

30% of the total, with increases in the basic infrastructure and production-related sectors.¹³

The number of ministries and offices engaged in these sectors is also in a wide range. Particularly, governance-related sectors include nineteen state institutions and offices while the other three sectors include between three and six. This figure will be one of the significant factors in determining absorptive capacity of aid, taking into account institutional and policy development in the respective ministries and offices as well as how donors are able to respond to demand for support. In general, as more institutions increase more programs tend to be created, causing more challenges for coordination amongst donors.

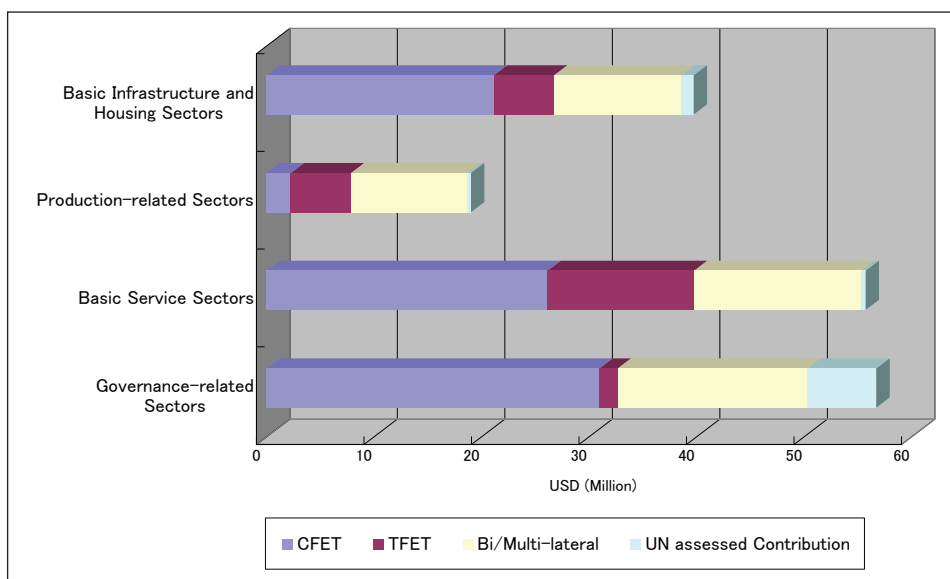


Figure 2: Combined Sources Budget By Four Main Areas (Fiscal Year 2003-2004)¹⁴

The chart below (Figure 3) describes a variety of donor interests among sectors (fiscal year 2002-2003 to 2004-2005). Three major characteristics of donors' behaviour are identified in terms of the degrees of participation and aid volume. First, the education, health, agriculture, and water supply and sanitation sectors attract a substantive number of donor groups and the amount of disbursement exceeds US\$1 million per donor on average. Second, governance-related sectors have a number of donors, but disbursement per donor is less; under US\$0.5 million in four out of six sectors. Third, a combination of fewer donors and less disbursement is observed in the housing, communication, and external relations and cooperation sectors. These sectors are often called 'aid orphans', referring to neglected states among developing countries or sectors within a state where there is 'no significant political barrier but few international actors are engaged and aid volumes are low' (OECD 2007, par.10). Two rationales of this outcome could be discerned. One is that forming programs is delayed compared to other sectors, and the other is that programs in the process of planning are present, but

sufficient attention was not given to them by donors. In either case, it was the fact that those ‘aid orphans’ in Timor-Leste were not included in sequencing and prioritisation. This measure is based on the cautious assessment that running a number of programs at once will not be effective¹⁵ considering the absorptive capacity of the recipient country. Paradoxically, this creates an aid vacuum in long-term planning in non-priority sectors.

In particular, the columns on the right of Figure 3 describe features of donors’ participation within each respective sector. The number of projects executed in each sector varies from three to 127 over three years from 2002. This wide magnitude indicates that as more projects are operating, workload of process

	The Number of Donors	Annual Disbursement (US\$ mil)	Donor Average (US\$ mil)	The Number of Projects	The Number of Projects per Donor on Average
Governance-related Sectors					
Pillars of the State*	10	3.7	0.370	37	3
Rights, Equality, Justice	15	6.5	0.433	70	4
Security, Peacebuilding, Reconciliation	12	5	0.417	95	7
External Relations and Cooperation	6	1.6	0.267	9	1
Local Government	14	14.5	1.036	95	6
Public Sector Management	22	29.9	1.359	65	3
Production-related Sectors					
Agriculture, Forestry and Fisheries	12	14.1	1.175	99	8
Private Sector Development	8	5.8	0.725	65	8
Natural Resources and Environment	8	3.2	0.400	28	3
Basic Service Sectors					
Education and Training	14	27	1.929	127	9
Health Care	14	16.7	1.193	78	5
Social, Civil and Heritage Protection	10	6.1	0.610	53	5
Basic Infrastructure and Housing Sectors					
Communications	8	2.6	0.325	31	3
Power	6	7.3	1.217	32	5
Transport	6	6.9	1.150	27	4
Water Supply and Sanitation	6	13.6	2.267	50	8
Housing and Urban Development	2	0.5	0.250	3	1
*This group includes Office of the President, National Parliament, Office of the Prime Minister, Council of Ministers, National Election Commission, Secretariat of State of the Council of Ministers, STAE (Technical Secretariat for Electoral Administration), and BPA (Banking and Payment Authority)					

Figure 3: Donors Contribution By Sectors (Fiscal Year 2002-2003 To 2004-2005)¹⁶

and administrative procedure becomes concentrated and management capacity of national agencies is expected to create greater aid effectiveness. The number of projects per donor on average is from one to nine in one sector. To generalise donors' behaviour, a donor allocates its contribution to projects in various sizes, regardless of whether their contribution is comparatively large or small.

After seven years, international assistance has remained a significant factor for nation-building in Timor-Leste. In fiscal year 2006-2007, approximately half of the CSB budget in a total of US\$598.6 million relied on donors' contributions. The graph below (Figure 4) illustrates a variety of budget sizes for each sector seeking assistance and how much partners responded to that demand at the time of the donors' meeting in April 2006.¹⁷ The largest volume of the planned budget and confirmed assistance is observed in the basic service sector, including education, health, and labour issues. On the other hand, the other three main sectors have high percentages of not-confirmed budget. Among production-related sectors, natural resources management is likely to be a high demand area as the sector does not have sufficient commitments from development partners. Basic infrastructure and housing sectors often require a large volume of budget per program and fewer donors are evident. In the governance-related sectors, four sectors (pillars of the state, rights, equality, justice, security, peace-building and reconciliation,¹⁸ external relations and cooperation) require particular attention from donors as the percentage of not-confirmed budget exceeds 80%.

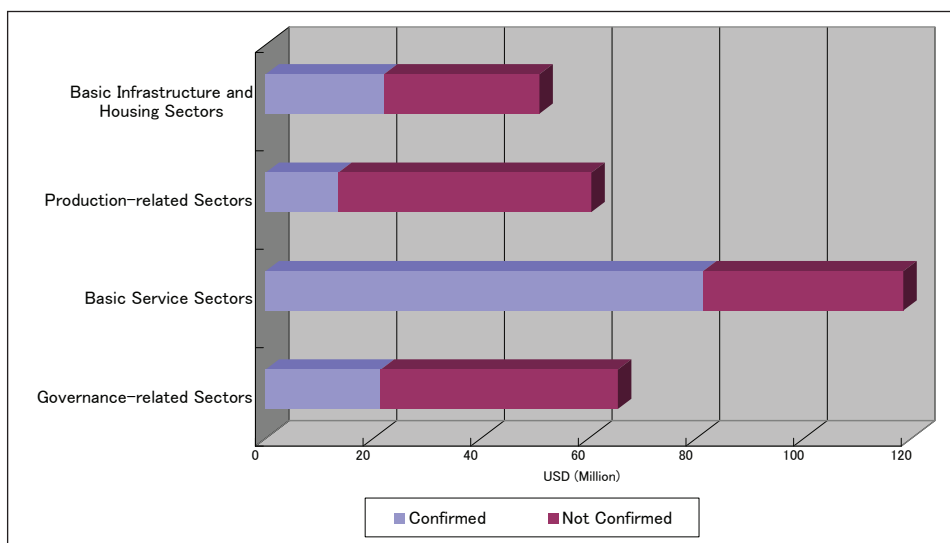


Figure 4 : Budget Of Assistance Needed And Donors Response By Four Main Areas (Fiscal Year 2006-2007)¹⁹

Any Improvements Or Unintended Impacts?

Evaluating aid effectiveness is particularly challenging in war-torn states. This is due not only to limited available information, but also to a variety of aid outcomes. Adopting a single method leads to the misunderstanding of output, effectiveness and impact in the larger picture. Recognising this context, this section assesses

selected subjects by observing the effectiveness and impact of the National Plan and Financing implementation.

Some improvements in basic needs are observed despite the fact that non-oil GDP per capita has remained approximately US\$350 to 2006.²⁰ The education and health sectors both achieved positive developments. For instance, the net enrolment ratio in primary school increased from 67.7% in 2000 to 86.2% in 2004, which exceeds the target of 81% in MDGs for 2007 (RDTL 2006b, 6, 15). The number of primary school teachers has increased from 3,470 in 2000 to 5,415 in 2004, where student per teacher ratio shifted from forty-seven to thirty-three. In the health sector, under-five mortality rate per 1,000 live births has improved from 159 in 1999 to 136 in 2004 (UNDP 2006, 80). Measles vaccination rates for under one-year-olds increased from 23.28% in 2001 to 49.40% in 2004 (WB 2006a, 10). Regarding access to safe drinking water, there was also some improvement, from 31% in 2002 to 37% in 2004. These positive signs demonstrate that the implementation of the national plan with international assistance has enhanced the capacity to meet basic human needs.

The World Bank evaluates the outcomes of TFET as mixed. Some projects such as the community empowerment and small enterprise projects were successful in mobilising rapid community-driven delivery to induce visible impacts on the ground at the recovery phase.²¹ These include road construction and water supply projects implemented nationwide. However, larger projects lagged behind due to prolonged procurement requirements demanded by the World Bank. Also, the labour-intensive projects were welcomed by the local population as an opportunity to boost employment, while dollarisation and a new economy in Dili emerging from imported goods and services created proportionally large capital and worker inflow into Dili, causing high unemployment in the capital.²² Studies indicate that high wages set by the early UN mission induced high pressure on international competitiveness of the national economy (RDTL 2003, 5; Carnahan et al. 2006, 34). In fact, an enabling environment for private investment is a crucial factor in ensuring such basic infrastructure as roads and electricity, and establishing land registration law, business related regulations and systems. To this end, it has been positive progress that investment law and the Instituto de Apoio do Desenvolvimento Empresarial and Trade Invest Timor-Leste, agencies designed to support domestic and foreign investment, are now established.

Another exemplar is that the health sector has successfully shifted towards building sound public health management, adopting sector-wide approaches. The sector developed the Health Policy Framework in order to provide a comprehensive health care service extending to sub-district level and strengthening primary health care, in cooperation with related sectors such as water and sanitation, education, and transport, along with NGOs and donors (RDTL 2006c, 18-20).

A spill-over effect was observed at the project management division in ministries where East Timorese public officers worked with international advisors, comprising the PMU (Project Management Unit) for TFET. The performance of the PMU in each ministry varied in terms of the degree of national ownership and capacity-building. On the other hand, recently, each PMU has been expected to be a core unit able to manage increasing capacity for budget execution in the various ministries.