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# The Role Of Transition Assistance: The Case Of East Timor

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# Executive Summary

The Center for Development Information and Evaluation (CDIE) has responsibility for conducting Agency-wide evaluations on USAID assistance topics of interest to USAID managers. In 2000, USAID initiated an evaluation on the general role of transition assistance and specifically on the role and activities of the Office of Transition Initiatives (OTI) in the Bureau of Humanitarian Response (BHR).

Transition assistance, as used here, refers to the OTI-administered programs providing flexible, short-term responses to help advance peaceful, democratic change. The assistance is usually provided during the two-year critical period after a crisis when countries are vulnerable to renewed conflict or instability.

The evaluation includes four studies as well as a broader synthesis report. This paper discusses findings and lessons learned from the country study of transition assistance in East Timor. It addresses the following questions:

- Was the decision to initiate a transition program made in a transparent fashion? Were the proper guidelines considered?
- What were the strengths and weaknesses of transition assistance planning? What was the relationship between transition planning and country strategic planning?
- How was transition assistance implemented in East Timor? What were the strengths and weaknesses of the approach?
- Was the duration of the transition program appropriate? Were transition activities being handed off effectively to other mission or donor development programs?
- Were transition activities achieving their objectives effectively?

## Principal Findings

USAID transition assistance played an important role in helping the U.S. Government respond quickly to the need for reconstruction assistance in East Timor following the postreferendum conflict of September 1999. OTI's rapid response initiatives played a major role in filling the gap between postrelief and longer term development programs. The decision to initiate a transition program was appropriate and involved close consultation with other U.S. entities and donors. Planning—focused mainly on activities—was carried out collaboratively with the interim government, other funding organizations, and other USAID offices. OTI launched its program rapidly, developing initial grants in November 1999 and establishing a regional office in East Timor reporting to the OTI office in Jakarta in January 2000.

As the principal USAID presence in East Timor, OTI played a major coordinating role for USAID in the country. It initiated activities and procured commodities far more rapidly

than other donors or funding organizations. By and large, OTI addressed activity handoff as a part of its respective activity design, although the planned duration of its country program has shifted from two to nearly three years. The first year's civil society, employment, and media activities effectively began reconstruction and capacity building in this seriously devastated environment.

## **Lessons Learned**

### **1. Transition assistance has comparative advantages.**

*Transition assistance has particular advantages in a startup, multidonor, postconflict situation such as existed in East Timor.* In the aftermath of the referendum for independence and the ensuing conflict, USAID was the sole donor able to assess needs, target assistance, and initiate the reconstruction effort rapidly. Most international and bilateral organizations were unable to respond quickly and flexibly beyond the provision of basic humanitarian relief. By closely coordinating its assistance with other donors, OTI was able to get interim activities operating until funding from other donors became available. In this volatile environment, OTI's quick action was important to help stem further instability and economic deterioration.

### **2. The need for fast action may outweigh potential risks.**

*There is a tradeoff between rapid response and risk. Responding rapidly may be critical in a postconflict situation to prevent further conflict or instability. The need for fast action may also outweigh the potential costs or risks. The challenge is to address critical needs while minimizing problems and side effects.* OTI's quick provision of assistance to local nongovernmental organizations (NGOs) effectively enabled the East Timorese to participate in initial reconstruction and nationbuilding efforts. However, the rapid response also led to implementation problems, including lack of maintenance capacity and spare parts for newly provided equipment and limited organizational capacity, and provoked concerns about recurring costs. On balance, the benefits of helping stem further political and economic deterioration outweighed the drawbacks, which OTI addressed over time.

### **3. OTI/East Timor proved a useful operating model.**

*OTI's successful operation in East Timor showed that it could serve as a distinct and useful model for coordinating USAID assistance in countries without a USAID country mission.* OTI served as the on-the-ground presence for USAID in East Timor. It played a lead role in coordinating USAID assistance with the interim government (UN Transitional Authority for East Timor—UNTAET), the in-country U.S. embassy officer-in-charge, other donors, and visiting USAID/Indonesia mission staff. The approach permitted USAID to play an important role in the territory without setting up a full in-country mission. It also minimized the in-country coordination and authority concerns observed in Nigeria and Indonesia, where OTI operated within a larger USAID mission. The applicability of the *model* elsewhere would depend on various factors, including the size of the country, U.S. foreign policy interests, and the nature of the USAID program.

**4. Planning handoff from the outset facilitates timely transfer.**

*The East Timor experience demonstrates that planning handoff as part of the activity design process makes it easier to hand off activities in timely fashion.* By and large, OTI planned for the handoff of its short-term activities as part of the respective activity designs. This contributed to timely handoff of its first-year initiatives. However, over time the program was extended from two to nearly three years. Factors contributing to the extension included uncertainty about future USAID involvement in the development of East Timor, strong support by the USAID mission and the U.S. ambassador for a continued OTI presence, congressional support for East Timor, and absence of a clear and consistently applied Agency policy on duration and phaseout. The lack of such a policy provides the Agency flexibility, but it also makes it easier for it to postpone establishing alternative mechanisms to manage programs over the long term. Without alternatives for managing OTI initiatives, OTI continues its in-country presence in East Timor.

A clearer policy on the duration of OTI transition programs could facilitate timelier handoff. Such a policy could address the conditions under which programs would be phased out or down and the roles and responsibilities of OTI and the regional bureaus (or missions) in identifying and establishing mechanisms for program management.

**5. The SWIFT contract enables a rapid response.**

*The Support Which Implements Fast Transitions (SWIFT) contract is especially effective for quick in-country startup, rapid procurement of commodities, and flexible programming.* OTI used the Indonesia-based SWIFT contractor staff to help get its transition program in East Timor under way. SWIFT's capacity to rapidly develop specifications and procure goods and services enabled OTI to aid local NGOs and implement the highly praised employment program quickly and effectively. The SWIFT mechanism was especially well suited for providing assistance to districts where indigenous East Timorese capacity to manage local groups was often weak. The mechanism's flexibility allowed USAID to adjust programs and deadlines as needed to respond to changing situations. Other USAID entities could also use the SWIFT contract to implement transition activities.

# The Role of Transition Assistance: The Case of East Timor

## Background and Overview

CDIE evaluators visited East Timor on September 20–22, 2000 to examine how OTI programs are implemented at the country level and their effectiveness. The evaluators reviewed documents and interviewed representatives of USAID, other U.S. Government entities, other donors, and USAID-funded contractors and grantees. They also interviewed Washington-based representatives familiar with the OTI program. This is one of four case studies on transition assistance; a separate case study has been prepared on Indonesia.<sup>1</sup>

OTI initiated its program in East Timor in November 1999 after the devastating conflict following the August 30, 1999 vote by the East Timorese for independence from Indonesia. The UN-administered referendum ended Indonesia's unilateral occupation of East Timor dating from 1975. The Indonesia-backed militia in East Timor, aided by the Indonesian army, reacted to the vote by destroying much of East Timor's infrastructure, burning 70 percent of the capital city of Dili, removing extensive property, and laying the area to waste. More than 60 percent—approximately 500,000 people—of the indigenous East Timorese fled. The UN peacekeeping force arrived in September 1999 to restore order. Shortly thereafter the interim government, UNTAET, was established.

Recovery was hindered because non-East Timorese Indonesians had held most skilled positions in the country. In the wake of the conflict, East Timor was left with seriously weakened infrastructure, impaired management capability, much damaged equipment, and limited capacity for equipment maintenance.

In East Timor, OTI sought to help develop the political and economic environment for nation building and transition to independence. Principal OTI activities included transition employment, community stabilization, and support for the media, civil society organization, and demobilized ex-combatants.<sup>2</sup>

Combined funding for East Timor and Indonesia in FY 1999 was \$16,748,106, comprising \$14,955,211 in development assistance (DA) funds, \$1,617,895 in international disaster assistance (IDA) funds, and \$175,000 in economic support funds (ESF). At least \$1,430,377 of the FY 1999 IDA funds was allocated to East Timor.<sup>3</sup> The FY 2000 budget provided separate funding for East Timor of \$12,450,000 (\$1,500,000 in IDA and \$10,950,000 in ESF).<sup>4</sup> OTI phaseout is now scheduled for September 2002.

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<sup>1</sup> Jean DuRette and Glenn Slocum, "The Role of Transition Assistance: The Case of Indonesia," CDIE Working Paper No. 323, Washington, DC: USAID Document Identification No. PN-ACN-766.

<sup>2</sup> Activities analyzed here reflect those identified at the time of the study. Support for demobilized ex-combatants was not evaluated because it had not been implemented at the time the study was undertaken.

<sup>3</sup> BHR/Office of Foreign Disaster Assistance (OFDA), "East Timor Crisis," (summary fact sheet), August 31, 2000.

This working paper is divided into sections that address the key issues: 1) the process for deciding on engagement, 2) the strengths and weakness of the planning process, 3) program implementation, 4) handoff activities, and 5) achieving objectives. This case study concludes with lessons learned.

## **Was the decision to initiate a transition program made in a transparent fashion? Were the proper guidelines considered?**

The decisionmaking process leading to OTI involvement in East Timor involved considerable consultation within USAID and with other U.S. entities, including the State Department. In justifying the initiation of a country program, OTI generally considers the country's significance to U.S. interests, receptiveness to OTI assistance, stability of the operating environment, potential impact, and likelihood of a successful outcome.<sup>5</sup> The evaluation team did not locate a decision document that systematically addressed these specific questions. However, interviews and documents, especially the initial proposal,<sup>6</sup> indicated that OTI considered them:

- *Is the country significant to U.S. interests?*  
East Timor's significance to U.S. interests is closely related to that of Indonesia, one of four countries worldwide whose transition to democracy and long-term stability is important to the United States. East Timor's successful transition to democracy supports broader U.S. democracy goals in the region. A politically unstable East Timor may also make the island more vulnerable to Indonesian threats and intervention, developments that would complicate U.S. interests.
- *Is the situation ripe for OTI assistance?*  
The positive vote for independence by the East Timorese in August 1999 provided the opportunity to help establish a democratic government in the East Timor territory.
- *Is the operating environment stable enough for OTI's programs to be effective?*  
The calmer situation after the postreferendum conflict, supported by a multinational peacekeeping force and the establishment of UNTAET, allowed relief and transition efforts to proceed. Efforts to reintegrate the Indonesia-backed militia would be important to maintaining a peaceful environment.
- *Can OTI address the key political development issues of a transition?*  
The initial OTI assessment, undertaken in November 1999, identified a number of political and security-related areas where OTI could have a comparative advantage.<sup>7</sup> OTI's involvement was expected to enable the East Timorese to participate in the rebuilding of their territory.

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<sup>5</sup> OTI, "Results Review FY 1998 and Resource Request FY 2001," June 1999, Annex A.

<sup>6</sup> Thomas Stukel, "Political and Economic Transition in East Timor: A Proposal for USG Support," December 3, 1999.

<sup>7</sup> *Ibid.*, 10–13. Areas of competitive advantage identified in this assessment were 1) support to local NGOs for democracy-building and civic and voter education, 2) support to an East Timorese human rights organization,

- *How likely is it that program implementation will result in a successful outcome?*  
Although difficult to justify and predict—as in other countries studied—positive results were projected on the basis of the strong commitment of numerous donors and UN entities.

The importance of the East Timor-Indonesia relationship to U.S. interests and the opportunity to help establish a stable democratic country in the area were important factors in the decision to initiate an OTI program in East Timor.

*In summary*, the decision to engage in East Timor was appropriate in that it generally considered and responded positively to the key guidelines that determine OTI involvement. The initial assessment, although not a formal decisionmaking document, provided the principal justification for the transition program. The decision to support UN and other donor efforts in East Timor was based on broad consultation with U.S. and other partners.

## **What were the strengths and weaknesses of transition assistance planning? What was the relationship between transition planning and country strategic planning?**

The initial assessment, conducted in November 1999, identified specific illustrative activities for USAID (using both OTI and Asia and the Near East Bureau (ANE) funding). In addition, it proposed a seven-staff OTI office be established in Dili and identified commodities and other logistic needs for placing staff in the devastated environment. USAID/OTI followed up with more detailed activity planning and implementation, setting up a separate OTI office in Dili in early FY 2000. While East Timor would have a program separate from that for Indonesia, the program would be under the authority of the USAID/Indonesia OTI head since the U.S. embassy in Jakarta was to continue to oversee East Timor.

Planning for the OTI effort focused on activities and interventions that could be undertaken quickly and productively to support and build on humanitarian relief. The initial assessment identified activities that both OTI and ANE (through USAID/Indonesia) could undertake to address more immediate reconstruction and transition issues. Priority political development needs identified in the initial assessment and followup planning emphasized civil society, media, employment and community development, and civic education.

Various donors and funding organizations pledged substantial funding for the reconstruction of East Timor. However, the capacity of other bilateral donors, the World Bank, and the United Nations to *quickly* initiate transition activities beyond immediate relief efforts was seriously limited. Thus, only OTI funded high-priority reconstruction activities until other donors' transition assistance became available. Interviews confirmed that consultation with

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3) the media, 4) community development, 5) demobilization of ex-combatants, and 6) conflict resolution and reconciliation.

UNTAET, the World Bank, and numerous other donors was an important part of the OTI planning effort. OTI also collaborated closely with the USAID/Indonesia mission staff who were addressing reconstruction needs and/or efforts to relaunch the coffee cooperative and related health services. OTI also coordinated its plans with the U.S. embassy in Jakarta and the U.S. representative responsible for, and later assigned to, East Timor. Coordinated planning was particularly important in this small country with its limited local development capacity.

The initial activities had short-term objectives. For example, upon beginning operations OTI provided grants averaging \$25,000 each to 26 NGOs<sup>8</sup> that had suffered loss and destruction during the conflict. Grants covered equipment, vehicles, and short-term recurring costs to enable these organizations to participate with UNTAET in determining the future of East Timor. With UNTAET and 13 district administrators, OTI planned the six-month Transition Employment Program (TEP) to finance reconstruction, equipment repair, and related salary payments until the World Bank could initiate its Community Empowerment Program<sup>9</sup> and the United Nations, its Quick Impact Program.<sup>10</sup> Other collaboratively planned activities included support for demobilized ex-combatants, which began only after their return to East Timor.

In June 2000, USAID/Indonesia presented to USAID/Washington an 18-month transition planning framework for assisting East Timor.<sup>11</sup> The principal goal was to strengthen East Timorese capacity to manage the transition to an independent democratic state. Major strategic objectives, and OTI's role, were to:

- *Revitalize local economic activity.* OTI's TEP was intended to support short-term employment projects and public works efforts until other assistance became available.
- *Strengthen democratic development.* OTI support for media development included equipment, training, and assistance in formulating regulations contributing to the establishment of a professional media. OTI's support for indigenous civil society organizations was designed to enable these organizations to provide civic education and to contribute to the participation of these organizations in the political process.

The USAID planning framework, including both ANE and OTI-managed and/or -funded efforts, integrated all USAID activities into one plan for East Timor. The United States' simultaneous broad strategic approach to the new political entity facilitated coordination. At the time of the evaluation, there was no strategic development plan extending beyond the initial 18-month period. Subsequent to the CDIE evaluation, USAID/Indonesia prepared a

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<sup>8</sup> This number reflects grants provided at the time of the evaluation. Eventually more than 30 NGOs received grants.

<sup>9</sup> The Community Empowerment Program is a longer term, institutional, district-level development program that builds on OTI's TEP achievements.

<sup>10</sup> TEP was extended to December 2000 because of further delays in getting the longer term programs of other funding organizations in place.

<sup>11</sup> USAID/Indonesia, "East Timor Planning Framework: Transition to Independence," June 6, 2000. OTI prepared an initial draft for the planning framework.

transition strategy for East Timor<sup>12</sup> that included performance information (primarily at the output level) on relevant OTI FY 2000 activities. However, OTI programs may be monitored outside the country transition strategy: the OTI results report<sup>13</sup> identified five objectives for the OTI program, some of which are the same as the intermediate results of the USAID transition strategy but others differ in emphasis and level.

*In summary*, OTI's country program planning for East Timor identified priority activities that could address reconstruction needs and help the citizenry participate in decisions about their future. Planning was carried out collaboratively with UNTAET, other funding organizations, and other USAID offices. The strategic planning framework for East Timor reviewed in Washington in June 2000 integrated all USAID assistance effectively within one country plan. It appears, however, that OTI has been monitoring the impact of its programs somewhat differently and separately from that of the overall country planning framework.

## **How was transition assistance implemented in East Timor? What were the strengths and weaknesses of the approach?**

The U.S. ambassador's disaster declarations of May 1999 and October 1999 for FY 1999 and FY 2000 respectively permitted USAID to commit IDA funding for Indonesia (which also included East Timor). The USAID Office of Foreign Disaster Assistance (OFDA) was present in East Timor from August to December 1999. During this time OTI/Indonesia staff, with help from the SWIFT contractor<sup>14</sup> located in Jakarta, began activities in East Timor.<sup>15</sup>

The initial challenge was to develop a rapid and appropriate response in the face of a devastated physical and economic environment.<sup>16</sup> The situation called for basic reconstruction efforts similar to those undertaken in emergency situations. The flexibility of transition assistance enabled USAID to support short-term activities that went beyond the "basic needs" support of emergency assistance. In January 2000 OTI established an office in Dili, staffed by three expatriates. This included the OTI country manager, a U.S. personal services contractor,<sup>17</sup> and two SWIFT-provided expatriate staff. In September 2000 the USAID/OTI and SWIFT staff numbered 47, including seven expatriate professionals, seven East Timorese professionals, and numerous administrative staff, security guards, and drivers.<sup>18</sup>

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<sup>12</sup> USAID/Indonesia, "Transition Strategy for USAID Assistance to East Timor, FY 2001– FY 2004," May 2001.

<sup>13</sup> OTI, "Results Review FY 2000," May 7, 2001, 42 ff.

<sup>14</sup> Development Alternatives Inc. (DAI)

<sup>15</sup> SWIFT Jakarta-based staff initiated implementation and commodity procurement, including setting up office procedures and orienting the East Timor-based SWIFT team.

<sup>16</sup> The severe devastation of infrastructure and equipment in East Timor made start up in East Timor particularly challenging and very similar to a disaster relief operation. The lack of adequate infrastructure (e.g., housing, hotels, restaurants, food supplies, electricity, roads, communications) hampered staff recruitment and initial planning and implementation efforts.

<sup>17</sup> The personal services contractor had previously been with the OFDA regional office in Manila and had been helping with disaster relief in East Timor.

<sup>18</sup> OTI/Jakarta, "USAID/OTI-DAI SWIFT Project," August 8, 2000.

Although operated separately, the OTI/East Timor office was under the authority of the OTI office in Jakarta.

### *Implementing Mechanisms and Procedures*

OTI was able to launch its East Timor program quickly with help of SWIFT staff in Jakarta and OTI U.S. personal service contractors (from Jakarta and Washington). The flexibility of the SWIFT contract facilitated OTI's rapid startup in East Timor. Unlike its counterpart in Indonesia, SWIFT in East Timor had separate programming and implementation functions,<sup>19</sup> and provided general administrative support for all staff and operations. Almost all assistance for East Timor was provided in kind, with much of the equipment procured through Darwin, Australia, where SWIFT established a small liaison office. The SWIFT contractor also set up an office in Surabaya, Indonesia for local procurement and larger construction needs. Much of the early procurement was for commodities, a serious need as a result of the extensive destruction that took place during the postreferendum conflict.

Interviews with representatives from UNTAET, other donors, and local organizations confirmed OTI's ability to start up and procure materials rapidly—far more rapidly than other funding organizations. Representatives from local organizations noted a few problems with initial equipment and lack of spare parts and repair facilities<sup>20</sup> but, on balance, found the in-kind approach addressed their needs. The issue of available spare parts and repair facilities illustrates the dilemma USAID faces when undertaking transition activities in a devastated environment requiring offshore procurement. Moving ahead quickly with equipment procurement for reconstruction activities is important for political and economic reasons, even though it may carry some risk—such as maintenance problems—until infrastructure capacity can be reestablished.

The OTI office in Jakarta could approve implementing grants for East Timor up to \$100,000; larger grants had to be approved by OTI/Washington. OTI/East Timor maintained information on implementing grants, which were reported to the OTI office in Jakarta for inclusion in the latter's database. By September 2000, 129 grants valued at approximately \$6.7 million had been approved (see Table 1 on page 13).<sup>21</sup> SWIFT/East Timor staff had to process payments through SWIFT's Jakarta office because local banks were destroyed in the September 1999 conflict.

### *Coordinating OTI and Other Assistance*

OTI was the principal USAID presence in East Timor and played a major coordinating role for USAID with the principal U.S. embassy officer located in Dili, USAID/Indonesia

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<sup>19</sup> In Indonesia, the embassy handled some of the administrative tasks for the U.S. personal services contractors and the OTI/Indonesia office. Detailed information on SWIFT operations is included in the Working Paper titled "The Role of Transition Assistance: The Case of Indonesia" and will not be repeated here. This discussion will focus on aspects more specific to East Timor.

<sup>20</sup> The OTI office in Dili experienced similar parts and repair issues.

<sup>21</sup> OTI/East Timor, "Bi-Weekly Report by Category—FY 00," September 20, 2000.

visiting mission staff, and other donors.<sup>22</sup> OTI's presence and active coordinating role in East Timor provided a unique model of OTI operations.<sup>23</sup> The OTI office in USAID/Indonesia oversaw the East Timor program, but delegated day to day implementation responsibility to OTI/East Timor. Interviews indicated that coordination in Dili between OTI/East Timor, the U.S. principal officer, and other donors was close and productive. In this sense the OTI/East Timor operation reflects a fully collegial approach. Beyond this close coordination, OTI/East Timor operation was unique, serving as the main USAID entity in-country. In contrast, in Indonesia and most other places OTI had to coordinate with a democracy and governance office within a fully in-charge USAID mission.

OTI/East Timor also coordinated implementation with other donors and funding organizations, including Australia, Japan, Portugal, the UN, and the World Bank. The level of coordination was important for mutual learning as well as enhancing the complementarity of initial and future donor activities. Dili is a small community, and the informal coordination and communication networks developed served the development community well.

*In summary*, OTI launched its program in East Timor quickly and established a regional office in East Timor under OTI/Jakarta in January 2000, with the help of the SWIFT staff in Jakarta. It was able to initiate activities and procure commodities far more rapidly than other donors or funding organizations. Most assistance was provided in kind, with materials imported mainly from Australia or Indonesia. As the principal USAID presence in East Timor, OTI/East Timor played a major coordinating role for USAID with the U.S. principal officer. OTI/East Timor also actively and effectively coordinated program implementation with other donors.

## **Was the duration of the transition program appropriate? Were transition activities being handed off effectively to other mission or donor development programs?**

OTI is charged with providing postcrisis assistance during the two-year critical period when countries are most vulnerable to renewed conflict or instability.<sup>24</sup> However, its FY 2000 results review indicated that its presence in each country is two or three years and the median, through FY 2000, was approximately three years.<sup>25</sup> In East Timor, the decision cable<sup>26</sup> reporting on the Washington review of the 18-month planning framework indicated OTI's intent to leave East Timor by September 2001. However, the U.S. embassy was supporting OTI's continued participation through elections that were expected to take place

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<sup>22</sup> Key USAID/Indonesia visiting staff included those managing its coffee project from Jakarta, who traveled periodically to East Timor. The coffee project is of critical importance to East Timor's economy and a major transition effort has been to rehabilitate assets and restart activities. The National Cooperative of Business Associations (NCBA) provides technical support for this and other USAID/Indonesia-financed coffee efforts.

<sup>23</sup> In many instances, OTI initiates political development activities alongside a mission democracy office, which requires close program coordination and monitoring of results.

<sup>24</sup> USAID, "OTI 1999–2000 Report," 4.

<sup>25</sup> USAID/OTI, "Results Review FY 2000," June 22, 2001, 2

<sup>26</sup> ANE/USAID, "East Timor Planning Framework," July 24, 2000, paragraph 4.

August 30, 2001, and for USAID/Indonesia to implement any remaining OTI/East Timor activities using umbrella mechanisms with NGO partners. By early 2001, the expected exit date had changed to December 2001<sup>27</sup> and has continued to slide. In June 2001, OTI was projecting a September 2002 exit.<sup>28</sup>

Several factors contributed to the extended duration. One was the uncertainty about the level of USAID's involvement in the long-term development of East Timor, even though other donors were expected to make substantial contributions. Other factors included the strong support by the USAID mission and the U.S. ambassador for a continued OTI presence, as well as consistent congressional support for East Timor. The absence of a clear and consistent Agency policy on the duration and phaseout of OTI programs is also an important factor making it easier for the Agency, whether at the regional bureau, mission, or some other level, to postpone decisions on alternative mechanisms to manage long-term transition efforts.

East Timor clearly will require long-term support to achieve sustainable development. By September 2001, short-term reconstruction needs were addressed, efforts to establish an elected government were underway, and the country was receiving substantial support from the UN and other donors. OTI's mandate fit the short-term reconstruction period but not the unfolding long-term development effort. This raises a question about the appropriateness of OTI's prolonged stay. Without timely planning for and the establishment of alternative mechanisms to manage in-country USAID efforts, OTI is unable to hand off its programs as planned.

The OTI activities reviewed for this evaluation—those implemented through September 2000—generally considered handoff as part of the design. For example, the initial assistance for 26 NGOs was a short-term effort to enable these organizations to work with UNTAET to determine priorities and address other nationbuilding issues. TEP (phase 1) was specifically designed to last from March to August 2000 to provide six months of support to communities until funding from other assistance organizations was available. Planning for TEP (phase II) also anticipated a short-term, interim program to modify and extend efforts under TEP I when funding from other assistance organizations was delayed.

Establishment of the print consortium in cooperation with Canada was another example of OTI's emphasis on short-term, multidonor efforts. The aim in this case was to help lower the cost of media printing by developing facilities that could be used by a number of organizations. At the time of the evaluation, OTI was expanding its media effort to encompass both shorter and longer term institutional activities. After September 2000, OTI worked actively to hand off media activities by forming a media working group with the UN, World Bank, other donors, and East Timorese media groups. The civil society program<sup>29</sup> at that time was evolving toward greater capacity-building efforts and some donors had begun to support NGOs that OTI had previously assisted.

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<sup>27</sup> USAID, "OTI 1999–2000 Report," 25.

<sup>28</sup> USAID/OTI, "Results Review FY 2000," June 2001, 42. Report indicated a June 2002 exit. As of June 30, 2001, an OTI website document listed September 2002 as the exit date.

<sup>29</sup> These activities are described in more detail under the section dealing with achieving objectives.

*In summary*, the expected duration for OTI involvement in East Timor has gone from two to nearly three years. Contributing factors include uncertainty about future USAID involvement in the development of East Timor, strong support by the USAID mission and the U.S. ambassador for a continued OTI presence, congressional support for East Timor, and absence of a clear and consistently applied Agency policy on the duration and phaseout of OTI country programs. By and large, OTI addressed handoff as part of the design of the short-term or bridging activities, many of which were undertaken in consultation with other donors. But without the timely establishment of alternative mechanisms to manage USAID programs, OTI has been unable to hand off its overall program as promptly as planned.

## Were transition activities achieving their objectives effectively?

Determining whether transition activities effectively achieved their objectives includes examining the relevance of the activities, the extent to which they achieved their objectives, and the effectiveness of the approaches. The evaluation team collected data by reviewing documents and conducting in-depth interviews. Time and language constraints limited data collection from beneficiaries. Interviews with several donors and partner organizations provided useful insights on selected OTI first-year efforts.

The grants approved for East Timor are summarized by program area in Table 1.

<b>Program Area</b>	<b>Grants</b>	<b>Amounts(\$)</b>
Civil society	35	936,656
Community stabilization	13	553,439
Employment program (TEP)	62	4,197,595
Governance	5	403,959
Media	14	578,337
<b>Total</b>	<b>129</b>	<b>6,669,986</b>

Source: OTI/East Timor, "Bi-Weekly Report by Category–FY 00," September 20, 2000

Most of the grants and funding were programmed for TEP. Other priorities included civil society and community stabilization programs. Support for the media became an increasingly important area with elections on the horizon. At the time of the evaluation, the governance grants provided diplomacy training for East Timorese; future grants in this area were expected to support elections.

### *General Responsiveness*

OTI's challenge was to address critical needs while minimizing problems. The evaluators found widespread positive views on OTI's ability to respond quickly and appropriately and

to initiate postrelief transition efforts. USAID, through OTI, was able to assess the situation quickly, target priority needs, and rapidly get activities underway. Interviewees noted OTI's capacity to procure and deliver materials quickly. Contributing factors included 1) the flexibility to advance funding to East Timor from resources allocated for Indonesia, 2) existing contracting mechanisms permitting OTI to assess needs and initiate implementation quickly, and 3) the ability to identify and place a personal services contractor in Dili to manage the program. Because donors' commitments to provide substantial resources had raised expectations of quick action among the East Timorese, USAID's ability to step in and begin activity, exemplified by the initial grants to NGOs and TEP in particular, quickly filled a major gap. Interviewees said these initiatives helped stem further economic deterioration and instability during the interim period.

### *Civil Society*

Shortly after the postreferendum conflict, OTI/Indonesia staff made initial in-kind grants averaging \$25,000 each to 26 local NGOs in East Timor, using the Jakarta-based SWIFT mechanism to implement the program. Donors (including USAID) had previously provided some type of support to most of these NGOs. With the loss of staff, equipment, and infrastructure, local NGOs were sidelined as international NGOs worked directly with donors and led the provision of humanitarian support. Local news offices were also damaged. The grants enabled these local organizations to reestablish offices and operations and thus participate with the international community in reconstruction and decisions about the territory's future. Grants included the procurement of generic packages—basically similar items for each community or group rather than procurement tailored to specific needs or requests—of office equipment and furniture, supplies, reconstruction materials, and funds to cover short-term operational expenses.

Those interviewed in September 2000 saw the rapid response as important and constructive, enabling the local NGOs to become engaged quickly and more effectively with the UN agencies, donors, and international NGOs in reconstruction and nationbuilding efforts.<sup>30</sup> Some believed that OTI could have more carefully selected NGOs to choose only the most capable. Some also argued that the package of assets could have been more carefully tailored; that is, some of the NGOs lacked the capacity to use the assistance package effectively and the package sometimes provided for more than the replacement of assets. OTI's approach also raised expectations about salaries and other cost support that OTI had to address with later grants. Inability to service equipment in country also became a problem that OTI moved to address for participating local organizations. On balance, those interviewed thought the benefits of rapid and effective intervention more than outweighed the problems encountered.

Aimed at strengthening civil society's capacity for participation, OTI also began to provide additional grants for reconciliation, civic education, women's rights, and good governance efforts. Given the absence of an active civil society in East Timor under Indonesia, the effort

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<sup>30</sup>OTI, "Results Review FY 2000," June, 2001, 18, reported that NGO organization leaders held positions of authority in the East Timor's Transitional Authority. East Timor provides an example of the dilemma OTI faced when responding rapidly in a very devastated situation where most skilled individuals had departed and service capacity had been destroyed.

will require longer term capacity building. OTI was also promoting mechanisms for building greater NGO coordination as identified by an NGO implementing partner.

### *Transition Employment Program (TEP)*

OTI agreed to undertake the TEP from March through August 2000 until the UN and World Bank funds were available for community development. The purpose of the program was to initiate emergency reconstruction activities outside of Dili in collaboration with the East Timorese and UNTAET. These activities were planned as a response to high and growing unemployment (estimated at 80 percent) and increased civil unrest in the aftermath of the conflict. TEP financed salaries, materials, equipment, and tools for projects such as emergency road repair, reconstruction of schools and markets, rehabilitation of irrigation systems, revitalization of sports facilities, and income-generating activities. The program employed more than 50,000 East Timorese.<sup>31</sup> TEP particularly needed to address the void left by the departure of the Indonesians (especially the military), who had previously undertaken much of the public works effort.

The evaluators, on one hand, found widespread agreement among embassy and USAID leadership, other donors, district administrators, and UNTAET officials that TEP had major positive effects, jump starting the process of engaging the East Timorese in meaningful public works efforts in all 13 districts and in rebuilding their country in the aftermath of the conflict. Several interviewees specifically mentioned the drain-clearing and general cleanup efforts as important and useful activities. The program also injected liquidity into the communities where assets were severely depleted. In addition, the program boosted morale by reactivating community effort. One person opined that putting young people to work helped stem the formation of street gangs.

On the other hand, program effectiveness varied from district to district, largely reflecting available management capacity. The SWIFT contract was useful as it enabled OTI to procure and provide in-kind assistance quickly when dealing with varying, and often weak, management capacity.<sup>32</sup> The procurement of generic packages providing basic similar items to each community or group (rather than tailoring assistance to specific needs or requests) facilitated a speedy response. OTI recognized, however, that increased tailoring would be important for follow-on activities.

The evaluators discussed with several people the fear expressed by one source that payments for what had previously been volunteer work would undermine the community self-help ethic in rural areas. OTI and others acknowledged that adjustments were needed to get the salary incentives right and that the salary payments may have contributed to short-term labor cost distortions. But, on balance, most interviewees did not see lasting effects and indicated that the benefits outweighed any possible short-term negative effects. Mitigating factors included the temporary nature of TEP, the limitation of salary payments for each worker to short periods, the rotation of workers to ensure broad participation, and the suspension of TEP salary payments during the harvest season (notably the coffee harvest) in order not to compete for critically needed agricultural labor.

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<sup>31</sup>This figure increased to 65,000 people on 597 projects subsequent to the field study.

<sup>32</sup>District management capacity had also declined with the exit of skilled Indonesians.

OTI had designed and was beginning to implement a follow-on program—the Transitional Engagement for Population Support—that was to be pilot-tested from September through November 2000. Its purpose was to strengthen local governance and community empowerment by partnering with local institutions to identify and rehabilitate priority basic infrastructure and to restart economic activities. This program was to complement other donor efforts at the district level, planning small-scale interventions, mainly through in-kind assistance with limited cash support. OTI indicated that the program would also address how maintenance would be handled, a concern not addressed in the earlier, emergency-like TEP program. OTI's approach and involvement were flexible, designed for phaseout as other donor funds became available.

## *Media*

The postreferendum conflict destroyed much of the media's buildings and equipment. When OTI began working in East Timor in 1999, there were no surviving commercial media outlets and only very limited technical and production capacity. OTI's media program strategy<sup>33</sup> called for an expanded effort to strengthen transparency and increase access to information on the nationbuilding effort. Support activities provided to numerous media organizations included training for journalists and media administrators, provision of equipment and materials, and funding of operating costs. As in other areas, OTI faced the dilemma of achieving a balance between short-term, quick impact activities and building the needed capacity for sustainability.

Interviews with representatives from UNTAET, the World Bank, other donors, and participating NGOs indicated that OTI involvement in the media was important and constructive. The initial training for journalists helped develop skills and build collegiality. With in-kind assistance for equipment, vehicles, and supplies, and short-term funding for salaries, the *Timor Post* was able to expand its daily print run of 1,000 copies from two days to six days a week. The owner also planned to open two regional offices to expand coverage. Similar assistance helped launch the weekly tabloid *Lananok* and expand its operations as well. OTI also provided assistance to support radio programming. Eventually, OTI, collaborating with Canada, financed spare parts, engineering assistance, materials, and operating costs to develop a consortium that would provide printing services for members at a more reasonable cost.

OTI's support to the media, as with other initiatives, was more quickly initiated than that of other donors. Its ability to act (not just study the problem) was clearly appreciated in the media area. According to those interviewed, the media program responded to the East Timorese "hunger" for information. Support for the media continued to be an important need as the country moved toward elections and further nation building.

Over the longer term, financial sustainability remained an issue for the consortium and other media organizations. OTI recognized the importance of encouraging advertising and other means to help build sustainability, although the benefit of providing information may

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<sup>33</sup> OTI East Timor, "Media Program Strategy," September 1, 2000.

diminish the importance of sustainability in the short and medium term. A publication such as the *Timor Post* was expected to be able to achieve financial sustainability.

*In summary*, the evaluation team generally confirmed that OTI responded quickly and effectively during its first year in East Timor. OTI's ability to target needs, procure materials, and respond stood out among donors. The short-term programs helped stem further economic deterioration and instability during an interim period when East Timorese expectations were high and other anticipated transition assistance was not yet available.

OTI's initial assistance to local NGOs was important in enabling the NGO community to work with UNTAET and the international NGOs. More attention to NGO selection and asset distribution could have made this assistance even more effective. There was widespread agreement that TEP provided important benefits, including jump-starting the rebuilding effort, injecting liquidity into the community, and boosting morale. The SWIFT mechanism was particularly useful for accelerating the procurement of materials and equipment for districts where management capacity varied and was often weaker than anticipated. Support for the media helped expand news circulation, electronically as well as in print, and fill the void for information on nationbuilding activities.

## Lessons Learned

USAID played an important role in helping the U.S. Government respond quickly and appropriately, providing transition assistance for reconstruction in East Timor following the postreferendum conflict of September 1999. OTI's rapid response played a valuable role by filling a major gap during the early postconflict period when the potential for instability was greatest. The civil society, employment, and media initiatives implemented during the first year were effective in jump-starting reconstruction and building capacity in a seriously devastated environment. The East Timor experience teaches the following key lessons:

### 1. Transition assistance has comparative advantages.

*Transition assistance has particular advantages in a startup, multidonor, postconflict situation such as existed in East Timor.* In the aftermath of the referendum for independence and the ensuing conflict, USAID was the sole donor able to assess needs, target assistance, and initiate the reconstruction effort rapidly. Most international and bilateral organizations were unable to respond quickly and flexibly beyond the provision of basic humanitarian relief. By closely coordinating its assistance with other donors, OTI was able to get interim activities operating until funding from other donors became available. In this volatile environment, OTI's quick action was important to help stem further instability and economic deterioration.

### 2. The need for fast action may outweigh potential risks.

*There is a tradeoff between rapid response and risk. Responding rapidly may be critical in a postconflict situation to prevent further conflict or instability. The need for fast action may also outweigh the potential costs or risks. The challenge is to address critical needs while minimizing*

*problems and side effects.* OTI's quick provision of assistance to local NGOs effectively enabled the East Timorese to participate in initial reconstruction and nationbuilding efforts. However, the rapid response also led to implementation problems, including lack of maintenance capacity and spare parts for newly provided equipment and limited organizational capacity, and provoked concerns about recurring costs. On balance, the benefits of helping stem further political and economic deterioration outweighed the drawbacks, which OTI addressed over time.

### **3. OTI/East Timor proved a useful operating model.**

*OTI's successful operation in East Timor showed that it could serve as a distinct and useful model for coordinating USAID assistance in countries without a USAID country mission.* OTI served as the on-the-ground presence for USAID in East Timor. It played a lead role in coordinating USAID assistance with the interim government, the in-country U.S. embassy officer-in-charge, other donors, and visiting USAID/Indonesia mission staff. The approach permitted USAID to play an important role in the territory without setting up a full in-country mission. It also minimized the in-country coordination and authority concerns observed in Nigeria and Indonesia, where OTI operated within a larger USAID mission. The applicability of the *model* elsewhere would depend on various factors, including the size of the country, U.S. foreign policy interests, and the nature of the USAID program.

### **4. Planning handoff from the outset facilitates timely transfer.**

*The East Timor experience demonstrates that planning handoff as part of the activity design process makes it easier to hand off activities in timely fashion.* By and large, OTI planned for the handoff of its short-term activities as part of the respective activity designs. This contributed to timely handoff of its first-year initiatives. However, over time the program was extended from two to nearly three years. Factors contributing to the extension included uncertainty about future USAID involvement in the development of East Timor, strong support by the USAID mission and the U.S. ambassador for a continued OTI presence, congressional support for East Timor, and absence of a clear and consistently applied Agency policy on duration and phaseout. The lack of such a policy provides the Agency flexibility, but it also makes it easier for it to postpone establishing alternative mechanisms to manage programs over the long term. Without alternatives for managing OTI initiatives, OTI continues its in-country presence in East Timor.

A clearer policy on the duration of OTI transition programs could facilitate timelier handoff. Such a policy could address the conditions under which programs would be phased out or down and the roles and responsibilities of OTI and the regional bureaus (or missions) in identifying and establishing mechanisms for program management.

### **5. The SWIFT contract enables a rapid response.**

*The SWIFT contract is especially effective for quick in-country startup, rapid procurement of commodities, and flexible programming.* OTI used the Indonesia-based SWIFT contractor staff to help get its transition program in East Timor under way. SWIFT's capacity to rapidly develop specifications and procure goods and services enabled OTI to aid local NGOs and

implement the highly praised employment program quickly and effectively. The SWIFT mechanism was especially well suited for providing assistance to districts where indigenous East Timorese capacity to manage local groups was often weak. The mechanism's flexibility allowed USAID to adjust programs and deadlines as needed to respond to changing situations. Other USAID entities could also use the SWIFT contract to implement transition activities.

## **Annex: People Interviewed**

### *U.S. Embassy, Jakarta*

Ambassador Robert S. Gelbard

### *USAID/Jakarta*

Terry Myers, USAID Mission Director  
Sharon Cromer, Deputy Mission Director

### *USAID/OTI*

Jim Lehman, OTI Washington  
Chris O'Donnell, OTI Washington  
Justin Sherman, OTI/East Timor Country Manager  
Karma Lively, OTI/Indonesia

### *SWIFT/DAI*

Gerald Becker, OTI/Indonesia Country Manager  
Laurie Pierce, Country Program Manager, Jakarta (responsible for OTI/Surabaya Office)  
Nicole Seibel, Dili, Program Coordinator  
Edie Bowles, Dili, Media Program Manager  
Geta Retu, Dili, Program Country Manager  
John Doyle, Dili, Transition Employment Project Coordinator  
Vinh Nguyen, Dili, Finance & Project Manager  
Bavani Shaumugenathen, Dili, Grants Manager  
Salvador da Silva, Dili, Grants Manager  
Bruce Spake, DAI Headquarters Backstop Officer

### *Other Funding Organizations/Donors*

United Nations Transition Authority for East Timor (UNTAET)  
Patrick Burgess, head, UNTAET Human Rights Office (also former District Administrator)  
Catherine Walker, Director, Donor Coordination Unit  
Gerry Fox, Head, Office of District Affairs

Australian Development Cooperation  
Deborah Cook, Second Secretary

World Bank  
Steven Burgess, Program Advisor

Ronald Isaacson, Deputy Chief of Mission

Canada

Stephen Weaver, First Secretary, Jakarta (CIDA)

Other

Christopher Gascon, Chief of Mission, International Organization for Migration  
Sam Filiaci, Director, Cooperativa Café Timor/National Cooperative Business  
Association

### *Local Organizations*

Hugo Da Costa, *Timor Post* (daily newspaper)

Vigilio Guterres, *Lalanok* (weekly tabloid)

Aderito Jesus Soares, Sahe Institute (legal rights NGO)