

## Ex Post-Evaluation Brief

### East Timor: Development of the Maritime Transport Sector



|  |   |                             |
|--|---|-----------------------------|
| Programme/Client                                     | Support for the Maritime Transport Sector<br>BMZ Ref. 2003 66 625 |                             |
| Programme executing agency                           | Ferry and port authority - APORTIL                                |                             |
| Year of sample/ex post evaluation report: 2011*/2011 |   |                             |
|  | Appraisal (planned)   | Ex post-evaluation (actual) |
| Investment costs (total)                             | EUR 5.78 million  | EUR 5.43 million            |
| Counterpart contribution (company)                   | EUR 0.08 million  | EUR 0.08 million            |
| Funding, of which budget funds (BMZ)                 | EUR 5.70 million  | EUR 5.35 million            |

\* random sample

**Project description:** The project was designed in cooperation with GIZ. The Financial Cooperation (FC) component consisted of procuring a roll on - roll off (RoRo) ferry as well as the expansion of port infrastructure and repair facilities. The latter part was removed from the project and implemented as a separate follow-on project for repair and maintenance facilities (BMZ Ref. 2005 66 085). The Technical Cooperation (TC) component (not subject of this evaluation) was completed in 2011 and comprised support to the administrative infrastructure, training measures and advice in operationalising a private-sector participation scheme for ferry operations. This engagement is complemented (until 2013) by an integrated expert assignment (GIZ-CIM) to the infrastructure ministry.

**Objectives:** The overall objective of the project was to contribute to improved living conditions of the population of East Timor, particularly in the enclave Oecussi and on the island of Atauro, by providing access to work, markets, education and social services

The project objective was the permanent and cost-efficient operation of the RoRo ferry.

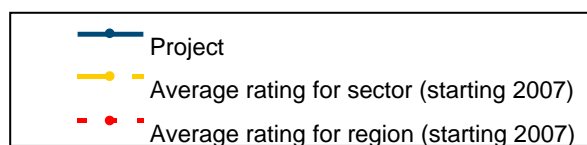
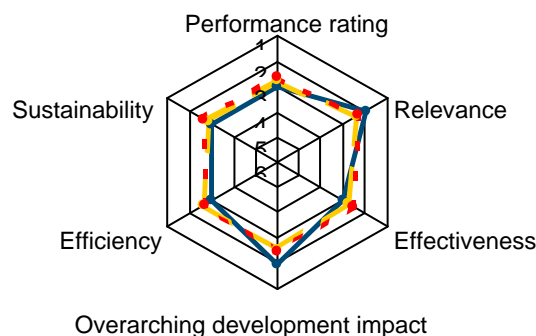
The target group was the population of East Timor, above all in Oecussi and on Atauro, predominantly low-income sections

#### Overall rating: 3

The overall assessment is derived from the project's high relevance, its satisfactory effectiveness (with certain shortcomings due to indications of passenger overloading), a good developmental impact, evident deficits in terms of operational efficiency and an uncertain sustainability.

**Of note:** In 2007, attempts to privatise ferry operations via tendering did not bear fruit. No further attempts were made to restructure the ferry and port authority as the executing agency, and/or otherwise improve its institutional and operational capacity. Alternative approaches for organisational reform should have been and should still be taken in the interests of adequate, efficient operation.

#### Rating by DAC criteria



## EVALUATION SUMMARY

### Overall rating: Rating 3

**Relevance:** By securing a reliable ferry connection between the capital Dili, the enclave Oecussi and the Island of Atauro, the project aimed at affording the population access to employment, markets, education and social services as a contribution to improved living conditions of the population at both these locations (target group), which numbers among the poorest in East Timor. This intervention logic is plausible in retrospect and still highly relevant today.

There is no national development plan that explicitly refers to the project. However, it is supported by all political stakeholders. Through the provision of basic foodstuffs and building materials as well as by creating substantial marketing opportunities for agricultural produce, it contributes, above all, to alleviating poverty in Oecussi and on Atauro; this will narrow the disparities in living standards among the different sections of the population in East Timor, as laid out in the government's Strategic Development Plan 2010-2030.

The isolation of Oecussi and Atauro from the mainland – with all its negative socio-economic implications – was correctly identified as the core problem. Introducing a ferry service was an appropriate way to solve this problem. Shortfalls became evident in the – ultimately abandoned – privatisation approach (see below), whose prospects were assessed too optimistically at project appraisal.

Expanding transport infrastructure for economic growth is the declared aim of the East Timor Government, as specified in the national development plan. The transport sector is defined as the priority for German development cooperation with East Timor. Apart from GIZ, the project did not coordinate with other donors (Sub-rating: 2).

**Effectiveness:** The project objective was the cost-efficient and permanent operation of the ferry with the indicators:

- Regular ferry connections from Dili to Oecussi and Atauro (at least 48 weeks a year)
- Average transportation of 1,400 passengers a month on the route Dili - Oecussi
- Adequate cargo capacity utilisation of the ferry
- Monthly subsidy payments of under US\$ 5,000 after three operating years

With view to regular ferry connections, those were interrupted for extended periods of 59 days each in 2009 and 2011. Accordingly, this indicator has only been met in part.

The above-mentioned capacity utilisation target for passenger transport was achieved in 2007 to 2011 on average and also exceeded in individual years. Actual capacity utilisation is probably far higher. A passenger census conducted on the route Dili - Oecussi counted

about 800 passengers on the outbound cruise and an even higher number on the return trip, which indicated a considerable overload of the vessel. This, however, was due to an exceptional situation where the ferry had not been available for public transport in the previous week. In addition to registered passengers, whose number was far below the 800 counted, a considerable number of accompanying children under 14 were present (an estimated 30%), who currently neither pay nor register, as well as an unrecorded number of passengers who travel without a ticket. With an official full or almost full capacity utilisation of 300 passengers, the ferry must have been overloaded. The additional weight due to high passengers numbers is, however, of subordinate importance, as the ferry is designed for passengers and cargo, so that both make up for the relevant total load.

Despite the high passenger numbers, overloading in terms of weight does not appear to be a general problem, as the average utilisation of cargo capacity (see below) falls well short of the specified limit. This does not, however, rule out the risk that in an emergency (e.g. fire on board) critical shifts in weight could occur (e.g. due to passengers rushing to one side). Precautions have been taken for the high numbers of passengers with the safety equipment on board (life jackets, rafts and boats), which is reportedly adequate for a maximum of 1,000 passengers. KfW has repeatedly addressed the relevant safety aspects at technical and policy level: New regulations co-initiated by KfW for also including children (and requiring them to pay ferry fares) and accounting for them in capacity utilisation have been submitted to parliament for approval.

In 2009 and 2010, on average about 8.9 t of cargo (authorised 100 t), 2.8 cars/lorries and 6 motorcycles (authorised 24 cars) were transported per crossing from/to Oecussi. Despite clear underutilisation of the permitted weight, the loading surface of the ferry was regularly at least adequately filled; due to the highly variable distribution of cargo volume there is therefore no reason to assume a frequently recurring problem of weight overload (see above). According to estimates based on available information (above all cargo revenue), the amount of cargo increased altogether in 2011 compared with 2010, while it had remained more or less constant in previous years.

The indicator for monthly subsidy payments after three operating years fell far short in 2010 and 2011 at US\$ 82,000 and US\$ 133,000 respectively. Those figures by far exceeded the very optimistic target estimate at project start of less than US\$ 5,000. Considerable price level increases must be taken into account, however, which were unforeseeable at project appraisal; in aggregate, they amount to roughly 30% since 2007, not least due to unexpectedly high public revenues from newly discovered raw material sources (esp. oil).

The intention at project appraisal was to decouple the ferry from port operations and transfer them to a private operator. Due to the ongoing unrest in East Timor, there was no response to the international call for tenders in 2007. Until today, the ferry has been operated 'provisionally' by the ferry and port authority, APORTIL, whose reorganisation was planned but still has not been carried out. All major decisions on port and ferry

operations are taken by the APORTIL's director, who did not dispose of modern communication facilities at the time of evaluation.

Support for the technical safety of the ferry service, the berths and liaison with the crew is the responsibility of an assigned GIZ-CIM expert as of 2009. His scope of influence does not, however, extend to policy decisions (Sub-rating: 3).

**Efficiency:** Annual income from ferry transport has remained relatively constant since 2007 at US\$ 400,000. The main reason for this is that fares have not been altered since the ferry was launched. Due to political reasons, no increases are expected in the near future, despite the general increase in price levels mentioned above.

The newly built ferry was procured at reasonable cost, but the prolonged implementation time incurred considerably higher consultancy expenses, which partly accrued for the preparation of the above-mentioned follow-on repair and maintenance facilities project. The operating costs of the ferry have increased substantially and will amount to about US\$ 2 million for 2011. The high costs of the crew hired via an Indonesian service company account for about US\$ 580,000.

The revenue from ferry operations is paid into an account at the Finance Ministry, with expenditure being paid out from there via a separate account. Figures are not reconciled, and there is no incentive at all for effective cost controlling. Where necessary, supplementary budgets are submitted to the Infrastructure Ministry and regularly approved. In 2011, only about 20% (see above) of operating costs were recovered through income and less than half on annual average over the years. There is a large disparity between costs and earnings, which the government (readily) offsets with subsidies. Altogether, the executing agency, APORTIL, cannot be considered an economically efficient institution.

Considering high capacity utilisation of the ferry and the lack and/or shortage of alternative transport links for Oecussi or Atauro, allocative efficiency can be assessed as reasonable altogether (Sub-rating: 3).

**Overarching developmental impact:** The overall project objective was redefined in the course of the evaluation mission as contribution to affording the population of Oecussi and Atauro access to work and improved living conditions. The two indicators chosen at project appraisal report remain unchanged, but are complemented by a third:

- Higher income for the population from marketing agricultural produce and/or through tourism (Atauro)
- Better access to social facilities (health care, schools)
- In addition: supply of Oecussi and Atauro with essential goods, above all food and building material

For the population of the Oecussi enclave (approx. 66,000), the ferry at present constitutes the only transport link to the main territory, as road transport is unavailable due the barriers to border crossing. An Indonesian visa alone costs US\$ 45, that is, four to ten times the fare for a ferry crossing, and the applicant has to wait for 3 days. The economic and social development that has occurred would not have been possible without the ferry connection, nor would the maintenance of social ties among friends and families. Oecussi depends on the ferry for all kinds of imports (e.g. food, building materials, vehicles). Agricultural exports (e.g. livestock), in contrast, are sold on regional markets along the Indonesian border and only a small amount is transported on the ferry.

Oecussi's present heavy dependence on the ferry was highlighted when the connection to Dili was disrupted due to the vessel's dry docking for several weeks at the beginning of 2011. Small trade practically came to a halt, and protest rallies were held. (There are similar reports for the docking period in 2008).

Atauro (approx. 8,000 inhabitants), in return, can resort to alternative shipping connections to the mainland. The ferry is nevertheless indispensable for importing heavy goods (e.g. building machines and materials). Due to its safety and independence of weather conditions, it performs a key function for importing and exporting local – also agricultural - products.

The ferry connection to Atauro only runs once a week. Tourism on the island has increased, as initially anticipated. There is also a market every Saturday near the wharf where the ferry docks.

Thanks to the low fares, the poorest sections of the population can also travel on the ferry routes (Sub-rating: 2).

**Sustainability:** Without very large government subsidies (80% of operating costs in 2011), the ferry service cannot survive at the current expenditure/income ratio. Increases in fares have been proposed by various stakeholders to relieve the burden on the national budget, but have not been pursued further by the government.

On the other hand, the government has readily filled the expenditure gap incurred by the ferry service in the past. Both the infrastructure minister and the deputy finance minister have given assurances that the government will continue to do so in future. Thanks to newly discovered oil and gas deposits, this is possible from the newly established oil fund. In that respect, the project can therefore be assessed as financially sustainable.

Should East Timor succeed in joining the ASEAN community (blocked till now by Singapore), transport options will change fundamentally for the population of Oecussi. This would mean visa exemption for Indonesia, possibly rendering travelling by road preferable to the ferry, above all in passenger transport. The ferry would retain a part of cargo traffic to

the enclave, the connection to Atauro and could also be put into service in alternative areas.

The institutional arrangements for the ferry are considered a sustainability risk. There is little prospect of any improvement in the near future. For long-term viability, restructuring efforts abandoned after the failed privatisation in 2007 should be emphatically resumed to reform the operational setup and/or the organisational-institutional framework of the executing agency to enable it to operate according to private enterprise standards (e.g. by way of a management contract or licence) (Sub-rating: 3).

## Notes on the methods used to evaluate project success (project rating)

Projects (and programmes) are evaluated on a six-point scale, the criteria being relevance, effectiveness, efficiency and overarching developmental impact. The ratings are also used to arrive at a final assessment of a project's overall developmental efficacy. The scale is as follows:

|   |   |
|---|---|
| 1 | Very good result that clearly exceeds expectations  |
| 2 | Good result, fully in line with expectations and without any significant shortcomings   |
| 3 | Satisfactory result – project falls short of expectations but the positive results dominate                                     |
| 4 | Unsatisfactory result – significantly below expectations, with negative results dominating despite discernible positive results |
| 5 | Clearly inadequate result – despite some positive partial results, the negative results clearly dominate                        |
| 6 | The project has no impact or the situation has actually deteriorated  |

Ratings 1-3 denote a positive or successful assessment while ratings 4-6 denote a not positive or unsuccessful assessment

### **Sustainability is evaluated according to the following four-point scale:**

Sustainability level 1 (very good sustainability) The developmental efficacy of the project (positive to date) is very likely to continue undiminished or even increase.

Sustainability level 2 (good sustainability): The developmental efficacy of the project (positive to date) is very likely to decline only minimally but remain positive overall. (This is what can normally be expected).

Sustainability level 3 (satisfactory sustainability): The developmental efficacy of the project (positive to date) is very likely to decline significantly but remain positive overall. This rating is also assigned if the sustainability of a project is considered inadequate up to the time of the ex post evaluation but is very likely to evolve positively so that the project will ultimately achieve positive developmental efficacy.

Sustainability level 4 (inadequate sustainability): The developmental efficacy of the project is inadequate up to the time of the ex post evaluation and is very unlikely to improve. This rating is also assigned if the sustainability that has been positively evaluated to date is very likely to deteriorate severely and no longer meet the level 3 criteria.

The overall rating on the six-point scale is compiled from a weighting of all five individual criteria as appropriate to the project in question. Ratings 1-3 of the overall rating denote a "successful" project while ratings 4-6 denote an "unsuccessful" project. It should be noted that a project can generally be considered developmentally "successful" only if the achievement of the project objective ("effectiveness"), the impact on the overall objective ("overarching developmental impact") and the sustainability are rated at least "satisfactory" (rating 3).