An internal Bank report found in December 2001 that although many of the proposals had the environment impact sheet included, too often this just stated that there were no environmental impacts. The document noted the need for technical facilitators and assistants to have better training to identify environmental impacts. Of special concern were roads built to villages in the mountains from which communities were moved in Indonesian times. The communities returning to their previous homes were building roads where there were often no roads before. The report noted the need for reporting such cases to the ETPA environment group. Similarly, the report found that land acquisition forms stated that there was no land acquisition when often, especially in the case of the new roads, privately owned land had been used.

47. Bank staff in their comments disagreed with the satisfactory rating for Grantee Performance.

4. The Agriculture Rehabilitation Projects (ARP I and ARPII)

4.1 This chapter separately assesses the experience of the two agriculture projects. Only ARP I was meant to be an emergency recovery operation; ARP II was designed to move beyond the emergency phase to deal with longer-term development challenges.

AGRICULTURE REHABILITATION PROJECT (ARP I)

OVERVIEW

4.2 The Agriculture Rehabilitation Project aimed at achieving (i) improved food security of selected poor households and (ii) increased agricultural production in selected project areas and promoting rural growth. The objectives remained unchanged throughout the project period and were to be achieved through four components:

4.3 *Priority productive asset restoration* that included vaccination campaigns for cattle, buffaloes, pigs, and chickens; provision of chicks, buffaloes, and Bali cattle to farmers; and simple farm tools to needy people and farmers' information campaigns;

4.4 *Irrigation and rural infrastructure studies, rehabilitation and maintenance* that included feasibility and engineering studies, community works on irrigation and access roads, training and irrigation technical assistance;

4.5 *Pilot agriculture service centers (PASC)* including procurement of equipment and vehicles for five centers, support to Agriculture Faculty of Timor-Leste University, procurement of radios and establishment of community radio stations, local and international training and technical assistance;

4.6 *Project management unit strengthening* to provide for recruitment of local and expatriate staff; technical assistance in procurement, financial management and enterprise management; training of local staff; equipment, vehicles and operating costs of project management unit.

4.7 The grant was amended on August 3, 2001, May 29, 2002, and June 28, 2002, to reallocate expenditure categories and allow for a minor procurement adjustment. Project activities were substantially completed by the time of the original project closure on June 30, 2002; however, on June 26, 2002, IDA agreed with MAFF to extend the grant until September 30, 2002, to allow for the distribution of the last batch of Bali cattle and completion of an irrigation scheme.

Box 4.1 ARP I at a Glance

Project Objectives: (i) Improved food security of selected poor households
(ii) increased agricultural production in selected project areas and promoting rural growth.

Project Components

1. Priority productive asset restoration (planned cost US\$3.0 million, actual cost US\$2.7 million)
2. Irrigation and rural infrastructure studies, rehabilitation and maintenance (planned cost US\$1.1 million, actual US\$2.7 million)
3. Pilot agriculture service centers (planned cost US\$3.4 million, actual US\$0.7 million)
4. Project management unit strengthening (planned cost US\$0.5 million, actual US\$1.4 million)

Important Dates

Signed: June 21, 2000
Effectiveness: August 22, 2000
Mid-Term Review: May 2001
Closed: September 30, 2002

PROJECT DESIGN AND IMPLEMENTATION EXPERIENCE

4.8 The project was a poverty targeted intervention designed to encourage community-based activities particularly in rehabilitating access roads. The PASCs were also meant to be community-owned and operated businesses that were to provide agricultural services and supplies on a demand-driven basis. Since the trust fund did not have all the necessary funding at the time of project design, it was to be supported through two grants. The first grant (US\$6.8 million) was to finance priority activities to be carried out during the initial 12 months. The second grant would finance the remaining activities. However, during the period of implementation of ARP I only the first grant was available. The second grant eventually became ARP II.

4.9 Procurement delays, weak in-country capacity, and inadequate coordination between staff at various government levels had a negative impact on project implementation, but are fairly common issues in Bank-supported agricultural projects. In Timor-Leste, however, project implementation was also handicapped by several issues specific to the country's post-conflict context. In the immediate aftermath of the conflict, UNTAET's Interim Department of Agriculture and Rural Development, subsequently designated the Division of Agriculture Affairs,⁴⁸ was just getting established and issues relevant to hiring and employment of staff had not been sorted out. For example, several East Timorese staff working on the project were on month-to-month contracts with UNTAET and did not have the commitment to the project that is found in regular government staff. The effect of the weak in-house capacity to implement the project was felt even more when there were delays in the appointment of East Timorese field agriculture officers in some districts and in the appointment of the Deputy Director of the PMU. The continued assignment of foreign experts as district agricultural officers created a dual power structure. While the PMU was created with the objective of building project management capacity within the Division of Agriculture, in the early years there were problems with its integration as it was well funded whereas the Division of Agriculture Affairs was not, and consequently there were differences in salaries between the staff, leading to resentment. Lack of understanding of procurement procedures and delay in arrival of vehicles for supervision further handicapped project performance. There was also a lack of good coordination between staff at central, district, and community levels.

4.10 Implementation was slow in the priority productive asset restoration component because of delays in procurement and identification of beneficiaries for distribution of hand tools, cattle, and chicken. The first shipment of 25,000 hand tools was of poor quality and a large number of these were abandoned by farmers. On the recommendation of the October-November 2000 Bank Support/Supervision Mission, the livestock vaccination campaign was accelerated and expanded to compensate for the delay in distribution of productive assets. But acceleration weakened the quality of the program, which was further handicapped by lack of adequate arrangements for notifying farmers in time about vaccination start dates as well as proper arrangements for refrigeration of vaccines. The establishment of PASCs was delayed because of the lack of familiarity with setting up private sector organizations and at mid-term, the number of PASCs was reduced from five to three. Establishment of the community radio stations was postponed initially until the elections to prevent their use for political purposes. At mid-term it was agreed that the CEP would take the lead in establishing community radio stations, with ARP focusing on the provision of radio equipment and informational programming.

48. Which later became the Ministry of Agriculture and Fisheries.

RATINGS

Relevance

4.11 The assessment of relevance considers the relevance of the project objectives as well as their translation into the project's design. On balance relevance is rated **substantial**. Given agriculture's key position in the economy, the objectives of improving food security for the poor and increasing agricultural production and growth were very relevant for the country. In the aftermath of the violence the project focus on the lowland areas where farmers had lost most of their assets and had become even more vulnerable to crop failure and natural disasters was justified. However, there were four shortcomings in the project's design.

4.12 **First**, the project design assumed that after the violence the country was "starting life with a clean slate" and that it was possible to "design the framework for agriculture from the ground up." This unrealistic assumption led the project to include support for activities like PASCs, which were not suited to conditions in Timor-Leste so soon after the crisis. PASCs were to provide agricultural services to farming communities on full cost recovery arrangements. Until mid-1998 there had been government subsidies on fuel, fertilizer, and rice. A government agency provided farmers with inputs and then purchased outputs at set prices (Republica Democratica de Timor-Leste 2004; see also Box 4.2). It is not clear how it was expected that these PASCs would operate since most Timorese farmers lived outside the money economy and were unfamiliar with business principles under which the PASCs were expected to operate. Farmer ownership and responsibility for business decisions were also new concepts. The difference between the PASCs and the former government-oriented units was not made clear. Critics have questioned whether the establishment of the PASCs might actually have worsened the state of many East Timorese farmers.⁴⁹

4.13 **Second**, the project was very ambitious and the design did not adequately recognize the weak capacity in the country to implement the operation. Project implementation was to proceed on all fronts while the government staff were still being recruited and trained. This handicapped project implementation. There was also an unrealistic expectation that there would be a transfer of capacity from international advisors to local staff as the project was implemented and the capacity constraint would hence be addressed. However, communication between advisors and national staff at the middle and local level was limited because of language barriers.

49. "The most controversial component of the project is the plan to establish the commercially-run Pilot Agricultural Service Centers...thus rather than receiving agricultural services and input at (lower) prices subsidized by the state, farmers will pay "free market" prices.... While the Bank defends this approach by saying that given the priorities of the East Timorese leadership the country cannot afford to subsidize agriculture...the destruction of September 1999, the resulting intensification of rural socio-economic insecurity, and the very serious land tenure disputes as a result of the Indonesian occupation mean that it will be too expensive and risky for many East Timorese farmers to do business with the PASCs. In this regard, the establishment of the PASCs could actually help to worsen the state of many East Timorese farmers." The La'o Hamutuk Bulletin La'o Hamutuk, December 2000.

4.14 **Third**, not all the subcomponents that were included in response to the emergency were relevant for the poorest in the communities. For instance, cattle owners who had lost their livestock during the violence were among the richest in the villages and it was these individuals who received animals from the subcomponent.

4.15 **Fourth**, irrigation rehabilitation work using paid community labor was considered a priority. Labor was paid with the intention of providing immediate relief to the population. But little thought was given to the long-term implications of paying wages for deferred maintenance. This practice appears to have reinforced the expectation in the communities that the government would be responsible in the future (as in the past see Box 4.2) for maintenance of assets. This has made it difficult for subsequent efforts to strengthen and promote water user associations that are expected to undertake maintenance from resources raised for that purpose (see also Sustainability, below).

Box 4.2 Agriculture Sector Administration in East Timor During Indonesian Times

The Governor of East Timor was assisted by several agencies, such as the Regional Development Planning Board (BAPPEDA) and the Regional Investment Coordination Board (BKPM). Development carried out at a *kabupaten* (district) level was not only supervised by the Governor but also directly monitored and coordinated by assistant governors supervising the head of districts (*Bupatis*). Three assistant governors coordinated development in East Timor. The Regional Government of East Timor consisted of five bureaus, one covering the agriculture sector. Government tasks were carried out by technical agencies, and different agencies had the responsibility for supervising agricultural food crops, plantation crops, and livestock, fishery and forestry. Just before independence, therefore, the villagers were dependent on the government for support on a number of activities: rehabilitation and maintenance of irrigation structures, extension, supply of inputs, among others. For example, each village had at least one extension agent supported by a large number of technical and administrative staff at both the district and national levels. While the effectiveness of the extension provided varied considerably the system served as a mechanism for implementing state programs. There was also heavy reliance on the provision of free and subsidized inputs, purchase of outputs and payments to farmers for involvement in activities.

Source: Pedersen and Arneberg 1999, Oxfam 2004

Efficacy

4.16 Project efficacy is rated **substantial**. The project made an important contribution to supporting recovery of the agriculture sector. However, there were several shortcomings in achieving the project objectives. The paragraphs below discuss project achievements by objective.

Objective 1: Improved food security of selected poor households (Mostly Achieved)

4.17 The project helped create some 120,000 person-days of labor, providing a much needed infusion of cash into rural communities. It was also successful in meeting several quantitative targets for distribution of tools and livestock, though there were high mortality rates particularly among chickens distributed. Buffaloes and Bali cattle were distributed to 2,552 farm families. Since livestock is a source of food security reserve in Timor (Annex B), distribution of livestock is likely to have improved the short-term food security of the receiving families. The completion report notes that there was a reduction in months with limited food for poor households from seven to five, though it is difficult to say how much of this was because of the project and an FAO report also found that effective means of monitoring basic food security indicators to be an outstanding issue (FAO 2003). Targets for vaccination of cattle and other livestock were also met, but there is little information on how successful the vaccination program was in preventing disease outbreaks. Supervision reports note that not all animals were vaccinated as large numbers remained inaccessible in upland areas. Further, vaccination was sometimes conducted after the disease seasons had started rather than before, limiting its usefulness. That said, the project did help in laying the foundation for a national vaccination program.

Objective 2: Increased agricultural production in selected project areas and promoting rural growth (Partially Achieved)

4.18 Several quantitative targets for rehabilitation of community irrigation schemes and access roads were achieved.⁵⁰ However, because of inadequate M&E and weak capacity within the PMU to supervise, it is difficult to say how much the project contributed to yield increases. Moreover, the quality of

rehabilitation work carried out is of concern. Supervision missions have noted that several structures were poorly designed and have raised quality concerns. The Ministry of Agriculture and Fisheries evaluation report on the project notes that communities also sometimes made unilateral changes to the design of physical works since procedures had not been explained to them. It is also not clear how meeting these quantitative targets contributed to improvement in yields. Moreover, in about half of the schemes rehabilitated, the rivers dry up in the summer, hence, the schemes have not helped increase the number of crops produced. The PASCs were expected to contribute to agricultural production. While three PASCs were established none were able to operate on business principles by project closing. Indeed, the Alieu PASC is in the process of being wound down and its assets are being liquidated. A qualitative survey carried out to assess the impact of the farmers' information campaign found that farmers had little recall of the activity.

Efficiency

4.19 An economic rate of return (ERR) was estimated at appraisal and completion. At appraisal the ERR was calculated to be 23 percent and at completion it was re-estimated at 22 percent. The coverage of the analysis at completion was wider compared to that done at appraisal and included the national vaccination programs, rural roads rehabilitation and rehabilitation of community irrigation schemes. This assessment has major concerns with the re-calculated rate of return as presented in the completion report. However the assessment was not able to undertake a rate of return calculation because of lack of availability of complete data. Project efficiency is hence **not rated**. The concerns are noted below.

4.20 **First**, the ERR estimate at completion assumes an improvement in rice yield because of rehabilitated community and large irrigation schemes (Table 4.1). However, data from FAO do not support the projected yields. The FAO report (June 2003) notes that with assured water during the cropping season, yields of around 1.8 tons per hectare are obtained.⁵¹ Higher yields than this require fertilizers and improved varieties of seeds, which were not widely applied due to high prices and unavailability. In fact, a MAFF report shows that even in Oecussi where farmers who used fertilizers and pesticides in Indonesian times now find that high prices make it difficult to do so (MAFF 2003). Further, farmers have been unwilling to take credit because they are not certain that they can sell their produce because of the competition from imported rice.

Table 4.1 Estimates of Rice Yields Used in ERR Analysis at Completion

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Yields tons/ha (community schemes)	1.5	1.6	1.9	2.3	2.5
Yield tons/ha (large schemes)	1.5	1.8	2.1	2.5	2.8

Source: Project files

50. 109 kilometers of rural roads were rehabilitated as apposed to appraisal target of 100 kilometers. On the irrigation component the original target included engineering studies for 5,000 hectares of light to medium-damaged irrigation schemes, rehabilitation of 2,000 hectares of community irrigation schemes. These targets were also achieved or exceeded.

51. Bank staff in their comments quote a July 2004 internal report to show that higher yields were subsequently achieved though they acknowledge that the original expectations were ambitious.

4.21 **Second**, the estimation of benefits for the rehabilitation of community roads component at the completion stage was based on the experience of the National Watershed Management and Conservation Project in Indonesia. That watershed analysis is not relevant for the Timor context where small lengths of roadway were rehabilitated all over the country. In the calculations made for ARP I the benefits in the Indonesia project were adjusted upward on the assumption that the roads were connecting agricultural areas to markets and therefore the multiplier effect would be higher. However, most of the farmers in Timor are subsistence farmers for whom market access is of minimal importance.

4.22 **Third**, the first shipment of hand tools (25,000) was of poor quality and largely abandoned by farmers. A large number of doses of vaccine were also wasted because they were improperly stored. It is not clear whether these inefficiencies were considered in calculating the cost-benefits from Component 1. Also, analysis for that component assumed a 20 percent mortality rate among chickens. In fact, the rate was reported to be much higher even by the project completion report.⁵²

4.23 **Fourth**, the calculation assumed sustainability of the benefit stream, which does not hold particularly for rehabilitation of irrigation schemes. Supervision reports for ARP II revealed that many rehabilitated structures did not last beyond one season.

4.24 **Fifth**, in assessing efficiency, it is important to note that weak implementation capacity at the design stage was addressed by involving a considerable number of international advisors (for procurement, financial management, monitoring and evaluation, project management) that absorbed a large amount of project funds— thirty-one percent of the total project cost was used for consulting services. It is not clear whether the calculations of the cost stream for the rate of return took into account these overhead costs.

Outcome

4.25 Based on the assessments of substantial relevance and efficacy, and the uncertain efficiency, overall outcome is rated **moderately satisfactory**.

Sustainability

4.26 Sustainability is rated **unlikely** even though there was a follow-on project. The project design at appraisal mandated that the local communities take over responsibility for maintaining the secondary and tertiary irrigation systems and for managing the PASCs. This has not happened. In fact, community commitment to rehabilitation activities is questionable, based on evidence in project supervision reports. In the past, farmers have either been unable to or have shown little interest in maintaining irrigation schemes, and have relied on government for maintenance and rehabilitation (Republica Democratica de Timor-Leste 2004).

4.27 It is unclear whether the government will be able to sustain the vaccination program without Bank support; already it has found it difficult to ensure maintenance and replacement of motorcycles to field staff because of lack of resources. The departure of UNTAET led to deterioration of the power supply with implications for maintenance of the cold chain required for vaccine refrigeration. The Village Livestock Workers scheme begun under ARP II also has faced difficulty due to lack of willingness (or ability) of farmers to pay for the vaccination services.

52. "Surveys suggested that chicken mortality rates were 30% to 50%. Individual interviews in villages by the Implementation Completion Report (ICR) mission found mortality rates closer to 70%." ICR page 5.

4.28 The three PASCs established just a few months before project closing have not been able to reach sustainable levels of activity even after ARP II (see Project Assessment of ARP II). The PASCs were designed to be businesses that dealt with large quantities of agricultural produce—quantities that have yet to materialize. Most of the agricultural produce in Timor is never brought to market as subsistence farming predominates. Farmer knowledge of the PASCs and market conditions is also limited. Those willing to sell their produce have found the PASCs' prices unattractive because production costs have been high and market pressures have prevented the PASCs from offering higher prices. The PASCs have faced competition from other traders due to lower business skills and fewer linkages with intermediaries. While renting of trucks has provided returns, margins have been thin. Some of the PASCs have also faced management challenges.

Institutional Development Impact

4.29 Institutional development impact is rated **modest**. The project itself has provided an opportunity for the division of agriculture (and subsequently the ministry) to build specialized capacity on various agricultural subsectors. A large number of staff was trained on various topics such as irrigation technology, farming systems, extension systems, PASC management, etc., though the specialized capacity did not help build general administrative capacity in MAFF to coordinate activities and provide oversight for the large range of activities supported under the project. Capacity for procurement and financial management continues to be weak. International advisors continued to provide most of the essential planning and analytical inputs to the project. The transfer of capacity from international advisors to national staff has been slow and was picked up as a concern even in ARP III. The primary focus of the advisors was on implementing project activities not training national staff.⁵³

Bank Performance

4.30 Bank performance is rated **satisfactory**, but only marginally so. The Bank can be credited for being responsive and putting together a project very quickly. The Bank task team also provided close supervision and feedback for appropriate action on problems. However, as seen in the section on relevance, there were several significant weaknesses in project design which arose partly because of the pressure to respond quickly. The project was also overly ambitious and put a substantial burden on the ministry staff to undertake and oversee a large range of activities. Outcome and output indicators identified in the appraisal document appear reasonable for monitoring progress toward project objectives but not all of them were reported on at the completion stage. Government officials interviewed by the assessment mission felt that they were not treated as partners even during the implementation of the ongoing third project.

Grantee Performance

4.31 It is not appropriate to assess the performance of the grantee as UNTAET was the recipient and implementing agency for most of the project period. No national government existed during the initial reconstruction period. The World Bank exercised control over project design and the international advisors under the direction of the World Bank exercised key control over project implementation. Therefore the performance of the grantee is **not rated**.

53. "During the course of implementation the role of the advisers did not noticeably shift from direct management and operations towards consultation and support. In general advisers have not felt able to give more responsibility for planning and decision-making to middle-level national staff." MAFF 2002.

SECOND AGRICULTURE REHABILITATION PROJECT

OVERVIEW

4.32 The objective of the Second Agriculture Rehabilitation Project (ARP II) was to improve the food security of rural families and to increase agricultural production in selected areas of Timor-Leste. The objective remained unchanged throughout the project's implementation period. The project was a follow-on to ARP I and was designed to move beyond the emergency phase to deal with longer-term development challenges in the agriculture sector. Project objectives were to be achieved through four components:

- a *Pilot Participatory Development and Natural Resource Management* component to pilot an approach to strengthen the resilience of poor farming communities by helping them improve the management of their natural resource base and diversify their income;
- a *Rapid Infrastructure Rehabilitation* component to increase agricultural production in irrigated areas rehabilitated by the project and stimulate off-farm employment in selected rural areas;
- a *Services to Farmers* component to provide essential services to farmers to help them bridge transitional difficulties associated with lack of information, unavailability of production inputs, shortage of cash, and poorly working markets. There was also a subcomponent to build linkages with Consultative Group for International Agricultural Research (CGIAR) international centers; and
- a *Program Management* component to help the new government evaluate policy options, help upgrade core skills of agriculture staff, and oversee the implementation of the agriculture program.⁵⁴

Table 4.3. ARP II at a Glance
Project Objectives: (i) Improve the food security of rural families; (ii) to increase agricultural production in selected areas of Timor-Leste;
Project Components:
Pilot Participatory Development and Natural Resource Management (appraisal estimate US\$0.89 million, actual US\$0.77 million)
Rapid Infrastructure Rehabilitation (appraisal estimate US\$2.71 million, actual US\$2.92 million)
Services to Farmers (appraisal estimate US\$3.10 million, actual US\$2.68 million)
Program Management (appraisal estimate US\$2.21 million, actual US\$2.36 million)
Important Dates:
Signed: October 29, 2001
Effectiveness: December 11, 2001
Mid-Term: February 2003
Closing: 15 June, 2005

4.33 Total project cost at appraisal was US\$8.91 million, which included US\$8.0 million from TFET and US\$0.9 million from CFET. Actual cost was US\$8.73 million since CFET funding (government counterpart funding) was reduced to US\$0.73 million. The grant was amended in June 2002 to allow incremental operating costs and purchase of agricultural products for the PASCs. The tasks set out in the original design were ambitious given the low capacity in the ministry and the short time frame (27 months) and the project required several date extensions. The project ultimately closed on June 15, 2005.

54. The project also included a US\$1.0 million grant for the Rehabilitation of the Hera Fishing Port, which was managed by the Asian Development Bank under a separate but parallel Grant Agreement and hence is not covered in this assessment.

DESIGN AND IMPLEMENTATION

4.34 ARP II continued several activities begun under ARP I. The subcomponent on sustainable animal health services continued the veterinary vaccination program, while providing training and starter kits to a cadre of private (about 200) village livestock workers (VLWs) who would assist farmers in the simple treatment of diseases and improve their access to veterinary inputs. The PASC subcomponent was to help consolidate and operate the three PASCs established under ARP I. The Rapid Infrastructure Rehabilitation Component was to continue supporting rehabilitation of irrigation schemes and farm-to-market access roads. It also provided support for water user associations (WUA). The pilot participatory development and natural resource management component was new and primarily was to target upland and coastal communities, which had solid local governance and traditional leadership in seven districts (Baucau, Covalima, Dili, Litem, Liquica, Manufahi, and Oecussi).

4.35 The biggest implementation challenge was the limited capacity in MAFF both at the center and in the field to implement the project and monitor, facilitate, and supervise activities. Moreover, two of the project components involved community participation and the capacity within MAFF to implement and monitor these components was even more limited. Most facilitators were former extension staff from Indonesian times and lacked the skills needed to moderate a genuine bottom-up process. Supervision reports reveal that choice of sub-projects under the pilot participatory component was not driven necessarily by community need and that some activities were on a scale that overwhelmed the capacity of the communities. Supervision missions also noted the difficulty in getting money from the central MAFF office to the villages, inadequate visits by facilitators to communities partly because of lack of availability of adequate transport facilities, and lack of timely information to farmers about vaccination campaigns.

4.36 The three PASCs, in Bobonaro (specializing in rice), Viqueque (specializing in copra and candlenut), and Aileu (maize and coffee) continued to operate at a loss and therefore the idea of establishing two new PASCs was dropped. In lieu of new PASCs, MAFF was to assist existing Rural Producer Organizations or private sector providers in the districts of Covalima and Lautem.

4.37 The mid-term review recognized the need to improve the quality of project interventions, to give urgent attention to improving communication with the field, and to improve the mobility of district staff. Project implementation was also negatively affected with the pullout of the UN after control was handed over to an independent government in May 2002. Access to phone lines and internet in the districts was reduced to a minimum, further constraining effective communication between the center and district staff. This particularly limited the effectiveness of the CGIAR Secretariat subcomponent because information from international agricultural centers could not be communicated to districts. A further challenge for this subcomponent was to translate information into a language and form easily understood by farmers.

RATINGS

Relevance

4.38 The assessment of relevance considers the relevance of the project objectives as well as their translation into project design. On balance relevance is rated **substantial**. The objectives were highly relevant to the country context and emphasis was given to analysis of key policy options to provide the new government with a range of choices on which to base future decisions. However, there were several critical design shortcomings. First, this assessment has concerns about the appropriateness of activities selected to meet the project objectives, particularly since ARP II

was meant to move beyond the emergency phase. For example, issues relevant to cultivation of maize and cassava, the two most important food crops in the country (Annex B table B.1) and most critical for ensuring food security for the poor, were not covered by the project.⁵⁵ Further, rice-producing *Sucos* (villages) also appear to be better developed than maize producing areas and since the project was moving beyond the emergency phase more emphasis should have been given to the problems of the less-developed regions.

4.39 Second, issues were not treated broadly enough. For example, both the ARP projects focused on rehabilitation of irrigation schemes to help increase rice production. However, too little thought was given to all factors that have implications for increasing rice production. Achieving the projected yields required not only an assured water supply but also fertilizers, seeds, and other inputs. However, the incentive for farmers to buy these products was low as domestically produced rice faces intense competition from imported rice. Farmers' incentives to buy and sell received little attention in the overall attempt at increasing rice production. It is understandable that these issues were not given much attention in the first project, which was an emergency operation, but they should have been picked up in ARP II.

4.40 Third, it is not clear that sufficient analysis had been done for some activities supported. For example, the project focused on rehabilitation of irrigation schemes for which presumably adequate feasibility studies had been carried out. However, the appraisal document for ARP III, which provides support for an agro-meteorological network, notes that such systems are essential for designing of irrigation systems. In the absence of basic rainfall and other related data, there are concerns about the rigor of the feasibility studies carried out.⁵⁶ Stakeholders interviewed by the assessment mission noted that the ARP projects went ahead with rehabilitation schemes without fully verifying the reason for lack of rehabilitation in the past. According to some, while neglect of maintenance was an issue, another reason why some schemes had not been rehabilitated was because they were not appropriate schemes to begin with.

4.41 Fourth, ARP I was an emergency operation but ARP II was meant to be moving toward tackling the long-term development challenges in agriculture. The experience of ARP I had highlighted the difficulty of implementing a project when government capacity is very weak. A substantial amount of scarce resources had been spent in the implementation of that project on foreign consultants who, because of lack of technically qualified personnel at all levels of the government, also performed in operational roles and as line managers instead of focusing on their

55. "Maize and cassava are the predominant subsistence crops grown in a Timor-Leste with plantings estimated at 121,000 and 91,000 hectares respectively. Very little of either crop is traded... Maize and cassava are complemented by a range of other food crops grown in mixed, inter-cropping systems. These subsistence-cropping systems act to reduce risk and spread the availability of food across the year. They are the logical starting point in attempts to improve food security for the rural poor, but have thus far received little attention. Yields of maize are low, but there is considerable potential to increase yields by varietal change. There is not yet a clear picture about post harvest losses in maize during the normal 8-month storage. Even small reductions in losses could have a significant impact on food security." (Republica Democratica de Timor-Leste 2004). Bank staff commented that those crops were supported through Component 1 of the ARP II project, although the Region's own completion report for the project notes that "An attempt at integration of food crops and livestock in the NRM component [Component 1] failed, and the MAFF team consisted mainly of staff with forestry and fisheries background and responsibility which may have biased activities towards NRM than to agriculture."

56. The appraisal document for ARP III recognizes the importance of this network for adequate design of irrigation systems. The appraisal document for ARP III notes, "At present, Timor-Leste lacks the means to collect agro-hydro-meteorological data on such basic parameters as rainfall, temperature, humidity, evaporation, and stream water levels, which are key for monitoring areas vulnerable to droughts and floods. They are also necessary for planning agricultural programs: the design of irrigation systems, for example, requires data on long-term rainfall patterns and intensities." The Joint Agriculture Donors Mission of January 2001 had also noted the lack of climate and soil data for planning of irrigation schemes—i.e., zoning of suitable areas for irrigation schemes through the integration of hydrological data with soils characteristics, topography, socio economic information etc.

advisory role. The project design was also very ambitious in including a participatory development and natural resource management component, implementation of which requires experience with participatory methodologies and intensive facilitation and supervision at the community level. Such a component stretched the limited government capacity even further.⁵⁷ It was imperative that the ARP II design have a strong institution-building focus with capacity development of the ministry as a direct project objective. Since this was not the case, the issue did not get the attention it deserved and a large amount of resources were again spent on consultancy services (see paragraph below on efficiency). It is only in ARP III that this issue has been given adequate importance and is included as an explicit project objective.

Efficacy

4.42 Overall project efficacy is rated **modest**. The project contribution to food security was limited: though it helped increase agricultural production, it did so less than envisaged at appraisal. The expectation at appraisal that double cropping in most of the irrigated areas would be combined with the use of fertilizer and high-yielding varieties by the end of the project was not met. The paragraphs below provide information on project achievements by objective.

Objective 1: Improve the food security of rural families (Negligibly Achieved)

4.43 Though a number of quantitative targets were met—number of hectares rehabilitated in community irrigation schemes, number of kilometers of access roads rehabilitated, number of animal vaccinated were reached—the project’s contribution to food security was limited for several reasons. First, the project did not attempt to increase the yields of crops like maize and cassava, staple food crops that are fundamental to improving food security. Second, though the Pilot Participatory Development and Natural Resource Management component was able to reach 30 of the 443 villages in the country the activities selected were largely confined to planting trees and constructing fish ponds; a broader approach toward improving livelihood systems and food security was only partly undertaken. Several of the activities supported were beyond the capacity of the communities to properly manage and utilize. Even in areas where production activities were successfully pursued, as in the case of some fish ponds, returns were limited because of the marketing constraints faced by farmers because of long distances from the market and high transportation costs. The project did support rehabilitation of 123 kilometers of farm-to-market roads (123 percent of the appraisal target) yet the roads rehabilitated were not strategically selected to ensure that they were able to support the implementation of other activities. Further, during implementation the road component was amended and limited to rehabilitation of structures, bridges, culverts, and roadside drains that would give longer-lasting improvements. The paving and pothole filling was discarded as this did not last long, particularly on steep hills. This means that the achieved targets do not necessarily mean that the infrastructure was rehabilitated completely.

4.44 On the positive side, livestock constitute the most valuable of farm assets and provide rural families with insurance against economic shocks and crop losses. Hence, the project’s reduction of livestock mortality through vaccinations contributed to improving food security.⁵⁸ The impact could have been much greater had more attention been given to getting information

57. The Social Appraisal Report carried out for the Third Agriculture Rehabilitation Project found that facilitating staff did not have the time to implement extended participatory planning processes with the community and saw their role as providers of technical support to this process. “In addition, existing MAFF programs tend to be supply driven rather than demand based. Until resources are specifically earmarked for demand based activities, bottom-up participatory planning outside of Component I may not result in any funding.” MAFF 2003

58. MAFF 2004.

on the vaccination program to farmers.⁵⁹ Two campaigns—for haemorrhagic septicaemia (HS) for cattle/buffalo and classical swine fever (CSF) for pigs—were conducted during ARP II and three million doses of Newcastle disease vaccine were also purchased and distributed. Two annual vaccination programs for both CSF and HF were conducted during ARP II. A total of 692,481 pigs and 381,842 cattle/buffalo were vaccinated. However, the impact survey found that less than half of the households interviewed had animals that had been vaccinated in the past two years. The vaccination of pigs had the highest response with 42 percent, followed by cattle/buffalo with 14 percent and chicken with the lowest at 1 percent.⁶⁰

Objective 2: to increase agricultural production in selected areas of Timor-Leste (Partially Achieved)

4.45 With a total of 3,908 hectares in 46 community-based schemes (186 percent of the appraisal target) rehabilitated, the project contributed to increased agricultural production though incremental production was less than envisaged at appraisal. The expectation at appraisal that double cropping in most of the irrigated areas would be combined with the use of fertilizer and high-yielding varieties by the end of the project was not met. Supervision missions also report design flaws in some roads and irrigation schemes and there are problems with maintenance.

4.46 PASCs were expected to contribute to increasing agricultural production. While the project provided support for the establishment and operation of PASCs, these were not able to function as business entities even in terms of having acceptable accounting and record-keeping procedures. The Alieu PASC has closed down. The assessment mission visited the Bobonaro PASC, reportedly the most successful of the three, but found little evidence of successful business activity. Internal reports also raise concerns about the lack of management capacity to run the PASCs effectively. The field work carried out in February 2003 in Bobonaro and Viqueque for the Social Assessment of the Third Agriculture Rehabilitation project found that in general the level of awareness about the PASC is extremely low, with many farmers never having heard of the organization. Indeed, the most stable service provided by the PASCs was transport rental. Sales of inputs (fertilizers, seeds, etc.) were much lower than expected due to shortage of cash with farmers and competition from the black market.

Efficiency

4.47 Efficiency is rated **modest**. There are concerns regarding efficiency of resource use since the weak implementation capacity at the design stage was addressed by involving a considerable number of international advisors that absorbed a large amount of project funds. Over 40 percent of the project costs were used for consulting services. Further, though a rate of return of 20 percent was estimated for the project at appraisal, the ICR concludes that the originally envisaged quantifiable economic benefits were too high for all but the livestock component. At the ICR stage, recalculation of a rate of return was carried out for the irrigation and vaccination investments. The recalculated rate of return for irrigation investment was 6 percent compared to 20.6 at appraisal. For the irrigation schemes with light to medium damage it was 3 percent, compared to 35 percent at appraisal, and for the community-based schemes it was 11 percent compared to 26 percent at appraisal. Without significant investments in extension activities it is

59. The impact survey also found that the success of the vaccination campaign partly relied on the information dissemination to farmers before the vaccination and many more respondents were satisfied with information before the vaccination of pigs whereas a very small percentage were satisfied with information before the vaccination of chicken.

60. A supervision mission reported similar findings.

impossible to achieve the yields projected at appraisal.⁶¹ The investments in the PASC did not show positive rates of return. For the vaccination program, however, the rate of return is reported to be about 23 percent compared to 28 percent at appraisal.

Outcome

4.48 Based on the evidence of modest relevance, substantial efficacy, and modest efficiency, IEG guidelines indicate that the project's outcome should be rated **moderately unsatisfactory**.

Sustainability

4.49 Project sustainability is rated **unlikely**. The follow-on ARP III project is attempting to address some of the major issues with implications for sustainability.⁶² However, even if these are addressed it is not clear that they would enhance the sustainability of activities carried out under ARP II.

4.50 Maintenance of rehabilitated irrigation schemes remains a major challenge. According to supervision reports, many rehabilitated structures did not last beyond one season. A long-term, sustainable approach to rehabilitation of irrigation systems would have required complementary investment in watershed management as silting of irrigation schemes due to soil erosion is a major problem. This was not done. WUAs continue to be weak and need considerable support to develop the community organizing skills required to develop functional operation and maintenance systems.⁶³ The technical expertise to handle maintenance is also often missing. Rehabilitation of irrigation structures was introduced in the first place because maintenance had been neglected. The fact that the government paid for the labor for rehabilitation of the irrigation schemes communicated to the farmers that the government would accept a maintenance obligation in the future. An impact survey carried out by the ministry notes: "farmers are still a long way off from self-reliance and sustainability in respect of paying for services [O&M]...the opinion was prevalent from programme employees that the population are still expecting the government and other agencies to "supply" services, which is a legacy from past systems of governance in Timor-Leste" (MAFF 2004). It is not easy now to turn the community around to take responsibility for maintenance.⁶⁴ Even without this additional challenge, the experience of several countries has shown that the formation and strengthening of WUAs is a long-term process. The same problem exists for maintenance of rural roads.

4.51 A clearer delineation of the Village Livestock Worker's role in treating animals (a paid service) and in protecting animals through vaccination (a free public service) is still needed through intensive information campaigns. The impact study found that there was a conflict between the free livestock vaccination offered by the government and the private VLW program, which depended on payment for services. Farmers are questioning the rationale of paying the

61. Bank staff in their comment dispute this statement. However, it is worth noting that the implementing agency, in its own contribution to the ICR, also found extension to be an important concern and notes that "Face-to-face interaction is the preferred mode of interaction between MAFF and their farmer and village clients."

62. Bank staff in their comments note that it is too early to assess the sustainability of ARP II.

63. Bank staff in their comments note that the fact that WUAs remained weak is normal for new institutions created in a post-conflict country.

64. An internal report noted in March 2002 that since ARP I allowed for payment of daily laborers, communities may be tempted to view the activity purely as income generation, rather than achieving the more fundamental goal of delivering water to the fields in the case of the irrigation schemes.

VLW while the other program is offered free.⁶⁵ MAFF faces budget constraints and the provision of transport to ensure the mobility of vaccinators remains a serious issue as well as the capacity to maintain a cold chain for storage and transportation of vaccines.

Institutional Development Impact

4.52 Institutional development impact is rated **modest**.⁶⁶ The project provided support for studies on food policy, forestry strategy, fisheries, and was instrumental in the development of important laws and legislation for fisheries and quarantine regulation. During project implementation, technical and project management advisors were integrated into MAFF's organic structure and the PMU was abolished. The project also contributed to building the capacity of Timorese staff in the MAFF through training activities, though shortage of technically qualified personnel remained. The project did not make a systematic attempt to improve the weak capacity in the MAFF. Effective transfer of capacity to Timorese counterparts from international advisors remains a major challenge for ARP III. Most of the capacity development that took place in the ministry was at the center and there was little impact at the district level. One reason for this was shortage of district staff, who were under severe pressure as they had to perform both managerial and extension roles.

4.53 M&E continued to be weak whether it was for use of project funds, or for monitoring the impact of information services or on crop yields. Because of weak M&E, the opportunity for learning, particularly from the pilot participatory development component, was limited. While the project has helped develop an understanding and political will for local participation, WUAs remain weak. While VLWs were trained, the Social Appraisal Report prepared for ARP III found that "The VLW program has not yet gotten underway. Although the first batch of VLWs have been selected, they have not yet been trained and equipped yet. As such it is difficult to judge how well they will be accepted and utilized by the farming community." MAFF 2003. The PASCs have had limited impact on the market.

Bank Performance

4.54 Bank performance is rated **unsatisfactory** for several reasons.

4.55 **First**, as already seen under the section on relevance there were several design weaknesses. The project became effective in December 2001 and there was no national government until May 2002. In the absence of a national government, the Bank exercised control over project design and had tremendous responsibility.⁶⁷ Yet important issues like capacity

65. "Farmers are still a long way off from self-reliance and sustainability in respect of paying for services. During the course of this study, the opinion was prevalent from programme employees that the population are still expecting the government and other agencies to "supply" services, which is a legacy from past systems of governance in Timor-Leste." MAFF 2004.

66. Bank staff commented that they disagreed with this rating.

67. Bank staff in their comments note that the project was prepared in very close collaboration with the Timorese staff of DAA/MAFF. However, senior government officials interviewed by IEG noted that they had differences of opinion with the Bank as to what were priority issues to be included in the project. The European Union 2000 report reporting on Government comments on the ownership of the entire reconstruction program notes "The Timorese agreed that the World Bank consulted them on work programs and on fund allocation..... However, they note that these consultations were often done at the last minute and did not give them enough time to comment on the documents to be presented to the Donor's Council....." The European Union Report also quotes World Bank comments on the ownership of the entire reconstruction program which state that "It is undeniable that the Timorese felt a lack of ownership over the process of reestablishing government and rebuilding the country, particularly during the transition period of 2000-01 and this feeling of disempowerment touched all aid programs whether UN, TFET or bilaterals."

building were not adequately attended to. The completion report notes that “Institution building and capacity strengthening was a recognized need, however, but was not made part of the development objective.” (ICR page 14). Further M&E was very weak in the first project and continued to be a major weakness of the follow-on project.

4.56 **Second**, the time pressure to respond quickly affected project design and implementation negatively.⁶⁸ The ICR notes: “Collection of information and analysis of key socio-economic and agronomic data on farming systems had started at the design stage. However, time pressure prevented a full integration of this information into project activities. A better understanding of farming systems and livelihood opportunities and a better analysis of the most severe pockets of food insecurity and its causes in both the upland and lowland areas could have led to an improved design or an early re-design of some of the project interventions and would have improved the projects overall outcome.” The project design also did not reflect other lessons emerging from the field. There was little time to systematically and effectively incorporate all the lessons of experience of the first project into the design and implementation of ARP II.⁶⁹ A very important weakness that remained was inadequate attention to clearly assessing the challenges to sustainability for activities begun under ARP I. Field experience should also have raised the need to reassess the focus on rehabilitation of irrigation schemes to promote rice cultivation, which continued to receive significant support under ARP II.⁷⁰

4.57 **Third**, conversations with stakeholders and a review of the literature indicate that the impact of limited local capacity on project implementation was not adequately assessed. Several deficiencies in internal procedures and accounting were identified in financial management reviews and supervision reports.⁷¹ There were also possible safeguard violations. Supervision missions raise concern about the environmental damage due to roads constructed during the project.⁷²

4.58 **Fourth**, the Bank also failed to provide adequate support through its procedures for some of the project components that it advocated. For example, PASCs were being supported since ARP I, yet simple procedures that could have enabled them to operate as private businesses had not been developed as late as mid-2003.⁷³

68. Bank staff in their comments disagreed with this statement and noted that there was time pressure to approve the second project because the first project had run out of funds.

69. It is important to acknowledge here that some lessons of experience were learned. For example, because of the learning that took place the technical design of roads and irrigation infrastructure rehabilitated was strengthened and the process for selection of the community irrigation schemes to be rehabilitated was an improvement on ARPI and quality control procedures were better as compared to ARPI.

70. “During Indonesian times, a strong emphasis was placed on rice production. This focus merits some re-evaluation in current times, given the higher importance of maize as a staple crop and the comparatively stronger resilience of traditional agriculture products in local markets.” Joint Agriculture Donors Interim Mission to East Timor January 2001.

71. Even as late as the mid-term review of ARP II, an internal report found numerous serious weaknesses in financial management amongst pilot villages. Bank staff commented that the fact that these weaknesses were picked up is an indication of a thorough supervision of a CDD activity.

72. Bank staff commented that these issues were resolved.

73. An internal report in June 2003, recommended that the accounting and record keeping of the PASCs be redesigned in accordance with accounting procedures that would be expected in a small trading business. It also recommended that concomitant training be provided to PASC staff and Management Committees and disbursement procedures for project funds be –de-emphasized. It noted that it was of critical importance to develop simple procedures that enable the PASCs to operate as private businesses and that procurement of agriculture inputs and simple outputs for the PASCs (with the exception of vehicles) be fully devolved to the centers, under the overall responsibility of the PASC advisor. A September 2003 internal report also found that some of the mechanisms found in small business enterprises—such as

Grantee Performance

4.59 Grantee performance is rated **satisfactory**. The project became effective before the national government took over though the major part of its implementation occurred when the national government was in position. The assessment of grantee performance is hence made only on the basis of their performance during project implementation. Given the low level of capacity in the government, considerable outside support from external advisors was needed for project implementation. However the government took increasing ownership of the project and worked diligently toward achieving project targets.

5. The Bank's Response to the Opportunities and Challenges in Timor-Leste: Summary Findings from Assessments

5.1 Based on the design and implementation experience of the five projects, this section now picks up the discussion begun in chapter two. It first discusses how the Bank responded to the three opportunities and the various challenges and then draws together the overall implications of the Bank's response for the effectiveness of these interventions.

THE BANK SAW THE PEACE AND THE AVAILABILITY OF RESOURCES AS AN OPPORTUNITY TO BE RESPONSIVE TO THE EMERGENCY SITUATION

5.2 To the credit of the Bank early steps were taken to prepare for a response to the crisis in East Timor (par. 1.8 and 1.9). That early activity allowed the rapid preparation of projects soon after TFET became active. Though projects were to be administered in accordance with Bank procedures, the procedures were streamlined to accelerate preparation, which was reduced to 3.5 months, compared to a Bank average of 15 months (Rohland, K and, S. Cliffe 2002). OP8.50 on Emergency Recovery Assistance, which permits combined identification/preparation/appraisal mission, was applied to the processing of grants. The approval was delegated to the Regional Vice President and project documents were made available to the Board for information.⁷⁴ Both CEP and ARP were prepared in record time, drawing on the expertise of staff working on Indonesia and the Pacific Region, and CEP was the first formal project formulated by the international community in response to the 1999 crisis.

5.3 Since there was no Country Assistance Strategy (CAS) for Timor then, the Bank's Transitional Support Strategy presented to the Board in November 2000, provided the framework for assistance through TFET. Basic poverty alleviation and reconstruction over the short term and analytical and advisory assistance on post-independence policy and governance issues formed key elements of this strategy.

physical verification of stocks, ensuring the payments for goods purchased are clearly identified and correspond to physical stocks in and out of the warehouse, and regular reconciliation of total sales receipts with banking deposits—were not fully established. The report also found that this was exacerbated by the present disbursement procedures where funds allocated to the PASCs had to be disbursed against invoices of goods and services purchased by the PMU. Bank staff commented that the fact that the functions were not delegated to the PASCs from the onset was not a reason for their failure as businesses.

74. "Given that TFET projects do not use Bank's funds, the approval is delegated to the RVP (Regional Vice President). TFET projects' PADs and grant Agreements are made available to the Board for information only. There is no discussion and the Board cannot oppose a financing approved by the RVP." European Union 2004.

5.4 A review of the implementation experience of the five projects shows that the production of quick immediate results was emphasized. However, as the project assessments have shown, TFET resources were not used effectively and efficiently and consequently did not produce acceptable long-term development outcomes. With the benefit of hindsight it is easy to see why this happened. Apart from the need of the affected population to see immediate results, in a post-conflict environment donor pressure to achieve early results is also likely to be high (World Bank 2003a). A reality of post-conflict Timor, which can easily be forgotten in an ex-post review, is the near total destruction—breakdown of institutions and governance, widespread suffering, and massive population displacement—to which international community wanted to respond as quickly as possible. The Bank is not a humanitarian institution, but under these circumstances, Bank staff, too, came under pressure to show results that could alleviate immediate suffering.

There Were Immediate Results

5.5 The CEP and ARP projects successfully ensured that resources were quickly available to rural communities and remote areas. The projects also helped create considerable temporary rural employment and provided an infusion of cash into these communities. The CEP projects also succeeded in building a large amount of basic infrastructure, while ARP I distributed agricultural tools and livestock to a large number of people who had lost these assets during the crisis. These were by no means small achievements and Bank staff worked under extremely difficult circumstances with poor communication and little in-country capacity to support implementation. Further, rapid and visible results in the early post-crisis period on a national scale are essential to build confidence and meet expectations.⁷⁵

But Not Necessarily the Best Ones

5.6 Getting resources quickly to communities was not a stated CEP project objective and doing so came at the expense of the project's community capacity enhancing objective. The unstated goal built pressure for quick disbursement of money. At the same time, the stated objective of "strengthening local level social capital" required that time be spent preparing communities to effectively manage CEP funds. There was a conflict among the unstated and stated objectives and during implementation the unstated objective overtook the stated one. In assessing the achievements of objectives and outputs under the project, the Bank's own completion report for the CEP project notes that providing "a quick and effective transfer of resources to poor communities in the post-conflict transition" was the first objective. In fact, the report puts the stated project objective of strengthening "local level social capital" last among the three objectives that it notes (ICR page 11). The assessment mission's discussions with community members and with other stakeholders reveal that the community saw the project as a source of income or aid, not as an investment in their capacity. This was not a positive development.

5.7 The CEP was designed on the basis of the findings of the JAM mission, which noted that almost 80 percent of social infrastructure (schools and clinics) had been destroyed during the violence. The first round of grants was to be focused on priority rehabilitation or emergency village needs. However it is questionable whether the infrastructure constructed in that phase met "emergency village needs." About 50 percent of the resources of that phase went into the construction of community centers. No resources went into school and health infrastructure, which was a major JAM concern and which a joint government-civil society study found was a

75. "Public expectations of the benefits from peace are likely to be high. After suffering from war, the people expect a 'peace dividend' and want it immediately, even though such expectations are inevitably unrealistic." World Bank 2003a.

priority and a pressing community need.⁷⁶ Hence, the Bank's focus on creating social capital and empowering communities to carry out development appears to be a less appropriate response to the JAM concern than simply focusing on rebuilding the lost infrastructure first and secondarily working on community capacity.

5.8 It has been argued that the project did not support reconstruction of infrastructure because this was being done under other projects. CEP, as designed, allowed communities to exercise choice in selecting sub-projects. However, facilitators hired by the project helped communities decide which investments they should choose and those facilitators seem to have influenced decisions. A project that aims to put communities in a decision-making position must necessarily accept their identified priorities if community-driven development is to have any meaning—even, as in this case, if their choice is not the best way to address overall development concerns. Supervision reports show that community centers were selected because there was insufficient time for planning and discussion and the centers were a “quick” non-controversial solution. Hence while a genuine community-driven approach may have considerable potential, when a project using that approach is implemented under time pressure, actual results may not reflect community genuine needs nor the goals of reconstruction.

5.9 In ARP I, the distribution of livestock to those who had lost their animals during the violence was an important objective. It was only later realized that the people who owned livestock in the first place were the richest in the communities. Hence, replace that livestock was not in keeping with the poverty reduction objective of the project.

And the Projects Also Had Several Design Shortcomings

5.10 The project assessments rate the outcome of CEP as unsatisfactory, of ARP I as moderately satisfactory and ARP II as moderately unsatisfactory. Sustainability in all cases is assessed as unlikely. Assessment of the design and implementation experience of the two groups of projects shows two additional shortcomings that arose because of the pressure to respond quickly.

- the political, social, and economic context in which the projects were to be implemented was not given adequate attention;⁷⁷
- adequate care was not taken to balance immediate reconstruction needs with priorities for long-term development.

5.11 The difficult conditions under which Bank staff worked in the post-conflict situation also made it difficult to recognize these shortcomings. The experience of the CEP and ARP projects shows that even several well known and fairly common lessons of experience were forgotten in

76. Joint Government-Civil Society Study of Development Projects 2004.

77. A CEP commissioned study of traditional power structures cautioned the project to not undermine the role of traditional leaders. “While empowering the Village Development Councils as development agents at the village and sub-district levels, attention should be paid *not to undermine the role of the village- and hamlet chief*, who until now have served as the point of contact for projects in the community. They usually have a broad knowledge of the local situation and should not be excluded from the CEP decision-making process. Interestingly, although they were not formally included in the process, in many places they found a way to dominate the discussions and influence the outcome. Traditional leaders could be formally appointed to the Village Development Councils. To avoid their domination of the councils, elected council members should be empowered through training and education in development issues. In this way they could achieve more credibility, gain the trust of the community and be in a more equal position in relation to the traditional leaders. Council members should not be in a position hierarchically inferior to the traditional powers. This composition would ensure that the knowledge of the traditional leaders is integrated into the decision process. At the same time the elected council members could make use of their formal power and, in the long term, could start challenging the traditional powers.” (Ospina and Hohe, pg. 146)

the attempt to achieve quick results: the need to adequately understand ground level reality; the importance of a proper monitoring and evaluation system; the difficulty of providing credit in a sustainable way; the need to tackle issues in their totality to get effective results. These are discussed below in the context of the five projects.

Understanding of Ground Level Reality Appears to Have Been Weak

5.12 The design of both groups of projects was based on a weak understanding of ground level reality and country context. The ARP I assumed that because the agriculture sector in Timor suffered severe destruction in 1999, the country was starting from a “clean slate” and the framework for agriculture could be designed “from the ground up.” Hence, the first project set out to promote Pilot Agriculture Service Centers (PASCs) to provide agricultural services to farming communities on full cost recovery arrangements without recognizing that in Timor the majority of the farmers lived outside a money economy and were not familiar with the business principles under which the PASCs were expected to operate. Further, though improving food security was a project goal, neither ARP I nor ARP II focused on issues relevant for increasing the yields of staple food crops like maize and cassava (see also par. 4.38).

5.13 Many analysts have also questioned the suitability of the CEP design for conditions in Timor-Leste. CEP was based on the Kecamatan Development Project (KDP) in Indonesia, which had been designed specifically to overcome the limitations of the local government system in Indonesia and to build community participation in local development planning and decision making to avoid the lack of transparency, corruption, and problems inherent in the Indonesian system. Post-conflict East Timor was very different from any province in Indonesia. However, following the model of KDP, very few grants under CEP were used for rehabilitation of social infrastructure, though that was a priority need. Analysts have also noted that project manuals and training, which were based on the experience of the Indonesia KDP, may have systematically discouraged investment in social infrastructure. A large number of CEP facilitators also had worked under KDP and likely brought their experiences and biases with them. As the CEP project assessment shows, the objective of the CEP project to create institutions of local governance was unrealistic and did not take into account the village-level power structure. The recent Human Development Report (UNDP 2006) also notes how the CEP, in setting up a parallel system of decision making, undervalued the existing capacity of communities.⁷⁸

The Rural Finance Lessons of the Past Were Disregarded

5.14 The lessons of the past show that providing credit as a part of a grant program is not effective unless it is part of a carefully prepared rural finance intervention. The CEP was not a financial sector project and credit was included as a subcomponent. The focus was primarily on micro-credit delivery without attention to broader issues of micro-finance services such as deposit facilities, saving schemes, training for cash flow monitoring, and the like, which are equally important to credit availability. Grant-funded credit programs are particularly unsound because they lack accountability, ownership, and have recovery issues (Cordero 2000). The project assessment found that the subcomponent was not effective. Communities lacked information about how the schemes were expected to operate and the selection of individuals for the credit program was not transparent, which led to significant elite capture. Analysts have also raised

78. “Many recent development projects have, not, however, taken this lesson on board, ignoring traditional structures and instead trying to build new ones that seem unlikely to survive when the project stops. The TFET Community Empowerment Project, for example, initially tried to bypass the existing Suco leadership and instead established a parallel mechanism for decision making. While this appeared appropriate in theory, in practice it failed to build any consensus behind its decisions and thus was unable to implement them.” UNDP 2006.

concern about the potential negative impact on the emerging credit culture in a country by providing credit outside a carefully prepared rural finance intervention (Conroy 2004). Project files show that the risk of including credit was brought to the attention of the Bank at the project concept review meeting. Conversations with Bank staff who worked on CEP reveal that they were aware of the risks of including a credit component, but nevertheless included it because of the need to inject liquidity to stimulate economic activity. What was the alternative in that environment? IEG notes that greater liquidity could have been injected by putting more resources in the grant program. Bank staff also note that the CEP credit component was meant to be a very short-term solution to an immediate problem until the ADB micro-finance project became effective and began contributing to the goal of financial sector reconstruction. However, the number of loans made was substantially greater than originally planned. The total value of loans made by end-August was US\$1.305 million and the total repayment was only 31 percent.

Tracking of Inputs, Outputs and Outcomes Was Not Given Adequate Attention

5.15 Adequate tracking of input, outputs and outcomes is a necessity in any project. In the fluid post-conflict situation in Timor, it was also important to provide feedback about the adaptations that are needed in project design to ensure that the project goals and implementation are in keeping with the emerging context. This did not require the setting up of a baseline. IEG's review of the Bank's post-conflict experience (World Bank 1998) noted: "The post conflict context requires that operations receive more intensive monitoring to ensure the continued relevance—as well as effectiveness and efficiency—of the portfolio." In both the CEP and the ARP projects, M&E was weak in tracking project outputs and outcomes. In addition, particularly in the CEP, there was no system in place which could provide a feedback about design and implementation. This turned out to be a serious handicap. The ICR notes, "the Bank team did not succeed in implementing the kinds of adaptations that would have been necessary to work within the environment that emerged. Chief among these was a failure to find a successful form of sustained interaction with district government, both during the UNTAET period and during the transitional and independence periods that followed" (ICR, page 4). Further, the fact that project-established councils did not fit well with traditional patterns of social organization was an issue for M&E to pick up and provide feedback. However, because of the lack of informed feedback and also because such a role had not been visualized for M&E, an opportunity was lost to adjust the design mid-course so that CEP councils could become more than just conduits for donor resources. There were three CEP projects and there was ample opportunity to correct the design after the first project if M&E had been used affectively. However, the CEP councils continued to function the way they were originally designed through the three projects and the final project outcome was far from satisfactory. Similarly, the ARP would have benefited from a feedback mechanism regarding relevance of selected project activities for achieving the project goals of promoting food security and agricultural production.

Focus on Issues in Their Totality to Establish Priorities for Action Was Missing

5.16 The projects also do not appear to have established priorities for action based on consideration of relevant issues in their totality. This again seems to have happened because inadequate time was spent in understanding the country circumstances before designing the project. There are several examples. First, both of the ARP projects focused on rehabilitation of irrigation schemes to help increase rice production. However, too little thought was given to all the factors that are involved in increasing rice production. Achieving the projected yields required not only an assured water supply but also fertilizers, seeds, and other inputs. However, the incentive for farmers to buy these products was low as domestically produced rice faces an intense competition from imported rice. The incentives to buy and sell also received little attention in the overall attempt at increasing rice production. In addition, issues like post-harvest

losses, which have substantial bearing on food security, were not considered.⁷⁹ Second, as already seen in par. 4.58, while the project was attempting to promote Pilot Agriculture Service Centers as business entities, little thought was given to the unsuitability of Bank disbursement and procurement procedures, particularly in the initial years. Third, under ARP II some activities like fish ponds supported in remote villages were successful under one component but were constrained by access to the markets. Under another component the project supported rehabilitation of farm-to-market roads yet the roads rehabilitated were not strategically selected to ensure that they could support successful activities under the first component. In supporting activities, either villages that were already well connected should have been selected or thought should have been given to ensuring that roads rehabilitated under another component were going to provide access for these remote communities. Fourth, the CGIAR subcomponent was meant to link MAFF to the global network of agricultural research centers. However, how this activity would be carried out with a weak communications network was not considered. Effective and responsive links with farmers had also not been thought through. With the pullout of the UN, Internet and phone communication became even weaker.

LACK OF GOVERNMENT CAPACITY WAS SEEN AS AN OPPORTUNITY

5.17 Even though capacity building was a UN responsibility (par. 1.10), TFET projects designed and implemented by the Bank made specific efforts to enhance capacity. This presumably could not have been avoided for any project implemented in the post-conflict situation. However, project documents offer little recognition that the Bank was stepping beyond its mandate or that there was any coordination between the Bank and the UN on the matter. The JAM identification of a power vacuum (par. 2.7) was seen by the Bank as “a window of opportunity to introduce democratic structures, based on the belief that elected village councils managing development funds on behalf of the communities could be a means to bypass or replace the former authoritarian structure”(Greig and Nordhaug 2004, World Bank 2002d). What followed was the CEP project, which called for the establishment of democratically elected community councils to form the basis of a local governance structure and build capacity in the communities to take charge of their own development. Project-established development councils were expected in the long term to take on responsibility for preparing and executing village development plans that addressed local needs in various sectors as determined by the community; produce village codes of conduct and resolve disputes; manage village funds; and relay priority development needs that could not be met through local efforts to sub-districts and districts. However, the assessment of the three CEP projects argues that the decision to set up these councils was *premature* and *unrealistic* (pars. 3.12-3.14)

5.18 The UNTAET Regulation also clearly stated that the “Village Councils and Sub-District Councils shall not duplicate or replace the role of the traditional and local leaders of such villages and sub-districts.” Hence, the CEP councils resulted in the establishment of a parallel structure whose primary purpose became the distribution and use of CEP resources. Several studies also show that, in fact, village chiefs and leaders influenced the decision-making process informally, including the election of council members (Nordhaug 2004, Grieg and Nordhaug 2004, Nordic Consulting Group 2003, Joint Government-Civil Society Study of Development Projects 2004).

AND AS AN IMPLEMENTATION CONSTRAINT

5.19 The lack of local capacity was a recognized implementation constraint and the Bank set up provisional arrangements to implement the projects. Consultants substituted for local capacity.

79. The Joint Agricultural Donors Mission of 2001 had found that post-harvest losses were as high as 46 percent.

As noted in the project assessments, large amounts of resources in each of the five TFET projects were used for consulting services. Roughly US\$1 out of every US\$3 spent on Timor-Leste reconstruction was for technical assistance and consulting services (EC 2004).⁸⁰ In the CEP project technical assistance and local staffing cost was about 58 cents for every dollar disbursed to sub-projects (World Bank 2004a). The Bank was unrealistic in assuming that such an approach could provide an effective solution to the capacity constraint. In ARP II it was envisaged at appraisal that the PMU would require only 12 months of foreign advisory inputs. At mid-term it was realized that this was insufficient and either replacement advisors were appointed or the contracts for existing ones were extended. In most cases, when the consultants left the capacity that was built went with them. The weak existing capacity did not alter the ambitious project designs and the pace of implementation. Little attempt was made to understand how project implementation, through consultants and facilitators, could improve the government's capacity to undertake development activities. Neither was weak capacity seen as a reason to scale down. When the CEP was launched there was little capacity to implement in UNTAET, internal banking and distribution systems were non-existent, procurement capacity was very limited, and there were no systems in place to communicate effectively with the field where the project was to be implemented. One of the arguments commonly made in favor of community-driven projects like CEP is that communities can to a large extent substitute for weak government capacity. However, to get the communities to do this, substantial initial support and facilitation is required for which basic government capacity is essential. Supervision reports note concerns about effective use of resources, lack of understanding of the purpose of the whole exercise among communities, and poor facilitation. Even then, project implementation continued at full speed. As noted in par. 3.26, the pressure to disburse took over the implementation. This was confirmed by feedback stakeholders provided to the IEG assessment mission.

5.20 Project Management Units (PMUs) were established to manage the projects and keep them on track. These were seen as World Bank controlled entities. While the PMU for the Agriculture Rehabilitation Project was integrated with the Ministry of Agriculture, the CEP PMU never achieved integration with the Ministry of Local Affairs even though it was the first PMU to be run by Timorese.⁸¹ The significantly high wage levels of the PMU staff set them apart from the government and on project closure little of the capacity generated in the PMU got transferred to government offices. Even in the case of the ARP PMU, the difference in salaries between ministry staff and local consultants was a cause for resentment and made it difficult for the consultants to be absorbed in government positions.⁸² The project design included substantial provision for training of government officials; however, the quality of the training was weak, language was a barrier, and often the same staff participated in several trainings because of the limited number of officials. Moreover, the staff that had been trained were also the most attractive candidates for recruitment by the several multilateral and bilateral donors active in the country to be a part of their implementation teams. Weak capacity continues to be one of Timor-Leste's biggest challenges.

5.21 The process of negotiating TFET grants was itself a capacity building exercise that involved detailed discussion around program design and responsibilities of the Bank and the

80. "There is a general complaint by our Timorese interlocutors, particularly by NGOs and government officials, that too much has gone into technical assistance and consulting services, which are mostly payments to foreigners or expatriate Timorese. There is the perception that foreign technical assistants are overpaid and that the money goes back to the donor countries, instead of being used for Timor-Leste's reconstruction and development." European Union 2004.

81. "CEP did not coordinate well with the District Administration and its PMU remained not integrated with the Ministry of Local Affairs. (European Union 2004).

82. Bank staff commented that while this happened initially under ARP I, under ARP II national consultants' salaries were reduced to the level of government staff, forcing many of them to apply to government positions.

government. But the Bank did not have a clear strategy for capacity building. The implementation experience of the five projects shows that the expatriate experts focused on implementing the project and had little time to attend to building capacity. This is not unusual and analysts note that few firms or consultants have skills in providing emergency services and in grooming nationals to replace them (World Bank 2003a). The pressure to act and disburse quickly put a tremendous strain on the weak government. In Timor-Leste the issue was complicated even further because it was difficult for the experts to communicate with local officials because of the multitude of local languages.⁸³ The working language of the UNTAET was English (and to a lesser extent Portuguese), which very few East Timorese understood well; hence, their participation in many regular administration activities was limited. As has been noted by a recent IEG review on capacity building in Africa (World Bank 2005a), many Bank projects have capacity building activities embedded in their major operational components, but the objectives of these activities tend to be ill defined and their achievements are poorly tracked and reported. Such was also the case of the five projects in Timor-Leste whose capacity building efforts lacked a strategic focus. The strategy for capacity building, particularly where capacity is so weak, needs to be well thought through and given priority attention.⁸⁴ It cannot be assumed that it would “automatically” get built as the projects get implemented. Analysts note that building permanent capacity needs to start early in the reconstruction process and move ahead in parallel with temporary arrangements that enable a quick start to reconstruction (World Bank 2003a).⁸⁵

AND THERE WAS LITTLE EFFECTIVE COORDINATION

5.22 Two issues are covered here: coordination among Bank projects and coordination among donors. First, there was little effective coordination between various Bank projects. IEG reviews and project assessments show that this is a general problem with Bank projects in most countries and arises to a large extent because of the sectoral organization of the institution, which limits an integrated approach across sectors. This negatively affected project outcomes. Second, though there were several joint donor missions, and a large part of the donor support to Timor-Leste was through TFET, coordination between donors remained weak, despite intentions to the contrary.

5.23 While both the CEP and ARP were active in the same rural space, there was little coordination between their activities during implementation other than the transfer of the radio component from ARP to CEP. For example, while the CEP excluded village leaders from the councils it created, ARP II relied on the village leaders and not the CEP councils. Initially ARP did expect to use the village councils, but once it became clear that these councils did not have sufficient trust and authority it chose a different route. Existence of strong village leadership (usually understood to mean village chiefs and traditional leaders) was used as a criterion for selecting villages for the implementation of the pilot natural resource management activities under ARP II. ARP I also depended on the village chiefs and other village council members to help identify beneficiaries for the distribution of productive assets. Hence, at the design stage the projects were expected to be in step with each other, but during implementation, they moved

83. Language was a barrier in the participation of local staff in project design and implementation. In the context of the CEP the La’o Hamutuk Bulletin noted, “Several mid-level CEP staff who are interested in understanding the grant agreement process feel excluded from the process because they do not speak or understand English.”

84. Bank staff commented that staff were not fully recruited until ARP II was well under implementation. With no staff or structure yet in place, it would not have been possible to do any coherent capacity building strategy.

85. Bank staff commented that the weak attention to capacity building arose because of a structural fault with the CFET/TFET arrangement and belongs to an evaluation of the entire post-conflict experience and should not be attributed to individual projects.

apart. This damaged the image of CEP, as other donors and NGOs saw that the Bank's own projects were not using CEP councils.

5.24 The village development councils were also not used by other agencies for implementation or coordination of activities, although this was one of the primary intentions behind their establishment. This was partly because the councils were not considered legitimate governing units but also partly because other donors had their own agendas at the grass roots level. Most international NGOs refused to use the councils because of their lack of credibility in the communities (Joint Government-Civil Society Study of Development Projects 2004). The CEP councils were seen primarily as World Bank councils. There were several projects that were active at the community level when the CEP was under implementation, such as AusAid's East Timor Community Assistance Scheme (ETCAS), USAID's Transitional Employment Program (TEP). Different projects also adopted different policies and procedures for use in their approach toward community participation, thereby creating confusion among communities.⁸⁶ There was also little coordination between donors working in the field of community radios. Several donors (UNICEF, DANIDA, USAID, UNDP) have supported community radio projects. The radio component of the Bank's CEP project was not linked with the activities of any of these donors.

5.25 Coordination between the major external actors active in Timor-Leste was also weak. While donor coordination has always been a challenge, it can be particularly damaging for a post-conflict country where in-country capacity is very weak. When responsibility for various activities was divided between the UN and the World Bank, capacity building was seen as a UN responsibility. Even then it was made an integral part of the CEP. Project documents do not show an agreement between the UN and the Bank on this issue. In fact, the relations between the Bank and the UN over the CEP were quite uneven. UNTAET was working to establish an administrative structure at the central level and did not wish to simultaneously preempt local governance structures. Even less did it want the World Bank to be involved in shaping government institutions (Nordhaug 2004).⁸⁷ UNTAET wanted the program to be more firmly controlled by the emerging district administration while the Bank argued that the weak district level needed to be bypassed. The final agreement was only reached with the intervention of the General Secretary of the UN and the President of the World Bank. Because of the weak in-country capacity, the implementation of the CEP required a high degree of coordination between the Bank and the UNTAET which was lacking. Since UNTAET unwillingly signed the grant agreement, it is understandable why the organization's commitment to the project continued to be limited. Lack of agreement between the UNTAET and the World Bank about the project design affected the implementation of the project in the field "undermining the Council's political legitimacy and encouraging the CEP to develop in parallel with UN local government grant agreements"(Joint Government-Civil Society Study of Development Projects 2004).

86. "The three projects reviewed for this section [gender] had taken different approaches to gender and the inclusion of women. In the TEP, participation of women and men varied across districts, with men predominantly involved in road work; and women included in activities such as market clean up or community gardening.... The majority of the ETCAS projects were in agriculture and rural development activities, and included both women and men to varying degrees. However, there were also specific projects, for income generating, violence against women and literacy, that were targeted to women. The CEP approach tries to integrate gender in all aspects of the project: fifty percent of the council members are women, women council members will receive special support, proposals from women must form half of those proposed, a gender balance in the facilitator team is encouraged, and all staff receive gender-training." Community Development Sector Joint Donor Supervision November 2000.

87. "Because UNTAET informally cooperated closely with the village chiefs through CNRT, to them excluding these leaders from the CEP structure was a way of delimiting the role of the councils to more of a development agent. For the World Bank, on the other hand, excluding local leaders from the village development councils was seen as an important step in introducing democratic local level government." Nordhaug 2004.

5.26 There was also lack of agreement between the Bank and ADB over the design and structure of the credit subcomponent even though ADB raised concerns about the possible implications of the component for the establishment of sustainable microfinance institutions.⁸⁸ In fact the difference in the approaches to microfinance in the CEP and the ADB-supported Microfinance Development Project were substantial and early supervision missions noted the potential confusion that this could create in a very small financial market as in rural East Timor. ADB management also brought these concerns to the attention of Bank staff.

6. Lessons

6.1 The experience of the five projects offers four lessons for the Bank's future involvement in post-conflict situations. In general, such interventions may require greater Bank management oversight than usual since projects are prepared quickly and implemented under very difficult conditions. IEG's 1998 review of the Bank's experience with post-conflict reconstruction had noted the importance of proactive involvement by senior Bank management as a requirement for Bank assistance in a post-conflict context.

- With its global outreach and the expertise and experience of its staff the Bank is well-positioned to make a substantial contribution to post-conflict reconstruction and development. However, the experience of the three community empowerment and the two agriculture rehabilitation projects shows that careful thought to suitability of design and strategies to country conditions is paramount, especially where country capacity is weak. Mistakes can be difficult and expensive to correct.
- Even in the case of post-conflict Timor-Leste, where sophisticated M&E was impractical, there was a need to have a system to track project inputs, outputs, and outcomes and provide information about the adaptations needed in project design to ensure that the project objectives and activities are in keeping with the emerging institutional context and the absorptive capacity of the country. IEG's 1998 Review of the Bank's experience with post-conflict reconstruction had noted that a post-conflict context requires that operations receive more intensive monitoring to ensure their continued relevance, as well as effectiveness and efficiency.
- Particularly in post-conflict environments, an approach to capacity building that considers the underlying capacity in the country as well as how it would be promoted by the various donors is critical. It cannot be assumed that government capacity will get built during project implementation through on-the-job transfer of expertise from international advisors and project-supported training activities.
- The experience of Timor-Leste highlights the critical importance of coordinating multi-agency reconstruction efforts more effectively in a newly independent post-conflict country. While the international community was able to raise a large amount of resources for development of Timor-Leste, there was lack of agreement between the major players on critical strategies, in particular those dealing with promotion of micro-credit and local governance. This worked both to the detriment of the donors and the country and led to less effective and efficient utilization of resources.

88. "There appears to be a major difference of opinion between the ADB and the World Bank regarding the structure and design of micro-credit programmes and in particular a recommendation from the ADB that the CEP interest rate should be adjusted from 10% to 37.5% p.a. in line with the ADB financial analysis of feasibility and sustainability." CAA/O Progress Report 2. July 2000 Community-Aid Abroad Oxfam which was awarded the initial contract for implementation of the CEP.

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Annex B. Sector and Political Context

SECTOR AND POLITICAL CONTEXT

While mapped in the Bank's system to the Social Protection Sector Board the Community Empowerment projects were multi-sectoral and were compatible with initiatives in health, education, roads, agriculture and subnational government administration. Their scope was wide as the projects were expected to develop a framework for bottom up participation in planning and development. The Agriculture Projects were mapped to the Rural Sector Board and covered agriculture, forestry, natural resource management, fishing activities but also rural infrastructure.

Agriculture

The agriculture sector employs more than 80 percent of the population of Timor-Leste but contributes only 25 percent to its GDP due to low output per worker. Food crops are the single most important contributor followed by non food and estate crops like coffee. Livestock, fishery and forestry industries are not well developed and contribute comparatively little to GDP, though they play a significant role in meeting the livelihood needs of the population. Livestock is an important source of food security reserve in scarce times. While forests have always been important to the economy of Timor-Leste, they have been severely over harvested. The widespread use of slash and burn agriculture has led to deforestation and soil erosion, threatening the success of agricultural crops in the long run. Continuing degradation has also adversely affected watersheds and has direct implications for availability of water for irrigation and consequently food security. There is limited information on off-shore fisheries. Relatively small scale aquaculture activities focused on inland production are significant locally (Republica Democratica de Timor-Leste 2004).

Much of the land is difficult to farm because of the rugged and uneven topography. About 21 percent of the land is less than 500 meters above sea level and about 35 percent is more than 1,000 meters above sea level. Of the estimated 600,000 ha of land suitable for arable production, only 40 percent is cultivated most of which is dominated by subsistence production of staples such as maize, cassava, beans, tubers and root crops for domestic consumption. Rice is also grown but on a comparatively smaller scale than maize (Table A.1). A few higher-value products are also produced in particular coffee, but also coconut, candlenut, fruits and vegetables. Coffee is the most important commercial agricultural commodity and is an important source of seasonal employment. The average size of the rural land holding is 1.2 hectare and access to farm land is fairly widespread as only 6 percent of the rural population is considered landless. Formal land titles are rare as access to land and natural resources are governed by customary practices.

Table B.1: Percent of Households Growing Various Crops in East Timor (2002)

Crop	Households Growing crop (%)
Maize	81
Cassava	68
Sweet Potato	44
Taro	33
Bananas	27
Squash	18
Rice (all ecosystems)	26
Coffee	28
Kidney beans	11
Vegetables	8
Other fruit crops	5
Mungbean	5
Peanut	4
Coconut	4
Soybean	3
White potato	3

Source: Timor-Lorasa Household Survey 2002 reproduced in Benevides 2003

Agriculture is largely rain-fed and most of the area produces only one crop a year. The rainfall pattern is varied with the mountains receiving more rain than the coastal plains. The southern region receives more rainfall (2,000 millimeters or more) and has two harvests, while the northern region receives less rainfall and often has one harvest. The country is affected by the periodic El Nino-related weather anomalies and is highly vulnerable to droughts and floods which adversely affect the livelihood and food security of the people.

Education

Investment in education during the pre-transition period was not sufficient particularly in the rural areas and, as a result, today Timor-Leste's achievements in education are low. The recent Country Assistance Strategy document noted that only 50 percent of the adults in the country are literate and less than one-third had some form of secondary education (CAS World Bank 2005). There is also a striking gap between urban areas where the literacy rate is about 82 percent and the rural areas where it is only 37 percent. The violence of September 1999 destroyed partially or completely 80 to 90 percent of school buildings and related infrastructure and nearly all the textbooks and school material. Just as damaging was the loss of teachers and school administrators most of whom were Indonesians and left the country.

The country embarked on a rebuilding campaign soon after the United Nations peacekeepers arrived and a transitional administration was put in place. Within two years, with the technical and financial support of the international community, many schools were rehabilitated, new teachers were hired, and the education system became operational. The first National Development Plan (2002) made education a cornerstone of its strategy to alleviate poverty and facilitate economic growth. A National Education Policy was approved in March 2004 and defines the key objectives of the sector as expanding access, improving internal efficiency and improving the quality of education.

Health

Health standards in the country are poor. In 2004 life expectancy was estimated at only 55.5 years—54 years for males and 56.6 years for females (UNDP 2006). The system for provision of health services continues to be weak. While health systems improved under Indonesian rule in comparison to those under Portuguese colonization, expenditures on health systems, hospitals and clinics were even then insufficient in comparison to local need. The country continues to face several challenges. The average life expectancy is comparable with those of Cambodia and Myanmar but much lower than that in a number of other ASEAN (Association of South East Asian Nations) countries such as Indonesia and Vietnam. Access to health facilities remains a problem. Immunization rates for children are very low and under-five mortality is high. At 200 per 1,000,000 live births, it is more than twice that of Indonesia's. Major causes of death are preventable diseases such as malaria, respiratory tract infections and diarrhea.

Significant progress has been made since the violence of 1999 in rebuilding public health facilities and re-establishing health services, but further progress is needed particularly in expanding immunization coverage and improving pre-natal care. Given severe capacity constraints the health system continues to be highly dependent on international doctors and specialists.

Infrastructure

Only three kinds of infrastructure to which the five projects contributed are briefly covered here: roads, irrigation and water supply.

Roads

While the country has an extensive road network largely constructed during Indonesian times, it is in very poor condition and maintenance is made even more difficult by frequent landslides and flooding.⁸⁹ There are few vehicles in the country and traffic volumes are light. With the light traffic and poor road conditions, the high maintenance costs are not financially feasible nor economically viable (World Bank 2004a). There is currently no regular transport service to bring agricultural produce to the market and no organized marketing system with subdistrict collection points (Republica Democratica de Timor-Leste 2004)

Irrigation

There are about 420 irrigation schemes most of which are small “run-of-the river” schemes. Very few have any arrangements for water storage and water in many of the irrigated areas is available only when river water level from the source has increased to the level of the intake of the irrigation systems. Maintenance is a chronic problem, with river-in-flood damage and silting the main causes of damage. Rice dominates irrigation crop production. Irrigation infrastructure deteriorated in the late 1990s due to neglect and lack of maintenance. Emphasis to date has been on the rehabilitation of irrigation schemes as the primary means of increasing agricultural production. During Indonesian times, a strong emphasis was placed on rice production by investing in irrigation and providing subsidized inputs such as fertilizer. However, given the conflicting demands on resources, the feasibility of reservoir construction to supplement irrigation in the dry season has to be further investigated (Republica Democratica De Timor-Leste 2004).

Water Supply

Prior to the violence of 1999, Timor-Leste had a fairly extensive public water supply network covering the 13 district towns and 49 of the 63 subdistrict towns. However the quality of the system and its service coverage was poor. As a result, private shallow wells were used extensively in Dili and other towns. Villages and rural areas not served by the public water supply systems had community operated piped systems, some of which received water from public systems and others from small springs or streams. Shallow wells were also extensively used in rural areas. About 48 percent of the total population of the country had access to safe water.

Today half the population continues to be without access to safe water. During the violence, urban piped water systems suffered extensive damage but rural water supplies were largely spared though there were reports of wells being poisoned, hand pumps stolen and pipes removed. By May 2000, water supplies in most of the 13 district towns, including Dili, had been more or less restored. Local and international NGOs played a significant role in rehabilitating rural water supplies; providing hand pumps; cleaning contaminated wells; and repairing pipes and tanks. Though a large part of the service has been re-established a lot remains to be done. Access to clean water in rural areas needs to be expanded and will contribute significantly to improving the livelihood of the poor.

89. Road network is reported to be at 6,036 km, half of which is rural roads, one-third national and district roads and the remainder urban roads (World Bank 2004a).

Formal and Informal Local Government Structure

This section attempts to provide a background for understanding the local government structure in post-conflict Timor–Leste. Administratively the country is divided into 13 districts (Distritos) grouped into three Regions, 67 subdistricts (Postos), 500 villages (Sucos) and 2,336 sub-villages (Aldeias or hamlets). Each Suco consists of one or more Aldeias. The Sucos and the Aldeias remain the base level of societal organization in Timor.

Under Indonesian rule, East Timor was a separate province under a governor with three Regions (*Wilayahs*) and 13 districts (called *Kabupaten* then), though there were only 62 subdistricts (called *Kecamatan* then). There was a high level of centralization of tasks with Jakarta directly taking decisions and managing a significant number of government functions such as budget allocation, agriculture policies. The administration was carried out through a huge bureaucracy that encompassed the entire country. The estimated 1998 size of the Indonesian government sector in East Timor, other than the army and police numbered about 33,000 (Pedersen and Arneberg 1999). Within East Timor, three governor's assistants managed the three Regions. Almost half of the government employees worked as a part of the provincial administration and the remainder worked at the district level. The local government was largely an extension of the central government. The district leader was called the *Bupati* and the subdistrict leader was called the *Camat*. The government appointed the subdistrict leaders but the village chief was to be elected democratically by the people. In practice the person was mostly selected in keeping with traditional power structures.

Following the referendum, and approval of its result by the Indonesian National Assembly, the Indonesian Administration stopped paying the salaries of the government staff and eliminated Timor's budget beginning November 1999. A very large percentage of the government staff in East Timor were Indonesians who left the country at the time of the violence. East Timor was then in the hands of the international community and the UNTAET mission was installed under the Transitional Administrator. The UN had a tremendous responsibility. It was faced with the responsibility of continuing activities on a daily basis without a national government but also with taking decisions on the old administration structure and the remaining employees. One of the challenges for the new country was to keep the government size small in comparison to what existed in Indonesian times.

In November 1999, the UN created the Office of Territorial Administration and gave it responsibility for subnational administration. In the following years the office went through several changes finally becoming the Administration of Local Government and Development (ALGD) and this title remained until the restoration of independence in May 2002. UNTAET recruited staff through the UN system to fill the district and subdistrict administrations. The deployment of international staff to the districts started in October 1999 and was more or less complete by August 2000. In the subdistricts United Nations volunteers were to be used as field officers though in practice deployment of international staff to subdistricts was limited. District and other posts were only gradually filled by Timorese, however the ALGD office in Dili continued to be predominantly staffed by international staff through 2001. It was only in December 2001 that a Timorese Director for ALGD was recruited.

The Transitional Administration did not define a formal local government structure for the Suco level. Even after the UNTAET had established an administrative structure at the district and subdistrict levels, the administration of Sucos and Aldeias was largely under the control of the East Timorese Resistance in cooperation with traditional leaders. In each village a council of elders that was well informed about the status and history of all families in the area usually appointed the Suco chief. In Timorese society, local leaders derive their powers from descent and a new Suco chief is

also ratified by the ritual authorities to insure his ancestral legitimacy. The community fears ancestral punishment if the ancestors did not legitimize the political leader.^{90,91} The Suco chief played an important role during Portuguese times in implementing policies, collecting taxes and coordinating community labor and leading the community in their daily non-ritual issues. Under Indonesian times the authority of the Suco chief remained intact and he had a large degree of autonomy in management of Suco affairs. Suco chiefs were expected to seek approval from the relevant ritual leaders and the elders of the community before making important decisions. Consensus-based decision making was the norm in traditional Timorese society and the Suco chief held a special, ritually sanctioned position of authority in the process. The East Timorese see the *Chefe de Suco* as their link with the government and world at large (NDI 2003). (For a more thorough review of traditional structures at the Suco level see Ospina and Hohe 2001, commissioned by the CEP project).

90. "In traditional Timorese society, only certain leaders—in most cases the village chief—can acceptably function as a political authority. His source of legitimacy is his heredity as part of a family ordained by ancestral approval. If the wrong person exercises political power, upsetting the cosmic order and the continuation of fertility, then villagers will fear ancestral sanctions that endanger the survival of the community, such as harvests failing or children falling ill. Furthermore, the separation of political powers does not make sense, since the village chief exercises his authority in a distinct hierarchy that functions in strict opposition to ritual power as part of the overall sociocosmic order." Chopra and Hohe 2004.

91. The political rulers are always appointed by the ritual powers. In most cases the elders sit together and discuss who should be the new political ruler. They chose from the right descendants and discuss which of the available people are the most skilled in speaking and negotiating. The ritual authorities are seen as superior, as they have the connection to the ancestors who are the founders of the Houses. Only the ritual authorities have the knowledge about the descent lines and oaths that were taken in the past. Hence they have the capacity to choose a political ruler that is also sanctioned by the ancestors. People are often scared if a ruler does not conform to this system, as this can mean misfortune for the whole community caused by angry ancestral powers. Ospina and Hohe, 2001

Annex C. Basic Data Sheets

COMMUNITY EMPOWERMENT PROJECTS

CEP I

Key Project Data (amounts in US\$ million)

	Appraisal estimate	Actual or current estimate	Actual as % of appraisal estimate
Original commitment	8.55	8.55	
Total cancellation			
Total project cost	8.55	8.55	
Cancellation			

Project Dates

	Original	Actual
Board approval	-	
Signing		02/21/2000
Effectiveness	-	03/23/3000
Closing date	06/30/2001	06/30/2002

CEPII

Key Project Data (amounts in US\$ million)

	Appraisal estimate	Actual or current estimate	Actual as % of appraisal estimate
Original commitment	8.50	8.50	
Total cancellation			
Total project cost	8.50	8.50	
Cancellation			

Project Dates

	Original	Actual
Board approval	-	
Signing		05/21/2001
Effectiveness		05/31/2001
Closing date	12/31/2003	03/31/2004

CEPIII**Key Project Data** (amounts in US\$ million)

	<i>Appraisal estimate</i>	<i>Actual or current estimate</i>	<i>Actual as % of appraisal estimate</i>
Original commitment	1.50	1.50	
Total cancellation			
Total project cost	1.50	1.50	
Cancellation			

Project Dates

	<i>Original</i>	<i>Actual</i>
Board approval	-	
Signing		07/01/2002
Effectiveness	07/01/2002	07/12/2002
Closing date	12/31/2003	03/31/2004

Staff Inputs (staff weeks)

	<i>Actual/Latest Estimate</i>		
	<i>CEP I US\$ ('000)</i>	<i>CEP II US\$ ('000)</i>	<i>CEP II US\$ ('000)</i>
Identification/Preparation	130,935	130,935	66,169
Appraisal/Negotiation	-	-	
Supervision	398,240	398,240	299,667
Total	1,261,187	529,175	365,837

Mission Data (data incomplete because it did not exist in ICR)

	<i>Date (month/year)</i>	<i>Staff days in field</i>	<i>Specializations represented</i>	<i>Performance Rating Impl. Prog. Dev. Obj.</i>	
Supervision	10/14/2000	6	Ngo Specialist (1); Dev. Communications (1); Radio Engineer (1); Financial Management (1); Gender/TTL (1); Project Management (1)	S	S
	12/07/2000	5	Gender Specialist/TTL (1); Operations (1); Technical and Env. (1); Media and Comms. (1); Project Management (1); Project Management (1)	S	S
	03/31/2001	5	TTL (1); Operations Specialist (1); Communications (1); NGO (1); Procurement (1)	S	S

AGRICULTURE REHABILITATION PROJECT (ARP I)

Key Project Data (amounts in US\$ million)

	<i>Appraisal estimate</i>	<i>Actual or current estimate</i>	<i>Actual as % of appraisal estimate</i>
Original commitment	6.8	6.8	
Total cancellation			
Total project cost	6.9	7.5	
Cancellation			

Project Dates

	<i>Original</i>	<i>Actual</i>
Board approval	-	
Signing		06/21/2000
Effectiveness	-	08/22/2000
Closing date	06/30/2002	03/15/2003

Staff Inputs (staff weeks)

	<i>Actual/Latest Estimate</i>	
	<i>N° Staff weeks</i>	<i>US\$US\$('000)</i>
Appraisal/Negotiation	41.2	309.6
Supervision	75.0	420.6
ICR	18.1	89.1
Total	134.3	819.3

Mission Data

	<i>Date (month/year)</i>	<i>Staff days in field</i>	<i>Specializations represented</i>	<i>Performance Rating Impl. Prog. Dev. Obj.</i>	
Identification/ Preparation	04/17/2000	7	Sector Manager (1); Senior Research Advisor; Agriculturist/Principal Agriculturist (3); Procurement Specialist; Livestock Specialist (1)		
Appraisal/Negotiation	05/19/2000	5	Task Team Leader/Principal Agriculturist (1); Agriculture Economist (1); Senior Research Advisor (1); Procurement Specialist (1)		
Supervision	09/02/2000	5	Task Team Leader/Principal Agriculturist (1); Natural Resource Economist (1); Livestock Specialist (1); Procurement Specialist (1); Project Management Specialist (1)	S	S
	10/14	6	Task Team Leader/Natural Resource Economist (1); Senior Research Advisor (1); Livestock Specialist (1); Agribusiness Specialist (1) Financial Management/Disbursement	S	S

<i>Date (month/year)</i>	<i>Staff days in field</i>	<i>Specializations represented</i>	<i>Performance Rating</i>		
			<i>Impl.</i>	<i>Prog. Dev. Obj.</i>	
		Specialists (part-time) (2)			
05/24/2001	9	Task Team Leader/Natural Resource Economist (1); Sr. Agriculturist (1); Environment Specialist (1); Irrigation Engineer (1); Social Assessment Specialist (1); Water Resources Economist (1); Operations Officer (1); Procurement Specialist (part-time) (1); Financial Management Specialist (part-time) (1).	S	S	
11/01/2001	7	Mission Leader/Sr. Agriculturist (1); Task Team Leader/Natural Resource Economist (1); Water Resource Economist (1); Livestock Specialist (1); Sr. Procurement Specialist, part-time (1); Communication Specialist, part-time (1); Operations Assistant (1)	S	S	
02/26/2002	7	Mission Leader/Sr. Agriculturist (1); Task Team Leader/Natural Resource Economist (1); Water Resource Economist (1); Sr. Procurement Specialist; part-time (1); Communication Specialist (1); Social Assessment Specialist (1); Operations Assistant (1)	S	S	
ICR	06/17/2002	5	Mission Leader/Sr. Agricultural Economist (1); Irrigation Engineer (1); Sr. Agriculturist (1); Water Resource Economist (1); Operations Assistant (1)	S	S

Identification/Preparation: includes only IDA staff and consultants. The total Joint Donors Mission involved 23 people.

SECOND AGRICULTURE REHABILITATION PROJECT (ARP II)

Key Project Data *(amounts in US\$ million)*

	<i>Appraisal estimate</i>	<i>Actual or current estimate</i>	<i>Actual as % of appraisal estimate</i>
Original commitment	8.00	8.00	
Total cancellation			
Total project cost	8.91	8.73	
Cancellation			

Project Dates

	<i>Original</i>	<i>Actual</i>
Board approval	-	
Signing		10/29/2001
Effectiveness	11/27/2001	12/11/2001
Closing date	12/31/2003	06/15/2005

Staff Inputs (staff weeks)

	<i>Actual/Latest Estimate</i>	
	<i>N° Staff weeks</i>	<i>US\$US\$('000)</i>
Appraisal/Negotiation		312.2
Supervision	450.5	
ICR	-	
Total	762.7	

Note: Identification/Preparation/Appraisal/Negotiation figures and Supervision/ICR figures were combined. The figures include consultant trust funds and FAO/CP.

Mission Data

	<i>Date (month/year)</i>	<i>Staff days in field</i>	<i>Specializations represented</i>	<i>Performance Rating Impl. Prog. Dev. Obj.</i>	
Identification /Preparaion	09/22/1998	7	TTL (1), Inst. Urban Spec. (1), Irrg. Mgmt. Spec. (1), Water Res. Spec. (1), Water Quality Spec. (1), Fin. Mgmt. Spec. (1), Adm. Impl. Irrgh. Mgmt. (1)		
	12/02/1998	8	TTL (1), Water Res. Spec.(1), Irrg. Mgmt. Spec. (1), Water Quality Spec. (1), Fin. Mgmt. Spec. (1), Adm. Impl. Irrgh.Mgmt. (1); Procurement Specialist (1); Livestock Specialist (1)		
Appraisal/ Negotiation	01/25/1999	2	TTL (1), Irrg. Mgmt. Transfer Expert (1)		
Supervision	09/11/2001	1	TTL (1)		
	11/01/2001	8	TTL (1)O; Sr. Agriculturalist (1); Project Officer (1); Water Res. Economist (1); Social/Community Deve. (1); Communications Special (1); Financial MNG Special (1); Procurement Specialist (1)	S	S
	07/03/2002	6	Res. Economics (TTL) (1); Operations Officer (1); Water Res. Specialist (1); Community Dev. Special (1); Communications Special (1); Sr. Agriculturist (1)	S	S
	06/20/2003	9	Sr. Nat. Res. Econo. (1) ; Sr. Agric. (Miss Leader) (1); Project Officer (1); Irrigation Engineer (1); Livestock Specialist (1); Social Expert (1); Information Expert (1);	S	S

<i>Date (month/year)</i>	<i>Staff days in field</i>	<i>Specializations represented</i>	<i>Performance Rating</i> <i>Impl. Prog. Dev. Obj.</i>	
		Sr. Financial Mng (1); Sr. Procurement Spec. (1)		
02/13/2004	6	TTL/Sr. Nat. Res. Econ (1); Sr. Agriculturist (1); Sr. Irrigation Eng. (1); Sr. Social Expert (1); Agrobusiness Expert (1); Sr. Fin. Mng Expert (1)	S	S
07/23/2004	8	Team Leader, NRM Econo (1); Sr. Agriculturist (1); Sr. Social Specialist (1); Agri-Business Specialist (1); Sr. Irrigation Engineer (1); Communications Special (1); Sr. Financial Special (1); EC Participant (1)	S	S

Note: The above mission members generally undertook combined supervision/preparation or supervision/appraisal or supervision/ICR tasks for ARP I, ARP II, and ARP III respectively.

