

# The La'o Hamutuk Bulletin

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## FUNDING EAST TIMOR'S RECONSTRUCTION: AN OVERVIEW

People in East Timor have many questions about the hundreds of millions of dollars that have flowed into the country since September 1999. Most have little idea where the money is going. The lack of public awareness, transparency, and participation in funding matters leads many to conclude that something is wrong. At the same time, there is a pervasive perception that, given the levels of funding, there has been insufficient progress in the rebuilding of East Timor.

At a meeting of international donors in Dili on 29 March, for example, Xanana Gusmão criticized various aspects of the reconstruction process, telling the donors of money ill spent and delays in the implementation of projects. The CNRT leader told the conference attendees not to be "overly impressed" with all the activity in Dili, stating that "in the interior the economic situation of the population has not changed much" since the Indonesian military's September 1999 campaign of terror and destruction.

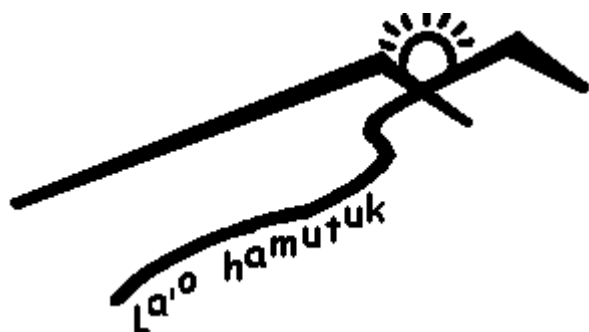
While such problems are not merely matters of funding, funding is central to the concerns raised by Xanana and many others. That is why this issue of the *Bulletin* focuses on the primary external funding sources in East Timor, and how their money is spent.

Undoubtedly, there is a great deal of money involved in the international community's efforts in the territory. Indeed, donors to East Timor have allocated more than one billion US dollars since December 1999.

Despite its small size and an economy based on subsistence agriculture, East Timor presently has one of the most complex external funding and public finance structures in the world. It is important to understand the different sources of this money, what it pays for, and the decision-making processes that govern its allocation. In this way, the people of East Timor can better evaluate the uses of this money, and more effectively influence its future flows and, thus, the reconstruction process.

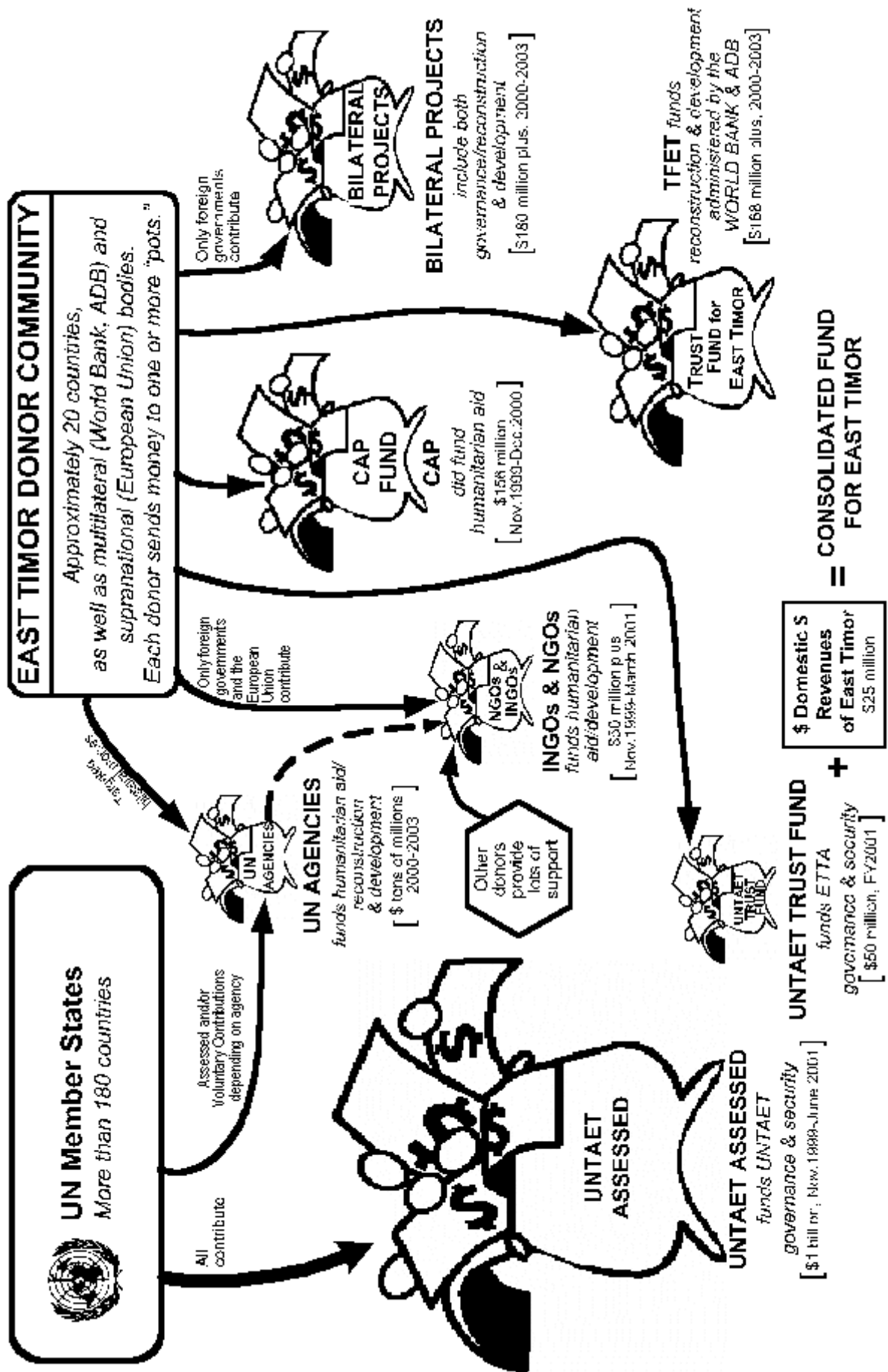
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# International Funding in East Timor (Figure 1)



# EXTERNAL FUNDING: SOURCES AND USES

Almost all of the funds available to East Timor for reconstruction, governance, and security come from foreign governments. Although internal funding mechanisms—such as revenues from the Timor Gap and the new tax system—also yield money for public sector activities, funds coming from outside sources are currently much larger and, thus, deserve close review.

External funding goes into seven different “pots” (see figure 1). These seven “pots” support activities in one or more of three main areas: relief and/or humanitarian assistance; governance and security; and reconstruction and development. Voluntary financial contributions provide the funds of five of the seven “pots,” while contributions that member-countries of the United Nations must make supply the funding for the largest “pot.”

A description of these “pots”—or places where funds reside—follows. (*All amounts in US dollars.*)

## **CAP Monies and Related Work**

In late September 1999, in the aftermath of the TNI post-referendum campaign of terror, the UN’s Office for the Coordination of Humanitarian Affairs (OCHA) launched a Consolidated Inter-Agency Appeal (CAP). Typically, OCHA is the UN agency that coordinates the international response to humanitarian emergencies.

OCHA’s proposed budget for humanitarian operations called for \$183 million for East Timor and \$15 million for humanitarian needs in West Timor. In response, foreign government representatives committed \$156 million in voluntary contributions to the CAP at the Tokyo Donors Conference in December 1999.

While an additional \$40-\$50 million went to emergency relief efforts outside the CAP process, the major portion of aid to refugees, including the provision of water, health services, and shelter kits was funded by CAP monies. UN agencies such as the United Nations Children’s Fund (UNICEF), the United Nations Development Program (UNDP), the United Nations High Commissioner for Refugees (UNHCR), the World Food Program (WFP), and the World Health Organization (WHO) were involved in the effort. International agencies such as the International Organization for Migration (IOM) and the International Committee of the Red Cross (ICRC), as well as numerous other international non-governmental organizations, also participated. The various implementing agencies spent almost all of the money in voluntary contributions received for this effort in the 13-month period from November 1999 to December 2000. No additional funding of the CAP is anticipated. (For a review of OCHA, the CAP, and its impact, see the *La’o Hamutuk Bulletin*, Vol. 1, No. 2.)

## **Assessed Contributions to Maintain UNTAET**

By far the largest “pot” of money is the one that supports the establishment and maintenance of the UNTAET mission. This is the only “pot” that does not rely on voluntary contributions; rather, all foreign governments that are members of the United Nations are expected to contribute to it. Almost all funds for the budgets of UN peacekeeping operations (such as UNTAET), as well as the regular budget of the United Nations, come from the assessed contributions of UN Member States.

An assessed contribution is an amount of money that a Member State is supposed to contribute. The UN General Assembly approves the amount of each assessment, which is based on the ability of a country to pay (taking into account principally the country’s Gross National Product relative to all other countries’ GNPs). Starting next year, the scale used for peacekeeping operations will be one that has 10 levels of assessments based on each country’s per capita income.

The UNTAET assessed contributions budget finances expenses related to the UN involvement in East Timor which include the peacekeeping forces, civilian police, UN buildings, UN vehicles, UNTAET staff, and communications. The assessed budget does not include the costs of running an East Timorese government, namely the East Timor Transitional Administration (ETTA). Finally, this budget does not fund development or reconstruction projects.

UNTAET’s budget for the final eight months of the last fiscal year (November 1999-June 2000) was almost \$400 million. The budget for the present fiscal year, FY2001 (1 July 2000 - 30 June 2001), is \$563 million (see pages 5-7). Notably, the East Timorese people have little input in developing and modifying this budget. Rather, UN staff and committees in New York and Dili create and modify this budget.

## **Consolidated Fund for East Timor (CFET)**

The CFET “pot” of money is both the smallest and, along with the INGO/NGO “pot,” the most accessible to local input and East Timorese participation in decisions around its use. It finances the embryonic national government (ETTA), which the international community is helping to build within the UNTAET structure. The CFET pays for the emerging national government’s operational costs, including the building of basic institutions, the provision of public services, the repair of government buildings, and civil servants’ salaries.

The CFET has two parts. The first part is made up of voluntary contributions from foreign governments in

the form of the UNTAET Trust Fund (UNTF or UNTAET TF). The United Nations set up the UNTF in October 1999 to help finance an East Timorese governing body—the East Timor Administration (ETA), which later evolved into the East Timor Transitional Administration (ETTA).

The second part of the CFET is made up of East Timor's domestic revenues. These include monies gained from the collection of taxes and import duties, as well as revenues from the exploitation of oil and natural gas reserves in the Timor Sea.

For the present and near future, the UNTF and donors are supposed to contribute enough monies to the CFET to ensure that with whatever domestic revenues are generated, the ETTA is sufficiently funded. But the hope is that the UNTF's and donors' share will diminish over time as domestic revenues increase. All of this is predicated on a very modest annual national budget of approximately \$60 million.

The initial amount contributed by the UNTF was \$32 million. At the June 2000 Lisbon Donors Conference, donors allocated an additional \$16 million in voluntary contributions for FY 2001 and \$25 million for FY2002 to supplement the CFET.

### **Trust Fund for East Timor (TFET)**

The TFET "pot" contains money for reconstruction and development projects and is the second largest of the "pots." In October and November 1999, representatives from the World Bank, the International Monetary Fund, and various national governments visited East Timor to assess its needs and circumstances. Both the IMF mission and the World Bank-led Joint Assessment Mission helped inform policy recommendations and assistance requests.

Soon thereafter—in December 1999—the first international donors conference for East Timor took place in Tokyo. There, donors pledged a total of \$523 million in voluntary contributions: \$32 million for UNTF; \$147 million for a future Trust Fund for East Timor (TFET); \$33 million pledged to bilateral programs, but left unallocated (not yet designated to be spent in a certain place or program); \$156 million for the CAP humanitarian aid, and \$155 million left completely unallocated to the trust funds or for bilateral programs. (Subsequent donors conferences have not solicited additional pledges, but rather only reviewed progress and strategy and made allocation decisions.)

The conference established the Trust Fund for East Timor (TFET) managed by the World Bank and the Asian Development Bank to finance and oversee reconstruction and development projects. (For a review of the World Bank and its projects in East Timor, see *La'o Hamutuk Bulletin*, Vol. 1, No. 4.) Additional money from the unallocated fund has augmented the initial

\$147 million, bringing the current amount budgeted for TFET to \$167.4 million. This amount is spread out over three years and, with additional monies from the unallocated pledges, is likely to average \$60 million/year. While funding will continue after 2003, it is expected to diminish considerably. International and East Timorese advocacy might stimulate some additional pledges of support.

Presently, a Donor Council made up of donor representatives and facilitated by the Donor Coordination Unit (part of the ETTA National Planning and Development Agency) discusses, evaluates, and approves development and reconstruction projects as well as transitional governance assistance supported by TFET monies.

### **Direct Bilateral Funding**

The "pot" that contains money for government-to-government assistance also has considerable in-kind (non-monetary) donations, such as agricultural and office equipment. Foreign governments have negotiated directly with UNTAET and ETTA to provide assistance. The bulk of direct bilateral assistance provided by these foreign governments has supported transitional governance and services. For example, programs of the United States government (USAID), the Australian government (AUSAid), and the Japanese government (JICA) have covered some operational costs for generating electricity, rebuilt some schools, and trained and built capacity in ETTA staff. Direct bilateral aid also helps fund reconstruction and development.

Including the bilateral support for transitional governance, bilateral donors have spent between \$50 and \$90 million to date. It is estimated that donors will spend \$160 to \$195 million over a three-year period. We will explore direct bilateral aid in a future issue of the *La'o Hamutuk Bulletin*.

### **Funding for UN Agencies**

UN Agencies initially funded by the Consolidated Appeal Process still operate in East Timor although they now raise their funding through normal agency channels. Voluntary contributions from UN member states fund most UN agencies. Some of the administrative costs of some of the agencies are covered by the regular UN budget that is funded from assessed contributions. A few agencies also receive support from other areas (i.e. UNICEF receives significant non-governmental support and the WFP receives significant multilateral and bilateral support). Finally, bilateral monies fund some of the East Timor-specific activities of some agencies.

These agencies do a wide range of work especially in the areas of relief and development. While it is difficult to calculate their combined spending in East Timor, it runs into the tens of millions of dollars.

### Funding for INGOs and NGOs

There are many local and international non-government organizations doing a wide range of work in East Timor, especially in the areas of relief and development/reconstruction. The “pot” that would collectively hold their funding has the most diverse funding sources. Some international non-government organizations (INGOs) have been in East Timor for many years while others have only recently begun operations here. These INGOs, in turn, provide some financial support to local non-government organizations (NGOs). Almost all of the money that supports the work of the dozens of international non-government organizations and over one hundred local NGOs originally comes from outside East Timor.

All of the contributions to local and international NGOs are voluntary and include some foreign government monies. In some cases, monies also come from UN agencies and supranational bodies. While it is difficult to calculate the annual combined spending of local and international NGOs in East Timor, it runs into the tens of millions of dollars. INGOs direct more than 90% of these funds. While some of the estimated \$50 million INGOs have spent in East Timor since late 1999 came from the CAP process, most monies for both INGOs and local NGOs come from individuals; community, activist/solidarity and church groups; foundations; and/or foreign government grants and in-kind donations. Additionally, some local NGOs have income-generating activities. ❖

## DECISION-MAKING PROCESSES FOR THE EXTERNAL FUNDING ‘POTS’ AT A GLANCE

UNTAET ASSESSED BUDGET	DIRECT BILATERAL ASSISTANCE	NATIONAL AND INTERNATIONAL NGOs
Dialogue and information exchange lead to agreement between UNTAET and United Nations (New York) staff and committees. Inflexible once annual budget is approved.	After negotiations, agreement is reached between each donor government and UNTAET/ETTA.	Internal, varied processes which are often influenced by funding organizations.

UN AGENCIES	TRUST FUND FOR EAST TIMOR (TFET)	CAP FUND
Largely internal for each UN agency; heavily influenced by policy directives of the UN General Assembly. Several have Executive Boards that provide final approval on budgets.	Informal and formal discussions take place between UNTAET/ETTA, donors, and World Bank/Asian Development Bank; after which there is Cabinet agreement; NC endorsement of 6-month work program; then TFET donor council final approval.	OCHA consulted with UN Agencies, and other organizations that respond to emergencies. They secured agreement amongst them on approach and responsibilities.

UNTAET TRUST FUND (UNTF)	CONSOLIDATED FUND FOR EAST TIMOR (CFET)*
Donors’ discretion, primarily at donor coordination meetings. Monies are then used to augment domestic revenues and meet the needs of the East Timor Consolidated Budget.	ETTA departments submit proposals, seek Cabinet agreement, then NC approval. If seeking new funding, donor and international financial institutions’ approval is also required. * See page 6.

## Reviewing the East Timor Transitional Administration's Budget

The boundary between the East Timor Transitional Administration (ETTA) and UNTAET can be difficult to understand. ETTA will become the administration of East Timor when UNTAET leaves next year. In July 2000, a cabinet system of government was established, comprising eight departments and a few autonomous agencies such as the Central Payments Office (future Central Bank), and the National Planning and Development Agency. A legislative body, the 36 member National Council, was also established. Altogether, this structure constitutes ETTA. ETTA is expected to have some 11,000 public employees by June 2001.

In effect, the government in East Timor has two budgets: one for ETTA (in the form of the East Timor Consolidated Budget, ETCB); and one for UNTAET (via assessed contributions). (Both have a fiscal year that runs from 1 July to 30 June.) Presently, ETTA is within the UNTAET structure. ETTA is comprised of East Timorese civil servants (as distinct from UNTAET local staff) and is defined by specific activities that its various departments carry out. Thus, Economic Affairs is both a department of UNTAET and of ETTA; the East Timorese civil servants within Economic Affairs receive their salary from the ETCB and have specific tasks that help to build an Economic Affairs department in the evolving/emerging independent East Timor government.

It is noteworthy that UN local staff are paid on average nearly twice as much as ETTA local staff. Officials justify this by saying that the country cannot afford to continue to pay its local staff at the same level the UN pays, ignoring the fact that the UN's presence has inflated prices and otherwise distorted the economy.

The budget for next year (July 2001 to June 2002) is currently being developed. In March and early April, each of the eight departments proposed a budget to be considered by the Cabinet during late April and early May. The National Council will consider the final Cabinet recommendations and make their recommendations in mid-May. More discussion may be necessary before final approval is won. Throughout this process, the community can have input, even if it is not encouraged.

A potentially promising approach to making future budgets is "combined sources budgeting." This entails a review of various funding sources before resources are allocated. This year, the Central Fiscal Authority (CFA) prepared a booklet that presented funding and allocations from three different sources: the Consolidated Fund (CFET), the Trust Fund for East Timor (TFET), and bilateral funding. While the three funds' budgets were created through separate decision-making processes, by presenting their allocation information together, a clearer picture of sector (health, education, justice, etc.) activity resulted. The CFA proposed that the 2001-2002 budget be a product of combined sources budgeting.

While *La'o Hamutuk* appreciates the value in this approach, we caution that decision-making processes must be open and transparent. Moreover, people at the community level should be able to effectively participate in the decision-making processes that determine not only how resources are allocated within each particular sector, but also how resources are distributed amongst the various sectors.

*La'o Hamutuk* will discuss this budget further in a future *Bulletin*. ❖

## A Closer Look at the UNTAET Budget

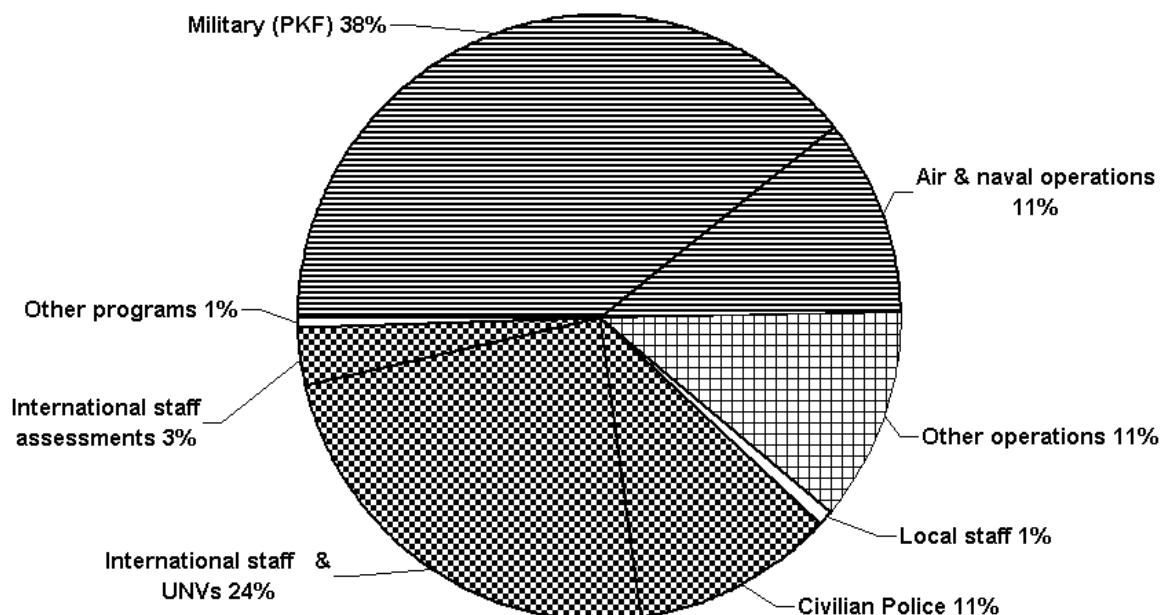
The UNTAET budget is by far the largest pool of funds available for East Timor. Nevertheless, the East Timorese people have little input in its creation, and there is no mechanism to allow for local involvement in its review. It is useful to understand more clearly what is in this budget.

The first approved budget covered a seven-month period from December 1999 to June 2000 and amounted to \$350 million. Of that amount, \$155 million was allocated for operations, \$100 million for military personnel, \$85 million for civilian personnel, and \$9 million for staff assessments ("taxes" taken out of international staff salaries *before* the salary is paid and applied to the UN membership dues of each staff member's country of citizenship).

The next approved budget covering Fiscal Year 2001, from July 2000 through June 2001, amounts to \$563 million. That budget breaks down as shown on page 7, with notes on page 8.

# UNTAET Budget for Fiscal Year 2001 (US\$563 million total)

July 2000 - June 2001



## \$220 million for military personnel

- ☑ approximately 150 military observers (**\$6.5 million**)
- ☑ military contingents, approximately 8,000 soldiers (**\$150 million**)
- ☑ contingent-owned equipment (**\$35 million**)
- ☑ self-sustainment (troop and police needs including catering, laundry, medical and dental, bedding and furniture, and communications) (**\$37 million**)
- ☑ death and disability compensation (**\$2 million**)

*Note that more than half of the operations budget below is also for military purposes.*

## \$124 million for operations

- ☑ air operations (**\$58 million**)
- ☑ naval operations (**\$2 million**)
- ☑ premises / accommodations (**\$9.4 million**)
- ☑ infrastructure repairs (**\$11 million**)
- ☑ transport operations (**\$14.5 million**)
- ☑ communications (**\$14 million**)
- ☑ other equipment (**\$4 million**)
- ☑ supplies and services (**\$10 million**)
- ☑ air and surface freight (**\$1.4 million**)

## \$199 million for civilian personnel

- ☑ approximately 2,000 local staff with an average pay of \$240 per person per month (**\$5.5 million**)
- ☑ 1350 Civilian Police provided Mission Subsistence Allowance to cover their living expenses, \$95 per person per day amounting to \$3,000 per person per month. (**\$61 million**) CivPols also receive a salary from their national governments.
- ☑ approximately 1,200 international staff with an average pay of \$7,800 per person per month, which includes their per diem at approximately \$3,000 per month, the service (recruitment) allowance (a financial incentive based on employment history to join the mission), and the family allowance (**\$112 million**)
- ☑ approximately 800 United Nations Volunteers paid a "modest living allowance" of \$2,250 per person per month, as well as transportation to/from East Timor, settling-in allowance, and misc. (**\$21 million**)

## \$17 million for staff assessments

### \$3 million for other programs

- ☑ election-related supplies and services (**\$1.8 million**)
- ☑ public information programmes (**\$1.6 million**)
- ☑ training programmes (**\$0.1 million**)

# UNTAET ASSESSED BUDGET NOTES AND HIGHLIGHTS

## Military personnel

- ☑ Military observers, unlike the peacekeeping forces, receive the MSA of \$95 per person per day.
- ☑ For military personnel, \$1.15 per person per day is budgeted for bottled water, which collectively amounts to just over \$10,000 per day. (See box on Bottled Water Facts, page 9.)
- ☑ The 256 military staff officers assigned at force headquarters have a laundry service based in Dili that costs \$8,333 per month. The entire laundry and cleaning budget for military personnel is \$2.1 million this fiscal year.
- ☑ The dental plan coverage for all military personnel costs almost \$7 million this fiscal year. The medical plan costs \$1.5 million.
- ☑ While UNTAET only pays peacekeeping soldiers directly a \$1.28 per day allowance, contributing countries receive an agreed upon amount of money for the troops they send (troop reimbursement), and each country then pays their own soldiers. For troop reimbursement alone, UNTAET in this fiscal year will pay a total of \$97 million to the 25 troop-contributing countries. UNTAET also covers all costs related to the troops including transportation, insurance, medical coverage, food and lodging. Significantly, UNTAET also leases military equipment from the countries that contribute troops.

## Civilian personnel

- ☑ The average international staff person is paid more than 30 times the average local UNTAET staff person.
- ☑ SRSRG Sergio Viera de Mello's monthly salary is between \$12,000 and \$15,000. His pay is thus more than 50 times that of the average local UNTAET staff person.

## Operations

- ☑ UNTAET had a contract with the floating Hotel Olympia that initially paid \$891,000 per month for staff accommodations.
- ☑ The air fleet of 21 helicopters and 5 fixed-wing aircraft will cost \$58 million this fiscal year. UNTAET rents all of this equipment. The various helicopters rent from \$650 to \$13,500 per hour. Their fuel costs range from \$71 to \$1,010 per hour. Annual insurance costs \$112,000 per helicopter.
- ☑ The UNTAET budget allocated \$2.1 million for upgrading of airstrips and \$2.3 million for road works. Yet, according to *The World Bank, Background Paper for Donors' Meeting on East Timor, Lisbon, Portugal, 21-23 June 2000*, "[Road] damage attributable to heavy military vehicles used by INTERFET or the UNTAET PKF is estimated by the ADB to total \$21 million." Combined with previous submissions, UNTAET has made less than \$5 million available thus far from the assessed contributions budget for road maintenance related to the military operation.
- ☑ 125 more UNTAET vehicles were purchased this year at an average cost of \$23,000 each.
- ☑ \$9 million is budgeted for petrol this year.
- ☑ The mobile telephone budget went from \$30,000 per month for last fiscal year to \$50,000 per month for this fiscal year. While this budget should cover only work-related and necessary phone calls, there is no effective enforcement of this policy. Currently, UNTAET provides approximately 350 mobile telephones to civilian and military personnel.

## Compared to society

- ☑ Unemployment for the East Timorese population is around 70%. Per capita income is around \$300. If UNTAET's international staff outlays were distributed among East Timor's population, their average income would nearly triple. ❖



## UNTAET Bottled Water Facts (FY 2001)



Empty plastic bottles accumulate outside UNTAET Headquarters. This is one of a handful of recycle bins; most bottles end up as litter.

- ⌘ Produced by: P.T. Erindo Mandiri, Pasuran, Indonesia
- ⌘ Trade name: Aquase
- ⌘ Size: 1.5 liters
- ⌘ Cost: \$0.375
- ⌘ Military personnel each allotted 3 bottles/day, 7 days/week
- ⌘ Civilian staff stationed in Dili each allotted one bottle/day for 5 days/week (prior to 1 January was 3/day, 7 days/week)
- ⌘ Civilian staff stationed outside of Dili each allotted 3 bottles/day, 7 days/week
- ⌘ UNTAET Mission total daily allotment: 29,000 bottles
- ⌘ Estimated annual distribution: 10.5 million bottles
- ⌘ Estimated annual cost: \$4 million

## Editorial

### EQUIPMENT IN GOOD WORKING ORDER SHOULD STAY IN EAST TIMOR AFTER UNTAET LEAVES

While a very small percentage of equipment has come from other UN missions, UNTAET has spent tens of millions of dollars on new equipment. This includes: 1,350 new vehicles; 1,800 desktop computers, desks, and filing cabinets; 1,500 printers; more than 500 laptop computers; 200 fax machines; and 74 computer file servers (that cost \$33,000 each). The UN mission has also spent significant monies transporting this equipment from overseas to East Timor.

There is no consistent policy regarding the disposition of equipment and material purchased for UN peacekeeping missions. In past missions, the equipment has sometimes remained in the country after the UN's departure. *La'ó Hamutuk* urges the UN member states, who through the UN collectively "own" this equipment, to make it available. If the equipment is in good working order and desired by ETTA, the UN should either donate it to the new government in a gesture of goodwill or sell it at a value that considers both its steep depreciation and what it would cost the UN to ship it out of East Timor.

It is also lamentable that some equipment that would be quite useful for the new government will clearly not remain in East Timor, even if an agreement is reached regarding other items. For instance, UNTAET rented 380 photocopiers from Ricoh Company. In just two years, UNTAET will have paid an average of \$10,000 per machine. However, because UNTAET did not decide to purchase photocopiers outright or lease them with an option to buy, the nearly \$4 million spent will have no bearing on the new government's future inventory of photocopiers. Incidentally, some ETTA departments are now buying new Ricoh photocopiers for \$7,000 each. ❖

# Taxes in East Timor: An Overview and Commentary

The tax situation in East Timor is complex. All Indonesian tax laws remained in force when UNTAET began. Yet, no tax administration was in place to collect from businesses and individuals. Only companies involved with the Timor Sea oil and gas fields continued to pay taxes without interruption, putting money into a trust account until a proper tax mechanism was established.

Border Service began collecting import/export taxes in March 2000. There was a flat 5% import duty, flat 5% sales tax, and variable rates for an excise tax on certain goods such as alcohol and cars. A tax on coffee exports set at 5% of the value of the beans has also been collected since March. A minimal tax administration, the East Timor Revenue Service (ETRS), officially started 1 July 2000 along with the collection of a service tax of 10% for hotels, bars, restaurants, rental transport, and telecommunication.

In general, ETRS is trying to reintroduce a simplified version of the tax system that was in place and known to the East Timorese community during the Indonesian occupation. They will retain the same number of tax offices in the same locations. Of the six types of Indonesian national taxes (income, luxury goods, property, sales, value-added, and withholding), the ETRS has eliminated all but the income (and wage) tax, noting correctly that some taxes, such as a value added tax (VAT), while appropriate for Indonesia, do not make sense for an East Timor that has virtually no domestic production.

UNTAET Regulation 2000/32 confirmed that no other taxes would be collected since the arrival of UNTAET. Any business or individual who earned more than \$1000 in 2000 must file an income tax form by 30 April 2001. For the year 2000, no taxes will be collected on the first \$20,000 of income. Starting on 1 January 2001, a wage tax was again to be collected payable on the 15<sup>th</sup> of

each following month. Residents (defined as a “person who is present in East Timor for more than 182 days in a tax year, unless that person’s permanent place of abode is not in East Timor”) pay nothing on the first \$100 earned in a month, 10% on the amount between \$100 and \$650, and 30% on all additional income. Non-residents (except for UNTAET employees) pay a flat 20% on all income.

A basic tenet of tax policy everywhere is that taxes should be paid in the primary place where the money was earned, rather than in the recipient’s country of residence. By this logic, all of the individuals and groups listed in the chart on page 11 should pay taxes. Yet many do not. While the law that UNTAET has passed requires that all businesses, including those with UN contracts, pay taxes, some businesses have asserted their tax-exempt status based initially on a 1948 UN convention. Ironically, the UN itself has a vested interest in advocating that those businesses be tax exempt. Some contracts between the UN and particular companies state that the UN will be financially responsible for any tax liability levied against the company. Thus the UN stands to owe millions of dollars in taxes and is, moreover, concerned with setting a precedent that will affect future missions. As a result, the UN must make a political decision to uphold or amend current policy. The companies themselves are making tremendous profits here and should pay their fair share for public services they use as well as for the opportunity to be in business here.

A thornier issue is the tax-exempt status of UN employees. Tens of millions of much-needed tax dollars are denied to the people of East Timor, while government money is spent providing services for UN employees. At the very least, UNTAET should encourage a voluntary employee contribution plan that supports the fledgling government. ❖

## Present Tax Scenario in East Timor

GROUP	APPROX. NUMBER	AVERAGE MONTHLY SALARY per person (US\$)	HAVE TO PAY TAXES	ESTIMATED ANNUAL REVENUE OF ENTIRE GROUP IF TAXES WERE TO BE COLLECTED (US\$)
National Council members	36	\$200 plus \$10 per working day	yes	\$9,000
East Timorese Cabinet members	5	\$1,680	yes	\$22,000
International Cabinet members	4	\$10,000 includes MSA <sup>1</sup>	no	\$96,000
ETTA local staff	11,000	\$123	yes <sup>2</sup>	\$361,000
UN local staff	2,000	\$240	no	\$336,000
UN volunteers	800	\$2,250	no	\$4,300,000
UN civilian police	1,350	\$2,850	no	\$9,200,000
UN peacekeepers	8,000	\$1,050 <sup>3</sup>	no	more than \$21,000,000
UN international staff	1,200	\$7,800 includes MSA <sup>1</sup>	no <sup>4</sup>	\$22,500,000
Timor Sea companies	unknown	Unknown	yes	\$6,000,000
Businesses with UN contracts	unknown	Unknown	yes <sup>5</sup>	\$5 - \$10,000,000

### Notes:

1. Mission Subsistence Allowance - the per diem given in addition to base salary, based on health/safety risks and costs of living. UNTAET Darwin staff receive MSA of \$131. UNTAET East Timor staff MSA was reduced on 1 February 2001 from \$109/day to \$95/day.
2. Approximately one-third of the local staff owe no tax because they earn \$100 or less each month.
3. Only includes the UNTAET-paid portion of their compensation, which is significantly less than the total; consequently, the tax figure shown is much lower than the actual total would be.
4. To equalize the net pay of all UN staff members, whatever their national tax obligations, the UN deducts about 30% of their salaries, a sum designated as "staff assessment." This money is then credited towards the UN "dues" of the staff member's home country.
5. Tax status is being contested.



## In Brief . . .

On 12 January, **UNTAET announced that it will carry out a poverty assessment of East Timor** in conjunction with the World Bank, the Asian Development Bank, and the United Nations Development Program. According to the UN News Service, the study will involve a survey of “500 villages by March and 1,500 to 2,000 households by July, followed by a survey in 25 communities on the nature, causes and consequences of poverty.”

*La’o Hamutuk comment:* *In terms of the causes of poverty, the study should include a thorough analysis of the historical and international factors and actors that have contributed to the prevalence of poverty in East Timor. This will have important implications for deciding who is responsible to help eliminate poverty in the territory.*

**The number of reported cases of violence against women in East Timor rose sharply last year**, according to a report in the 15 January issue of *The Guardian* newspaper (United Kingdom). The offenders are usually the husbands and/or brothers of the women. In 2000, there were four domestic murders and 165 other documented cases of domestic violence, which is now East Timor’s most common crime, making up 40 percent of all offenses. (Like everywhere, the majority of cases are not reported.) National Council Vice-President Milena Pires, an East Timorese women’s rights activist, calls domestic violence “probably the single most important issue facing Timorese women today.”

*La’o Hamutuk comment:* *Since it is men who perpetrate nearly all domestic violence and have the power to stop it, we urge both international and East Timorese men to take up this issue, and not ignore it as only of concern to women.*

On 17 January, **Portuguese Foreign Minister Jaime Gama visited Oe-cusse**. Repeating a pledge made by Portuguese Prime Minister Antonio Guterres last year, **Gama promised local leaders Lisbon’s help to re-establish transportation links to Dili and to recover from the post-referendum violence**. “If there is one place that deserves renewed friendship and commitment to cooperation between Portugal and East Timor, it is Oe-cusse,” Gama told them, referring to the fact that the enclave was the first place where Portuguese sailors landed on the island of Timor in the early 16<sup>th</sup> century. Gama pledged to raise the issue of Oe-cusse’s transportation plight with UNTAET officials in Dili and with Portuguese aid officials. Gama suggested that

two patrol boats offered by Lisbon as the nucleus of a future East Timorese naval force could serve as a temporary solution. Local leaders in Oe-cusse criticized Lisbon for the slow delivery to the enclave of transportation assistance promised during a 24 April 2000 visit of the Portuguese Prime Minister. This followed a January 2000 visit to Oe-cusse by Sergio de Mello who made a similar promise.

On 8 February, LUSA reported that German officials informed José Ramos-Horta during a visit to Berlin that **Germany will provide a ferry for transportation between Oe-cusse and Dili**. “We had repeatedly asked UNTAET and Portugal, but had still not found a solution,” stated Ramos-Horta. Sadly, **the news report was wrong**; German officials promised only to “think about assisting with the transportation problem,” according to Rebecca Reynolds of UNTAET’s District Affairs Office.

The East Timor Cabinet approved allocation of funds to renovate the private barge that presently carries passengers between Dili and Oe-cusse on 28 February. By press time, however, renovations have not started as UNTAET and the East Timor Shipping and Supply Company (ETSS) are still negotiating a memorandum of understanding. The allocated funds will increase the number of seats, toilets and safety equipment, as well as provide a US\$20 per passenger subsidy for tickets (passengers will be responsible for US\$10 per ticket). Rebecca Reynolds described this as “an interim measure.”

On 24 January, **José Ramos-Horta called for a resumption of non-lethal military aid from the United States to Indonesia**. Changing a long-held position, the ETTA Foreign Minister told a Jakarta press conference: “it is time for the U.S. ... to resume some level of military assistance, military co-operation with Indonesia as a gesture of goodwill towards the improvement of the situation in West Timor.” A number of long-time international supporters of East Timor publicly disagreed. The London-based TAPOL called the statements “an extraordinary and highly damaging reversal.” And the U.S.-based East Timor *Action Network*, along with the Indonesia Human Rights Network, urged the Bush administration to maintain the suspension of all U.S. military ties to Jakarta.

On 29 January, Associated Press reported that **more than 200 United Nations international employees signed a petition protesting the cutting of their**

**daily allowance** (MSA) from US\$109 to \$95. All international civilian staff receive this allowance *in addition to* their regular salaries. The United Nations reportedly reduced the allowances due to a decrease in the cost of living and an improved security situation in East Timor. The reduction equalizes the East Timor allowance with that received by international UN staff in Kosovo. According to Jan Koller, who led opposition to the allowance cut, the reduction will hurt the ability of international staff to take vacations, renovate destroyed accommodations, eat in restaurants and travel to and from work.

On 30 January, **UNTAET Television announced new programming** effective on 5 February. According to the announcement, there will be a total of 168 hours per week: more than five hours of new Tetum programming, five hours of Indonesian, 7.5 hours of Portuguese and the remainder in English. A station manager confirmed that as of late March, there were approximately seven hours of Tetum programming, 8.5 hours of Indonesian, 10.5 hours of Portuguese and 142 hours of English programming. Broadcasts include sports, news, BBC World, MTV, children's, educational and documentary programs. Some of the news and public service announcements are locally produced.

*La'o Hamutuk comment: The relative lack of broadcasting in languages understood by most East Timorese clearly limits television's effectiveness. We urge UNTAET Television to hasten the transition from programming predominantly in English to more appropriate languages.*

On 31 January, **the NGO Forum of East Timor publicly expressed concerns about the decision-making process within the National Council.** The Forum objected to what it deems to be insufficient consultation with East Timorese civil society by the National Council on matters of national importance. The NGO Forum addressed its concerns to the National Council and the Transitional Government (UNTAET/ETTA) in the aftermath of the decision to create the East Timor Defence Force. The NGO Forum argues that NC members do not have sufficient time and resources to consider proposals and to consult adequately with the public. "We are very worried with the development in the NC," stated the NGO Forum, "where many decisions are taken which are not debated and where there is not broad consultation with the people of East Timor because the NC members are not given enough time and they do not have the facilities and funding to carry out their activities." The Forum called upon UNTAET/ETTA to provide all NC members with adequate funding and facilities to carry out their work,

and to stop pressuring the NC to make important decisions in extremely short periods of time. It also called upon NC members to show their commitment to giving the East Timorese people "an active role in the process of decision-making for the future."

More than 800 people attended the **Conference on Sustainable Development in East Timor**, held from 25 to 31 January. The conference called for the adoption of sustainable development principles and guidelines as part of future planning and project implementation. In this regard, the conference recommended that national development planning include the drafting of a sustainable development strategy. An important outcome of the conference was the establishment of a Task Force on Sustainable Development which will be housed at the National University of Timor Lorosa'e. The Task Force will include "stakeholders" from all sectors including the university, NGOs, the ETTA, churches, business, and community groups. Also, a number of international participants expressed strong interest in establishing long-term links with groups in East Timor working on issues of sustainable development. Conference results are available at [www.timoraid.org/dili\\_conference/index.html](http://www.timoraid.org/dili_conference/index.html).

On 3 February, The *Suara Timor Lorosae* newspaper reported that **Bishop Carlos Ximenes Belo called for the establishment of a "Timor Gap Watch"** to monitor developments related to the resource-rich seabed and to ensure that all proceeds from oil and natural gas are spent wisely. "I am skeptical with all the talk that we will be a rich country because of oil," stated Belo. "We will only be a rich country if the royalties are used to develop the country and not if they are spent by those who have been corrupted." Belo envisioned that the government could establish the body, but warned that its composition must include respected members of civil society. "If there is such a watchdog, I believe East Timor will be a rich country," said Belo. "If not we might be like certain nations in Africa where oil revenue has been used to enrich the corrupt and not the people."

On 10 February, the West Timor newspaper, *NTT Ekspres*, reported that **an Indonesian government official expressed the opinion that Indonesia still might be able to obtain some rights to the resources of the Timor Gap.** He argued this on the basis that Indonesia and East Timor have not yet agreed to where the exact boundary between their two countries will lie. According to Arifin Tachyan, Management Director of Production Sharing Contracts at Pertamina (Indonesia's state oil company), "East Timor is now

its own country that is represented by UNTAET. So I think it [the Timor Gap] has been officially handed over. Only, the problem now is there must be a border between three countries. That doesn't yet exist."

The Labour Advocacy Institute for East Timor (LAIFET) organized **the First East Timor Workers Congress on 26-27 February**. East Timorese workers from all sectors joined together in solidarity with international trade unionists to discuss strategies for ensuring the protection and advocacy of workers rights as human rights. The participants passed a resolution in support of forming a national union called the Timor Lorosa'e Trade Union Confederation (TLTUC). The congress also declared its support for a letter to the Transitional Administrator of UNTAET, protesting against his covert signing of a document which imposes a labor disputes law by executive order, circumventing consultation with both East Timorese workers and the East Timorese National Council.

On 16 March, **East Timorese women's organizations demanded a stronger commitment from UNTAET toward women's participation in the political process**. The East Timorese Women's Network organized a demonstration in front of UNTAET headquarters in Dili, where on 13 March, the National Council had rejected provisions in the new electoral regulation that would have required at least 30% women in the Constituent Assembly. Voters are scheduled to elect Assembly members on 30 August, 2001. The Women's Network states that "the absence or poor representation of women, who form more than 50% of the population, in the Constituent Assembly would make it less democratic. The Constitution adopted by a Constituent Assembly that does not have women's participation could not be considered a constitution of the people of East Timor." The Women's Network has criticized UNTAET's Political Affairs Department for working against the 30% inclusion policy and for adding "section 38" to the proposed regulation, which would condition financial assistance to political parties on their fielding women candidates. While the spirit of the proposal pushes political parties to include women, in practice it would put a dollar tag on women's participation and not necessarily improve their effective participation. "Political Affairs should have understood the negative implication of the proposed 'section 38' on women being seen as commodities," explained the Women's Network. The recommendation for a 30% quota for women in various sectors of the government originated last June at the First East Timorese Women's Congress.

On 17 March, 28 **East Timorese NGOs raised serious concerns about the planned electoral and political process** through a letter to members of the UN Security Council. "The proposed timeframe being pushed by UNTAET and some East Timorese leaders would only allow consultation on the constitutional process to take place over a period of approximately three months due to the rush to hold the election on the 30th of August," stated the NGO letter. "A three-month process would rob the East Timorese of their right to contribute to the future of their country and it will alienate them from the very document that should voice their aspirations." The letter calls on the UN Security Council to ensure the establishment of an adequately resourced Constitutional Commission as a "formal and effective mechanism for consultation throughout East Timor on the Constitution." One week prior to the letter, the NGO Working Group on Electoral Education held a press conference in which they also called for more time for the political and electoral process. Based on research carried out in conjunction with the National Democratic Institute (NDI), the NGO Group reported that most East Timorese have little to no information about the type of elections planned and when they might occur. There is also little knowledge about the role of a constitution, or the proposed process through which its writing will take place. Throughout the country, NDI found widespread support for transparent, participatory, multi-party democracy.

On 27 March, **the National Council defeated a draft regulation which would have established a formal consultation process on the constitution** and extended the timeframe for finalizing the document. **Xanana Gusmão resigned as President of the National Council** following this defeat. He stated in his resignation letter to UNTAET, "There have been numerous attempts to find ways to clarify and debate one of the most important moments in this process with the population: the constitution and how to draft it. ... I feel, as president of the National Council, that any attempt to overcome the deadlock is in vain due to the lack of willingness by members of this body to advance the process. ... As I refuse to be part of a politically irresponsible process, I hereby tender my resignation. ..."

On 9 April, the National Council elected Manuel Carrascalão as its new President by a secret ballot, rejecting UNTAET choice José Ramos-Horta, who had resigned as Foreign Minister in expectation of becoming Council President. Two weeks later, Ramos-Horta resigned from the Council to re-assume his cabinet position. ❖

## Editorial: Report from UN High Commissioner for Human Rights Facilitates Indonesia's Impunity

On 6 February 2001, Mary Robinson, the United Nations High Commissioner for Human Rights, released a report on the situation of human rights in East Timor. The report is the outgrowth of last year's meeting of the UN Human Rights Commission (UNHRC). At that time, the chairperson requested that the High Commissioner report to the 2001 meeting—currently taking place in Geneva.

The report should provide information on and analysis of matters relating to the investigation and prosecution of crimes against humanity committed in East Timor during Indonesia's occupation of the territory. In this regard, it fails miserably.

The first part of the brief, 10-page report is an account of Robinson's August 2000 visit to East Timor. It tells, for example that she went to Suai "where she laid flowers at the site of a mass killing that took place in 1999" and that she "delivered a keynote address at a workshop on human rights and the future of East Timor" in Dili.

After highlighting the High Commissioner's concern for the number of missing, presumed dead, East Timorese as well as for the "refugees" in West Timor, the report briefly discusses her November 2000 visit to Jakarta. There, Indonesia's attorney general requested technical support from the UNHRC for the investigation and prosecution of crimes that took place in East Timor in 1999. More than five months later, the UNHRC is still waiting for confirmation from Indonesia's ministry of foreign affairs that the cooperation can proceed.

The rest of the report discusses the Office of the High Commissioner's support for and assistance to UNTAET, as well as the activities of UNTAET's Human Rights Unit, and other related matters taking place within East Timor. (Regarding the inadequacy of resources for the investigation and prosecution of "serious crimes" within East Timor, see the editorial on page 20.)

Apart from mentioning last November's meeting in Jakarta, the report says nothing about Indonesia, nor about the lack of cooperation by Indonesian authorities with UNTAET in April 2000. It also fails to point out the continuing impunity enjoyed by Indonesian civil and military authorities, as well as Indonesia's failure to comply with the Memorandum of Understanding that it signed with UNTAET. The words "TNP" and "military" do not even appear in the document; "militia" only appears in the context of a discussion of attacks against three Protestant churches in Aileu last June (reportedly because the Protestant Church allegedly had links to the militia).

While the document mentions Robinson's visit to Dili, it omits the fact that a number of East Timorese called upon the High Commissioner to support accountability through prosecution for crimes against humanity committed prior to 1999.

As a press report from the time explained, however, "Robinson carefully deflected this demand, explaining that though she was aware of 'the terrible crimes committed down the years,' for which she thought a Truth and Recon-

ciliation Commission might be the best remedy, the UN was concerned only with the events of last September [1999], because the destruction had occurred while the UN was in charge."

Finally, the document does not even mention an international tribunal—even though last year's chairman's statement that led to the document took note of the report of the International Commission of Inquiry (January 2000). The Commission called upon the UN to "establish an international human rights tribunal"—a step, according to the Commission, "fundamental for the future social and political stability of East Timor."

Instead, the UN Security Council accepted Indonesia's request to have the first chance to prosecute the accused. The Council, however, called upon Jakarta to bring those responsible for the 1999 terror to justice "as soon as possible." Although more than one year has now passed, there has been very little progress.

By ignoring such matters, the recent UNHRC report facilitates the impunity that continues to reign within Indonesia. It also marginalizes East Timor's pre-1999 suffering by saying nothing about Indonesia's invasion, illegal occupation, and all the associated crimes against humanity committed from 1975 through 1998. In this regard, the UNHRC undermines justice.

The High Commissioner recently announced that she was going to resign her office after one more year. One of the reasons she gave was the lack of financial and political support provided by member-states to the Office of the High Commissioner. While Robinson's office definitely needs more support, the relative lack of support does not justify or explain the shallowness of the recent report.

Reportedly, the Indonesian government is very pleased with the document. And reading the report makes it clear why this would be the case. But for the East Timorese, there is little in the UNHRC document that is hopeful.

As the UNHRC annual session drew to a close in mid-April, the Chairman issued a statement negotiated with the Indonesian government. While not mentioning an international tribunal and downplaying Indonesia's non-cooperation with UNTAET judicial procedures, the statement does urge Indonesia "to bring to justice the suspects of" "the violations of human rights perpetrated in East Timor" (in 1999). It also urged Jakarta "to continue to disarm and disband the militia, to restore security in the refugee camps of West Timor and to take measures to ensure that the refugees could make a free and informed choice whether to return to East Timor or resettle in Indonesia." Although the Chairman's statement is better than the High Commissioner's report, it would probably have been even stronger if the High Commissioner had called for international action to end impunity.

The people of East Timor—as well as all those struggling for democracy and human rights within Indonesia—deserve much better: truth and justice. ❖

## Editorial: CivPol-Community Relations in Need of Repair

The role of a police force is to protect the human, civil and property rights of the civilian population from criminals who would abuse those rights. Every country strives for a healthy relationship between police and the people they are responsible for protecting. But in many places, police frequently use excessive force, stereotyping, abuse of power and poor communication with local residents, especially where there are significant ethnic, racial, economic and/or cultural differences between the police and the community. For example, New York City just agreed to pay nine million US dollars (Rp. 90,000,000,000) to a Haitian immigrant brutally tortured by white police officers.

In East Timor, differences in culture, language and experience between international CivPols and the local population are the widest in the world. Although the UNTAET administration has good motives, its officials are not legally accountable to the people they serve. Furthermore, CivPol commanders and officers are foreigners, outsiders to the society. Consequently, police officials must make extraordinary efforts to reach out if they are to be effective and gain popular trust and respect.

Sadly, this is not happening. Unfortunately, many CivPol exhibit little respect for the people of this country. They are viewed as only reacting to events and not facilitating community solutions to security issues.

A recent dialogue illustrates the problem. On 8 February, the Australian Associated Press (AAP) article "Police Expect Election Violence in Dili" reported an interview with Commander Gary Gent, CivPol chief of operations.

Commander Gent, who is from Canberra, expects the upcoming East Timorese election to lead to "an increase in disturbances" because "the vast majority don't understand what democracy is all about" and "they don't handle conflict properly." He told AAP "Their last experience (of an election), you know what happened there; they're still learning this process."

After Cmdr. Gent confirmed that the AAP had quoted him accurately, *La' o Hamutuk* and seven other East Timorese organizations wrote to him. The following are excerpts from our letter:

*"We believe that these statements are based on a lack of communication and un-*

*derstanding with East Timorese civil society, and we would like to help bridge this gap. ... With this letter, we hope to initiate further discussion.*

*"The East Timorese people understand democracy better than citizens of most Western democracies. During the 1999 Popular Consultation, 98.5% of our voters came out, peacefully defying threats and violence. ... External forces caused the violence that plagued East Timor during 1999 (and for 23 years before that).*

*"Your comments reinforce racist stereotypes. ... Public pronouncements of imminent violence ... have a tendency, in any country, to induce a climate of fear and become self-fulfilling prophecies.*

*"... [W]e welcome the opportunity to work with you to ensure that both the transitional period and our future self-government are characterized by good, peaceful open relationships between all elements of society."*

After three weeks, Commander Gent wrote back. He pointed out that he had said "disturbances" rather than "violence" and that the reporter ignored his statement that crime in East Timor was "limited when compared with other western cities." (sic)

Commander Gent ignored the NGOs' offer to help with police-community relations. He wrote:

*"I regret if I have offended you or your organization as this was never my intention, however, my views are gathered daily from a range of sources and from incidents and information gathered from all over East Timor. This I believe has provided me with a good understanding of the present situation here in East Timor and also affords me with an insight into issues you may not be aware of. ...*

*"As we move towards the impending elections it is reasonable to expect an increase in activities associated with those elections. ... [W]e must be aware of all threats and dangers to that process and react accordingly to ensure that law and order is maintained."*

*La' o Hamutuk* calls upon CivPol commanders and UNTAET officials to refrain from making racist and inflammatory statements such as those of Commander Gent. In this spirit, Commander Gent should



publicly retract and apologize for his words. If he refuses, UNTAET head Sergio Vieira de Mello should offer a public apology and, in this manner, set an example for all international staff.

At the same time, *La'o Hamutuk* encourages CivPol officers and other international staff to work hard to build relationships with East Timorese society based on mutual respect. Foreigners who have been here only a few months and don't know the language, history or culture cannot understand this society better than those who were born here. Arrogance, self-righteousness and refusal to cooperate with the community have no place in any police department.

There must be a strong and active commitment on the part of CivPol to strengthen police-community relations. Just as in the reconstruction process

as a whole, the East Timorese people feel marginalized in policing matters. There is presently little-to-no space for East Timorese to voice their views or to help shape priorities and programs relating to policing. This must change. It is absolutely critical that there are close ties between police and communities where they patrol, and more understanding from internationals here about East Timor's history and more respect for the wisdom of its people.

When most foreigners go home next year, East Timor will live with their legacy. We hope it is one of accountability, respect for human rights, and service to the population. In democratic, independent East Timor, the mandate of authority will derive from the consent of the citizenry. Until then, CivPol should operate as if that were already in effect. ❖



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(Money Matters, *continued from page 20*)

graves from 1999 simply due to the lack of forensic experts and sufficient morgue space.

The 6 September, 1999 massacre at the Catholic church compound in Suai, for example, is not one of the five initial cases. Local leaders in Suai complained to the visiting Security Council delegation in November that individuals who participated in the killing spree are living freely among the local population. Kenji Isezaki, UNTAET's local District Administrator admitted that "We've had to release criminals who've confessed to rape and murder" due to a lack of resources for investigation.

These people have not been subjected to vigilante retaliation because of a community decision not to administer popular justice, based on the expectation that they will one day appear before a court. Although the United Nations recently made additional resources available following the Security Council visit, there is still a danger that if investigations and prosecutions do not speed up, acts of revenge will take place.

Even East Timor's embryonic court system is impoverished. At the Dili courthouse, for example, there is a shortage of translators; there are also regular power cuts and no system for electronic recording of the trials. For photocopies, the registrars' office must go to the nearby CivPol office. And there are no funds to house and support witnesses from outside Dili.

### **A Bad Process or Misplaced Priorities?**

Why is there so little money for such matters? Because of the non-public nature of the budget process, it is difficult to know. In terms of assessed funds (which provide UNTAET's budget), it appears that there are significant opportunities for UNTAET to influence budgetary allocations.

UNTAET's budget process begins in Dili. UNTAET's Department of Administration asks each department to determine what its needs are. After Administration approves the resulting budget, it goes to New York where the departments of Peacekeeping Operations and Management screen it. In consultation with UNTAET, Management then decides what to change, to keep, and/or eliminate, and then sends an overall budget proposal to the NY-based Advisory Committee on Administrative and Budgetary Questions (ACABQ).

The ACABQ carefully reviews every detail of the proposal. When it identifies problems, the ACABQ requires UNTAET to revise its proposal. Once satisfied, the ACABQ sends a report to the UN General Assembly's Fifth Committee. The Fifth Committee (on which all UN member states are represented) then decides whether or not to support the proposed budget. In the case of support, it drafts a resolution for final approval by the General Assembly.

A lot of politics take place within this complicated process. Powerful countries especially are in a position to shape the final budget. The ACABQ, for example, is fully aware that the United States contributes one-quarter of the United Nations budget, and thus often recommends changes to budgets that the U.S. would like made.

We do not know what changes ACABQ made that might explain shortfalls in specific UNTAET departments. The UNTAET budget proposal for FY2001 was US\$592 million. The ACABQ recommended reductions worth about \$29 million (about 5 percent of the original proposal), which resulted in a final budget of \$563 million.

To the extent that there are unfulfilled needs, there are a variety of courses of action that UNTAET might pursue. In its "Background Paper for Donors Meeting on East Timor" (for the December 2000 meeting in Brussels), for example, UNTAET/ETTA identified a number of "unfunded priorities" as part of an effort to get donors to increase their funding by supporting specific projects. These "priorities" included capacity building for East Timorese civil servants, civic education, reintegration into society of former FALINTIL guerrillas, and ferry service between Dili and Oe-cusse. Funds for infrastructure, housing, and criminal justice, however, were not on the list. Why not?

### **Inflexibility of Funds?**

UNTAET is not permitted to use funds that it receives from the United Nations to rebuild East Timor. It must restrict its spending to matters of peacekeeping and governance. At the same time, UNTAET cannot move funds from one department to another (for instance, from the PKF to the Serious Crimes Unit). If, for example, UNTAET were to reduce the money it spends renting and operating planes and helicopters—an amount roughly equal to ETTA's entire budget of \$60 million—it could not use the savings to provide more funds to the East Timor Transitional Administration.

It is for such reasons that Sergio de Mello has asked the Security Council to allow UNTAET more flexibility in how it spends its money, so that UNTAET can provide support for ETTA—ostensibly to undertake activities that UNTAET cannot.

While this would be a welcome change, there is no doubt that UNTAET could have made—and could still make—much better use of the money it does control.

The now-departed Hotel Olympia is perhaps one of the more obvious examples. While it was understandable that UNTAET needed to provide emergency housing to international staff in the early months of the mission, might there have been a better way to use the more than US\$7 million UNTAET spent on the floating hotel?

### **No Commitment to Stimulating Local Economy**

A big part of the problem is that the United Nations appears to have no policy to use its funds to help stimulate the East Timorese economy. Instead of spending so much money on the foreign-owned Olympia, UNTAET could have used a significant portion of the funds in a more constructive fashion. UNTAET could have, for example, encouraged international staff to rent rooms from East Timorese families and thus enabled families to fix up their houses or to start businesses. Instead, those monies had little effect on the local economy—most of the Olympia's employees were not East Timorese.

Buying into narrow IMF logic of "fairness," UNTAET champions competitive bidding whereby contracts go to the

lowest qualified bidder. At the same time, because there is no consultation with the local community about spending matters, there is no exploration of alternative methods (that ultimately might prove to be more cost-effective in the long run) of spending funds and meeting UNTAET's (and East Timor's) needs. In this manner, UNTAET fails to support local economic development over non-East Timorese interests.

Just take the case of water: UNTAET spends over \$10,000 per day (almost \$4 million annually) on bottled water for the PKF alone. (See Bottled Water Facts, page 9.) Had UNTAET awarded the contract for bottled water to Parmalat (an East Timorese company), instead of Aquase (an Indonesian company), it is estimated that 1,000 local jobs would have resulted. At the same time, because Parmalat uses reusable 19-liter bottles, instead of disposable, 1.5 liter, single-use bottles, there would be a lot less waste and environmental damage.

A better choice would be to use the money to build and/or repair a potable water system. At a recent presentation, for example, eight engineers estimated that \$2 million would be sufficient to rehabilitate the water purification and delivery system for Dili and provide potable water to nearly all the city's residents. Other studies estimate as much as \$10 million. For an estimated \$18.5 million nearly all of the city's water pipes could be replaced, not just repaired to a serviceable level.

### **Why is the International Community Here?**

Without a doubt, many internationals come to East Timor with the best of intentions, with a selfless willingness to share the burden of rebuilding East Timor. But the high wages enjoyed by UN international staff (in contrast with UN Volunteers) and by some employed by international NGOs creates an impression that personal gain is often a significant motivation.

While there is a sensible argument that internationals should receive higher salaries than East Timorese due to the generally higher cost of living in the home countries of international staff, the average wage differential between East Timorese and internationals is obscene. Even UN Volunteers—the lowest paid international members of the UN mission—receive almost \$30,000 per year, 34% more than East Timorese Cabinet Ministers. Meanwhile, the average local UNTAET staff member receives \$2,880 annually.

Unfortunately, recent actions by *some* internationals reinforce the resulting perception of greedy and insensitive foreigners.

In late January, for example, UNTAET announced a small reduction in the daily living allowances of international staff (see "In Brief," p. 12). That upwards of 200 international staffers expressed outrage at this very minor cut is, in and of itself, outrageous. As one aid worker stated to a reporter, "You have to question their dedication."

Also recently, a group of international NGOs has launched a campaign protesting attempts by ETTA to tax the wages of their international employees. Arguing that these taxes will undercut their ability to do humanitarian work, these international NGOs are threatening non-payment or even their departure.

Why should internationals who have relatively high earn-

ings be exempt from supporting East Timor's embryonic government? All who live in East Timor benefit from government services such as police, ambulances, firefighters, law courts and roads. This also applies to World Bank, UN, and IMF (non-local) staff — all of whom are exempt from paying taxes. Additionally, some companies that have UN contracts have not paid taxes and are likely, alongside the UN itself, to argue their exempt status based on a fifty-year old UN convention. Taxing the profits of those businesses would generate an estimated \$5-10 million annually. (See Tax chart, page 11.) While the tax revenue from the INGOs would be considerably less than this, the best leadership that the INGOs could provide in terms of capacity-building and modeling would be to pay their taxes and encourage their staff to do so too. If East Timor cannot raise taxes from locals and foreigners, then it will not be able to provide essential government services like health and education, ironically the very areas the INGOs are promoting.

### **Time for Budgetary Democracy**

UNTAET can act to make budgetary matters more transparent and efficient.

**First, UNTAET should translate and publicize all budget-related documents.** Many of the relevant documents are very difficult to obtain. One easy step would be to ensure that most of the material on the internal UNTAET website is also posted on ETTA's publicly accessible website ([www.gov.east-timor.org](http://www.gov.east-timor.org)). Another step would be the establishment of a public documents room in each of the UNTAET district offices as well as in the UNTAET/Dili headquarters.

**Second, UNTAET should democratize the budget making process by involving East Timorese civil society** in decisions about priorities and the allocation of funds. Tied to this is the Timorization of UNTAET—a process that is advancing much too slowly.

**Third, UNTAET should serve as a much more vocal advocate for the East Timorese** by identifying publicly and lobbying for funding for unmet needs, as defined in conjunction with civil society.

In sum, the problem is three-fold:

- 1) There is not enough money for East Timor to rebuild in a manner that will ensure a standard of living consistent with international human rights standards and basic notions of justice;
- 2) Spending decisions are not made with serious consideration for their long term impact; and
- 3) There is not enough transparency, public knowledge, and effective input by East Timorese civil society over the money that does exist.

International supporters of East Timor, working with local organizations, can play an important role in securing more funds, and greater control over the funds by the East Timorese people. In this regard, international advocates can lobby their governments to provide more genuine support (in terms of funds and political power) for East Timor. UNTAET can begin to support this human rights activism by ending the practice of closed-door discussions about budget matters. ❖

## Editorial: Money Matters: Questions of Priorities and Process

The question of money is one of the most sensitive matters faced by UNTAET. Many in East Timor and abroad wonder where the hundreds of millions of dollars have gone that the United Nations has provided to the mission from assessed contributions.

Undoubtedly, UNTAET has achieved much with the funds: it has overseen a generally successful humanitarian relief program in the aftermath of the Indonesian military's September 1999 campaign of terror and destruction; it has provided security from the TNI and its militia; and it has set up a functioning administration for the soon-to-be independent country. At the same time, it has helped to lay the foundation for the transition to full independence. These are not insignificant accomplishments.

Yet, the situation remains extremely difficult for the majority of East Timorese. Unemployment is pervasive, hunger is common, and basic social services remain highly inadequate. Meanwhile, the budget of UNTAET is more than 10 times that of the East Timor Transitional Administration (ETTA)—the future government of an independent East Timor.

These factors, combined with impressions that UNTAET has much more money than for which it can show concrete benefit, have led to a good deal of displeasure. Sergio Vieira de Mello acknowledged the validity of these sentiments last June, when he stated "Something's not right when UNTAET can cost 692 million dollars and the budget of East Timor is little more than 59 million. ... It should come as no surprise that the United Nations is targeted for so much criticism, while the East Timorese continue to suffer."

And last November, de Mello told the UN Security Council he found it "frankly absurd, as a transitional administrator, to preside over a UN mission that spends 10 assessed dollars on itself for every voluntary dollar spent administering the country for which the Council made us responsible."

### Insufficient Resources

ETTA is the beneficiary of some of these voluntary dollars. Funded through the UNTAET Trust Fund and internally generated revenues, ETTA serves, in effect, as an auxiliary to UNTAET. Its resources are simply inadequate given its tasks.

ETTA Infrastructure Minister João Carrascalão, for example, used the occasion of a visiting delegation from the UN Security Council last November to explain the poverty of resources experienced by the embryonic East Timor government. "We need at least 100 million dollars to rehabilitate the basic services that the population needs and to set up a proper administration, and now we are running on a budget of 15 million dollars," Carrascalão told a reporter.

A conservative estimate, according to Carrascalão, of the damage to East Timor's infrastructure wrought by the Indonesian military and its militia in September 1999 was \$3 billion. The current budget is woefully insufficient not only for rebuilding the infrastructure, but also for hiring and training the personnel to carry out the work. Given current fund-

ing levels, he estimated that his department would not have adequately-trained personnel to be self-sufficient even after five years.

The lack of sufficient resources extends to sections of the UNTAET mission as well. In early March, three prisoners—two convicted murderers (from the jail in Gleno, Ermera) and one convicted rapist (from the prison in Becora, Dili)—escaped. One of the escapees was João Fernandes, the first militia member convicted of a serious crime. A court had recently sentenced him to 12 years for killing a pro-independence activist in Maliana in September 1999. "[T]here are indications that there are limitations in the current [prison] infrastructure," stated Isabel Hight, the Director of Prisons. (UNTAET subsequently apprehended two of the three escapees, expending considerable resources in the process.)

At the same time, UNTAET officials assert that they do not have the funds to investigate many of the serious crimes committed in 1999. Scarce resources have forced UNTAET to prioritize five high-profile cases initially, and thus to neglect the important first phase of investigation of other cases. Indeed, there has been no excavation of a large number of

(Continued on page 18)

### What is La'o Hamutuk?

*La'o Hamutuk* (*Walking Together* in English) is a joint East Timorese-international organization that monitors, analyzes, and reports on the principal international institutions present in Timor Lorosa'e as they relate to the physical and social reconstruction of the country. *La'o Hamutuk* believes that the people of East Timor must be the ultimate decision-makers in the reconstruction process and that the process should be as democratic and transparent as possible. *La'o Hamutuk* is an independent organization, encouraging effective East Timorese participation in the reconstruction and development of the country. In addition, *La'o Hamutuk* works to improve communication between international institutions and sectors of East Timorese society. Finally, *La'o Hamutuk* is a resource center, providing literature on development models, experiences, and practices, as well as facilitating contacts between East Timorese groups and development specialists from various parts of the world.

*In the spirit of encouraging greater transparency, La'o Hamutuk would like you to contact us if you have documents and/or information that should be brought to the attention of the East Timorese people and the international community.*