

The La'o Hamutuk Bulletin

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Bilateral Aid to East Timor: An Overview

Until a little more than two years ago, the international community largely ignored East Timor. Indonesia's military occupation, illegal under international law, prevented most countries from sending economic aid to East Timor. However, with the end of the occupation many nations are funding projects here. This economic aid does not replace reparations, and the amount of money donors are sending is not enough to compensate for almost 24 years of Indonesian oppression — oppression funded and supported by many of the same donors — but it is essential to getting East Timor back on its feet.

The most common forms of international aid here are grants and in-kind (non-monetary goods and/or services) assistance, since East Timor is not yet receiving loans. This aid can be categorized as multilateral or bilateral. Multilateral aid is administered by international institutions, such as the Asian Development Bank or the World Food Program, which collect resources from multiple countries and redistribute them to recipients.

Bilateral aid usually refers to assistance given directly from a donor government to a recipient country. The donor government may provide this assistance directly to the recipient government or to non-governmental institutions operating in the recipient country. The aid is sometimes managed by a government agency charged with this task, such as the Australian Agency for International Development (AusAID), but it can also go through alternative channels, such as direct military-to-military training (although international military operations such as the PKF in East Timor are multilateral, and are funded through other means). Bilateral aid is used for various purposes, from building hospitals to supporting political advocacy.

Although some bilateral aid is given solely for humanitarian reasons, donor governments usually have political goals when supplying assistance. These goals may include increasing regional stability or influencing the policies of the recipient government and the nation's civil society. Bilateral aid is often "tied," meaning that the donor govern-

ment puts conditions on the aid that require funds to buy products or services (such as expensive consultants) from the donor country. In this way, the economy of the donor country also benefits.

Over the past two years, both multilateral and bilateral assistance have been delivered to East Timor. East Timor does not yet have an independent government, but is currently ruled by a multilateral institution, the United Nations. This clouds the distinction between bilateral and multilateral assistance. *La'o Hamutuk's* operating definition of bilateral assistance here includes all voluntary contributions from foreign governments that are specifically directed to East Timor. This includes assistance given to national institutions, such as the ETTA and ETPA Transitional Governments, or to local NGOs. It also includes assistance earmarked for East Timor and managed by multilateral institutions, such as the World Bank, that have temporarily assumed this responsibility. Therefore bilateral aid to East Timor includes contributions from foreign governments to the TFET and CFET trust funds, targeted contributions to UN agencies, as well as more typical bilateral projects, such as education or infrastructure projects. However, this does not include involuntary forms of aid, such as UN assessed funds that pay for UNTAET governance and security. (For more on the difference between assessed and voluntary contributions as well as an explanation of the different trust funds, see *The La'o Hamutuk Bulletin*, Vol.2, No.1-2.)

This issue of *The Bulletin* presents a brief overview of the bilateral assistance to East Timor from the six largest contributors (Australia, Japan, Portugal, European Union, United States, and the United Kingdom/Great Britain) who provide approximately 94% of East Timor's bilateral aid. Future issues will examine specific donors and their projects in East Timor in detail. ❖



Inside . . .

Introduction to the graphs; Overall bilateral aid..	2
Japan and Portugal	3
European Union and Australia	4
United States and United Kingdom	5
In Brief	6
Editorial: Donors Should be Generous, Without Strings	8

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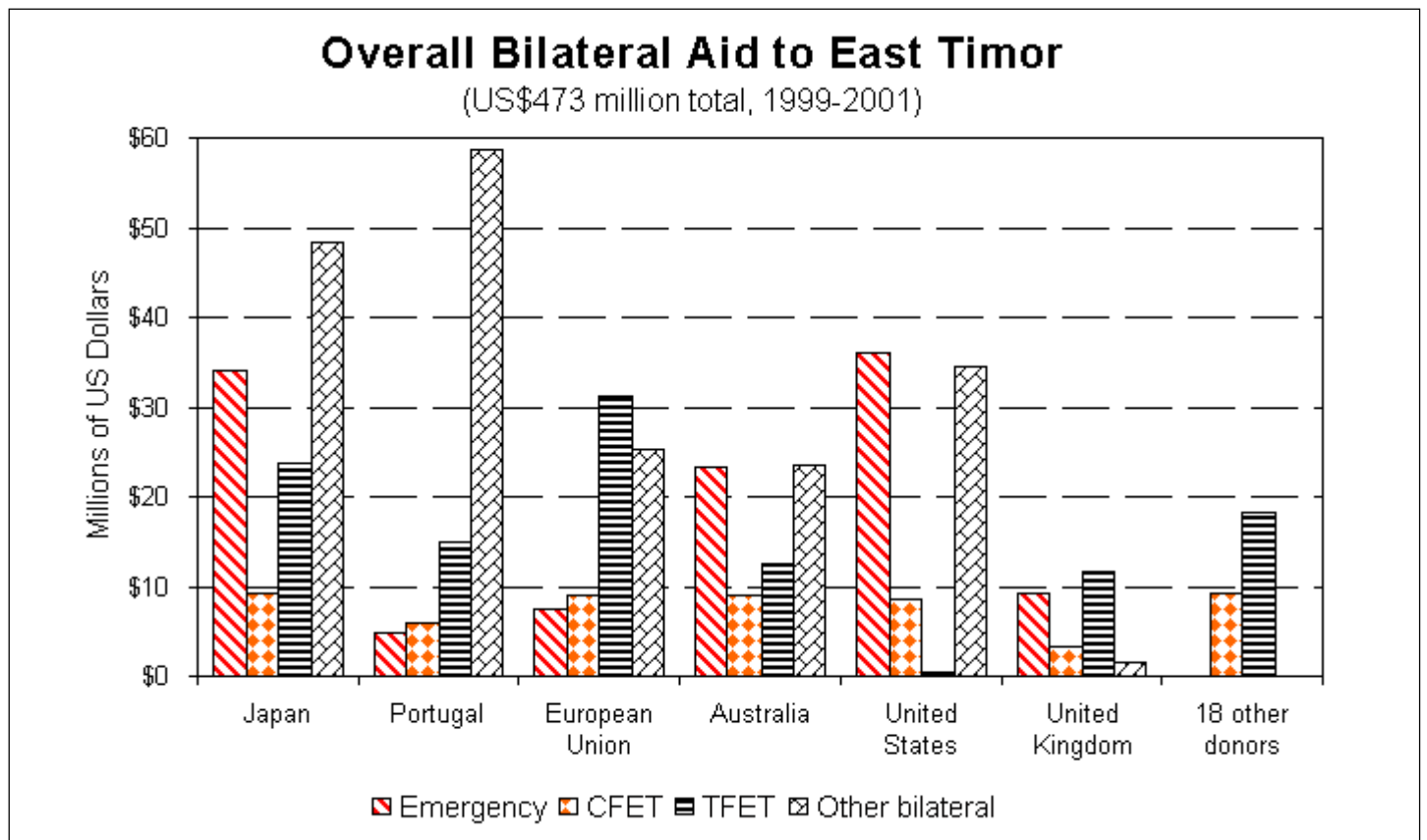
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Introduction to the Statistics and Graphs

In this *Bulletin*, we present an overview of the aid given specifically to East Timor from various national donors for the past two years. This turned out to be a difficult task. We have tried to convert the data to a consistent format, but approximations and presumptions remain. All graphs and figures are in millions of United States dollars.

The figures below represent, as closely as possible, bilateral donations received by East Timor between October 1999 and the end of October 2001. We have omitted assessed and other contributions to the UNTAET or InterFET trust funds. We are including, however, donations specifically designated for East Timor made through multilateral agencies, TFET (Trust Fund for East Timor) or CFET (Consolidated Fund for East Timor).

Information on the CFET and TFET trust funds comes from UNTAET and the World Bank, respectively, and reflects deposits made to those funds through October 2001. They can be compared from one country to another. All other information comes from the donor countries and agencies. We interviewed representatives from the six countries that give the most money, totaling over 94% of bilateral, non-emergency, non-military aid to East Timor, and analyzed the information they provided. Each country has its own fiscal year, its own currency, and its own ways to categorize and track contributions. Please use caution in comparing one country with another.



Emergency aid, during late 1999 and 2000, was for short-term recovery from the trauma of 1999. Much of it was in-kind, such as food and shelter materials. Other bilateral and multilateral donors contributed approximately \$80 million in addition to the \$112 million shown in this chart, but we do not have specific information. The graphs on the following pages do not include any of the emergency donations.

CFET (Consolidated Fund for East Timor) contributions go to ETTA or ETPA, the East Timorese governments, to spend on whatever these transitional cabinets decide is most important. After independence, it will be managed by East Timor's elected government. Total: \$54.5 million paid to date.

TFET (Trust Fund for East Timor) is managed by the World Bank and Asian Development Bank, and is used for specific projects undertaken by the Banks in cooperation with UNTAET (See *La'o Hamutuk Bulletin* Vol.1, No. 4). It will spend its money and cease to exist in the next few years. The World Bank itself contributed \$10 million to TFET, which is most of the funding from "18 other donors." from Total: \$112.8 million paid to date.

Other bilateral programs are decided by the donor, and are discussed further on the following pages. There are some bilateral aid programs supported by other donors, but we do not have detailed information on these and believe that they are significantly smaller than those shown, or than the TFET and CFET donations from these donors. The figures included in this chart total \$191 million to date.

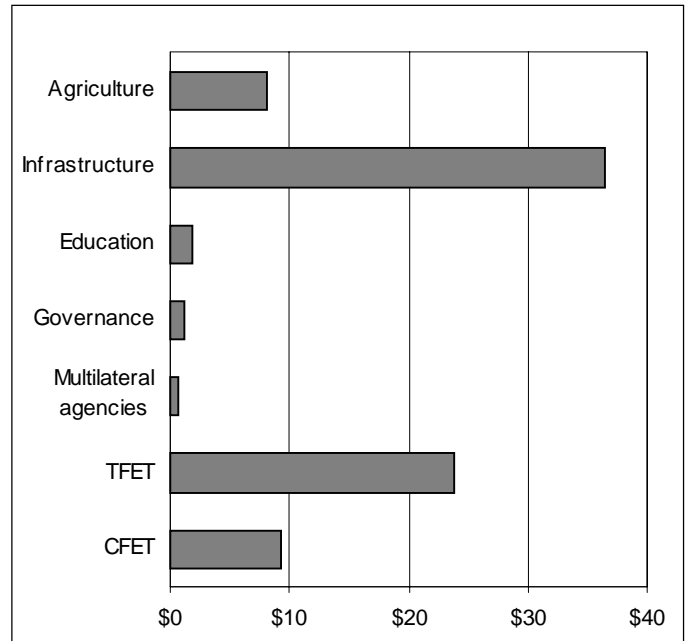
Japan (\$81.6 million non-emergency aid)

The Government of Japan contributed \$34.3 million as humanitarian assistance in the emergency phase to international organizations such as UNHCR and WFP, to the UN consolidated appeal and ICRC appeal, and to Japanese NGOs assisting the displaced and returnees.

Japan also pledged to contribute \$100 million to rehabilitation and development in East Timor over 3 years from 2000 to 2002. More than \$68 million has already been disbursed, including \$9 million to CFET and \$24 million to TFET. Additional Japanese assistance to rehabilitation and development has been given through UN agencies such as UNDP, FAO and UNICEF, as well as by the Japanese Mission and Japan International Cooperation Agency (JICA) directly. Priorities of Japanese assistance are infrastructure, agriculture and human resources development, and most assistance fall within these categories.

Another major Japanese contribution was \$100 million to the UN InterFET Trust Fund to facilitate participation of developing countries in that emergency military operation during 1999. We have not included InterFET in the analysis or graphs in this bulletin.

Some in-kind contributions and expenses of technical cooperation such as Timorese participation in training courses and dispatch of Japanese experts are excluded from the graph due to lack of data.

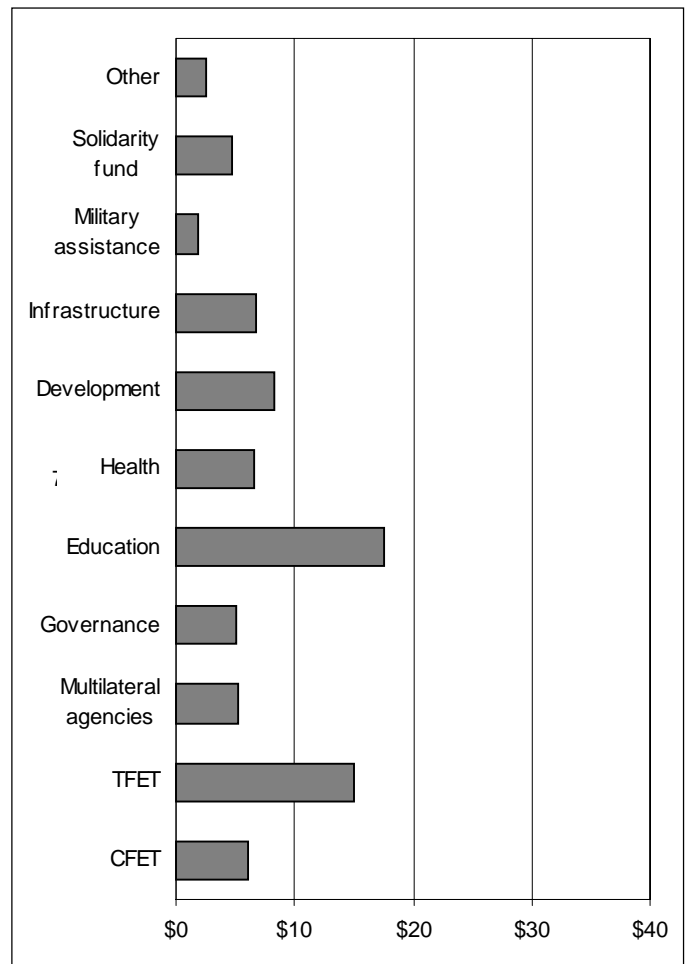


Portugal (\$79.8 million non-emergency aid)

All Portuguese assistance to East Timor is administered by CATTIL (Comissário para o Apoio à Transição em Timor Leste), part of the Ministry of Foreign Affairs. One of the general principles of Portuguese foreign policy is "the defense and affirmation of the Portuguese Language," and much of the Portuguese assistance in education promotes the Portuguese language in East Timor. Next year, approximately 57% of Portugal's bilateral programs will focus on this.

Although most of the assistance for East Timor comes from the national government's budget, donations from Portuguese civil society created the Solidarity Fund (which is administered by CATTIL) to finance various projects in "social support and humanitarian action." The \$4.8 million reported for the Solidarity Fund only reflects activity until the end of year 2000, as La'õ Hamutuk was unable to obtain more recent information on the activities of this fund.

Portugal is the only country to have issued promissory notes for TFET (not included in graph). Under this system, the Portuguese government will contribute an additional \$15 million to TFET by the end of 2001, and \$20 million more over the following two years.

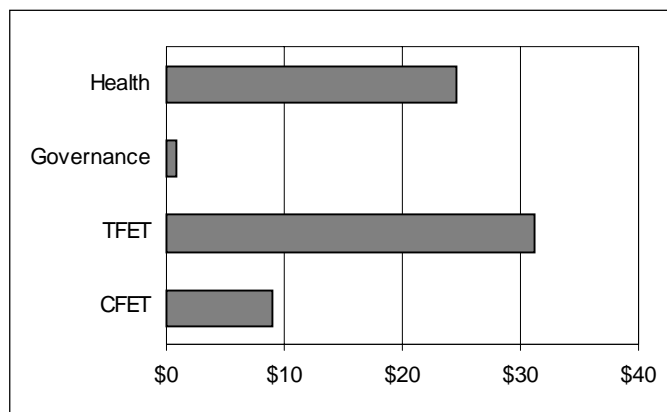


European Union (\$65.6 million non-emergency aid)

The European Commission (EC) is the executive body of the European Union, which consists of 15 Member States, each with the right to initiate legislation. The EC has so far committed \$31,140,000 to TFET and \$9,065,000 to CFET respectively. Humanitarian assistance has been distributed by the EC Humanitarian Aid Office (ECHO), through contracts with International NGOs, International Governmental Organizations and UN agencies.

The ECHO has provided the assistance through the above organizations in the fields of health and medical assistance, food and non-food aid, water and sanitation, refugees and internally displaced persons, and shelter. In health sector, the ECHO funds had supported NGO activities in 8 of the 13 districts under overall District Health Plans developed in collaboration with the Division of Health Services, ETTA, until the middle of 2001. To date, approximately \$33,326,000 has been committed with almost \$24,556,000 disbursed and a further \$7,454,500 has been channeled through the World Food Program in the form of food aid.

The EC also contributed \$877,000 to the election on 30 August 2001.



Australia (\$45.0 million non-emergency aid)

Australian development assistance to East Timor is channeled through AusAID, the Australian government's aid agency. However the Australian aid budget also includes "other funds" to multilateral development banks including the World Bank and the Asian Development Bank, and international development agencies such as UNICEF, the UNDP and UNAIDS. These figures do not include aid that comes from individual federal government departments (such as loaned or seconded personnel), or from Australian state and local governments.

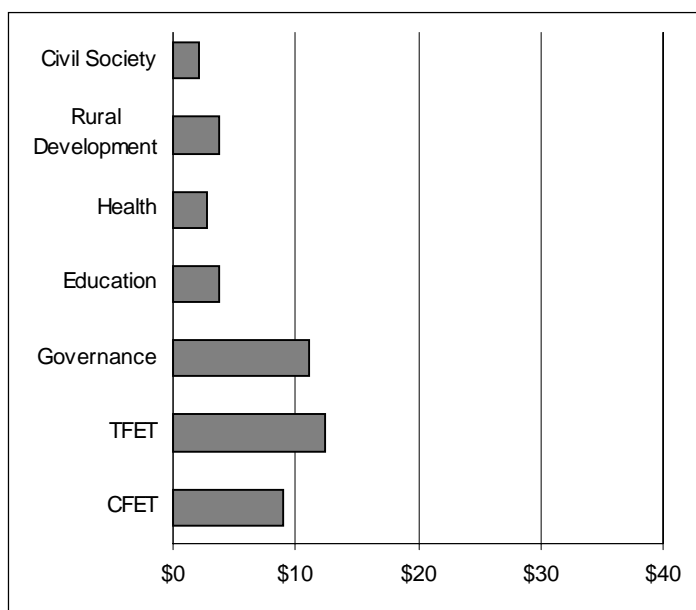
Australian aid is spread across a wide range of activities in East Timor, but there are some emphases. In 1999, Australia responded to the Indonesian military/militia violence with the largest emergency response program Australia has ever conducted. Australian aid to East Timor has moved through three main stages:

- 1) emergency humanitarian aid
- 2) reconstruction and the establishment of government
- 3) long-term development

The current priorities for Australian aid are

- ◆ governance and capacity building
- ◆ health and education
- ◆ rural development, including water supply and sanitation
- ◆ civil society

A substantial amount of the AusAID budget also goes to the two major trust funds (CFET and TFET), run by UN-TAET and the World Bank. Major Australian-funded projects during the last year included the refurbishment of the Constituent Assembly building, English language and general teacher training, and the initiation of a four-year rural development program in three districts.



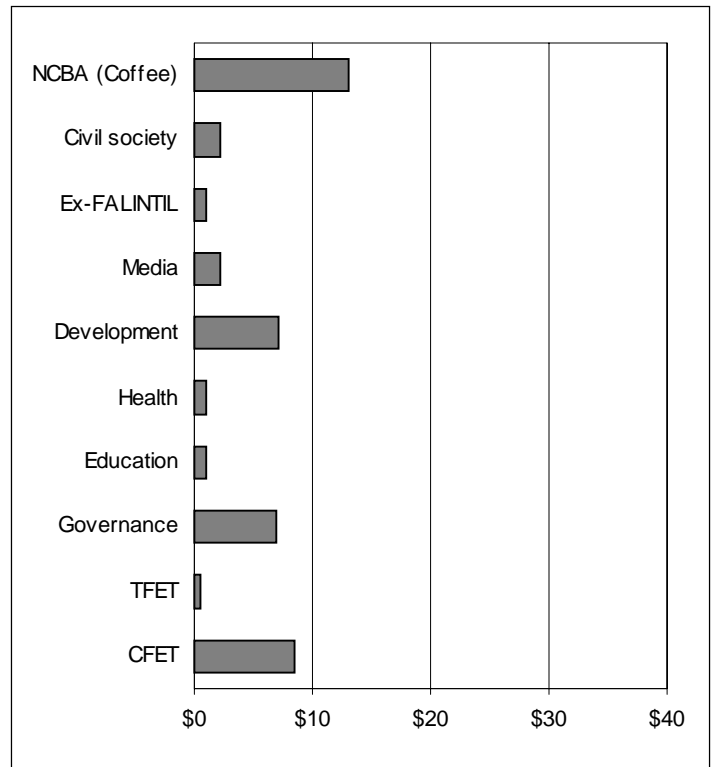
United States (\$43.6 million non-emergency aid)

The United States specifically directs more of its aid to particular programs than most donor countries. A large proportion of its funding goes through U.S.-based intermediate agencies, such as the International Republican Institute, Internews, or the Asia Foundation, which receive money and have considerable discretion over where it is spent. Grants are also given to East Timorese and UNTAET agencies, East Timorese NGOs, or local communities, but these are almost always “in-kind” grants of goods or services.

By far the largest single recipient of U.S. aid in East Timor is the National Cooperative Business Association (NCBA), which has organized local coffee growers into co-ops and processes and markets their coffee harvest for export.

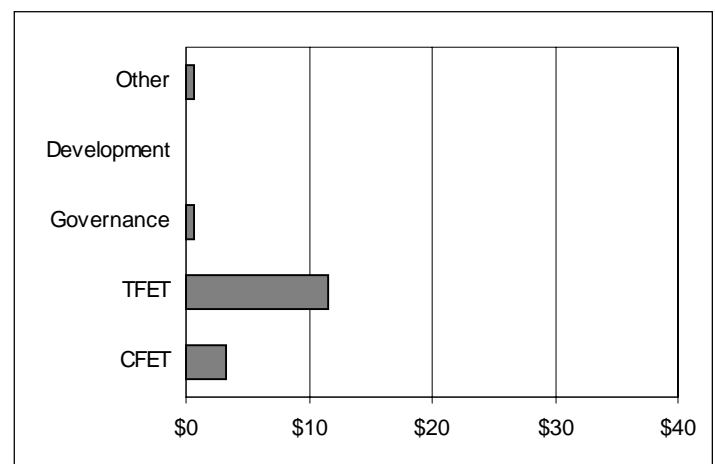
Together with the International Organization for Migration (IOM), the U.S. is funding a program which helps former FALINTIL fighters who have not been recruited into East Timor’s defense force reintegrate themselves in local communities. Other priorities for U.S. aid are support for local NGOs, election monitoring and civic education, the judicial system, and local community self-help and employment generation projects through the TEPS and BELE programs.

In addition to the bilateral aid discussed in this report, the United States pays the largest share of UN assessed contributions (used for UNTAET and PKF), approximately \$200 million, which Washington has been slow to pay. More than \$11 million has also been spent on the U.S. Support Group East Timor (USGET), about a dozen U.S. soldiers who are stationed on the Central Maritime Hotel and serve U.S. priorities, rather than those of the PKF or UNTAET. In addition to being a permanent U.S. military presence here, USGET organizes occasional ship visits where sailors from U.S. warships conduct short-term humanitarian and medical projects.



United Kingdom (\$15.8 million non-emergency aid)

The United Kingdom (Great Britain and Northern Ireland) supplies most of its aid to East Timor through the TFET and CFET trust funds, and does not earmark it for specific sectors or programs. British aid is not tied to UK goods or services. The UK also provides scholarships for East Timorese to study in England, and funded the King’s College London study on East Timor’s defense needs.



In Brief. . .

On 29 October, ETTA officials and the World Bank signed a Grant Agreement for US\$13.9 million for Phase II of the School System Revitalization Program (see *La'õ Hamutuk Bulletin*, Vol.2, No.5 for information on Phase I of this Program). The project will build five new *escola basica*, a kind of model community school that will contain primary, pre-secondary classrooms as well as a community room and library. In addition to the five new schools, the project will remodel nine others using the *escola basica* model. The project will also repair 65 schools to a "fundamental quality level." Despite a recognized need for school furniture for approximately 100,000 more students, the project will build furniture only for the schools that it will build or renovate, as needed. Ron Isaacson of the World Bank told *La'õ Hamutuk* that he does not know where the money for the still needed school furniture will come from, and that there are hopes that bilateral donors will assist. The project will use international competitive bidding procedures, which allow both East Timorese and companies to compete, although they impose requirements which essentially eliminate small local companies from the process.

La'õ Hamutuk comment: *La'õ Hamutuk will continue to gather information on this project for future Bulletins. It has been shown clearly that East Timorese carpenters and tradespersons have the skills needed to carry out this work. All donors to East Timor must prioritize the employment and further capacity building of East Timorese, and as much as possible, money for East Timor's development should stay within East Timor.*

The Japanese government has sent the first of two teams to East Timor to prepare for the dispatch of 700 members of its Self-Defense Force (SDF), as the Japanese military is called. The SDF troops, expected to arrive in March 2002, will be part of the U.N. Peacekeeping Force in East Timor. They will remain for years, replacing soldiers from Bangladesh and Pakistan who have been building and repairing roads and bridges in the area bordering West Timor. A 26-member SDF survey team began a one-week survey in East Timor on 26 November to prepare for the future deployment. Tokyo describes the planned dispatch of SDF troops as a "response to a strong expectation for Japan's cooperation expressed by U.N. officials and the East Timorese leadership." Many Japanese NGOs—a number of which work on East Timor-related matters—have expressed their opposition to Tokyo's plans. Many East Timorese NGOs have also voiced opposition to Japanese troops. Among other reasons, they are concerned about Japan's refusal to apologize and provide compensation for atrocities committed by its troops occupying East Timor during World War II, and Tokyo's complicity in Indonesia's

occupation. (See *In Briefs* in *La'õ Hamutuk Bulletin*, Vol. 2, Nos. 5 and 6-7.) Nevertheless, UN officials have supported Tokyo's plans, as have Xanana Gusmão and Foreign Minister José Ramos Horta. Ramos Horta criticized East Timorese NGOs opposing the plan, saying that they should mind their own business and leave foreign affairs to government officials.

On 17 October, the new National Planning Commission held its first meeting, at which it agreed on the terms of reference and structure for the commission, which includes representatives from government and civil society. As advocated by major donor countries to East Timor, the NPC will create a national development plan in six months. The focus of the plan is "economic growth to improve the quality of life of the people and the reduction of poverty." On 15 November, Xanana Gusmão led a full-day seminar to discuss the role of civil society in the work of the Commission. The meeting focused on how community participation and consultation will take place, an issue about which local NGOs are extremely concerned. The National Planning Commission strongly voiced the need for full civil society partnership, as the NPC does not have the capacity to conduct the entire process by itself.

La'õ Hamutuk comment: *We share the concerns of many local NGOs who feel that the six-month timeframe for finishing the plan is unrealistic and forgoes the possibility of genuine participatory process. The quality of grassroots participation in the creation of such a plan should not be compromised.*

On 26 October, East Timorese Chief Minister Mari Alkatiri and Portuguese Prime Minister António Guterres signed an agreement for media cooperation between Portugal and East Timor. Under the agreement the Portuguese government, through its national television and radio RTP and RDP, will provide technical and financial support to establish national public television and radio facilities for East Timor. The agreement, with the "overall objective of reinforcing means to increase broadcasts in the Portuguese language," will allow for the free exchange of television programs between East Timor, Portugal, and the six other Portuguese-speaking countries. The agreement, which gives Portuguese RTP and RDP tax-exempt status in East Timor, is initially in effect for five years, with automatic renewal every five years in the future.

On 10 November, East Timorese youth organized a Dili seminar entitled "In memory of the tragedy of 12 November 1991, we strengthen unity, tolerance and reconciliation." At the seminar Bishop Belo recommended creating a 12 November Foundation to collect data about the people who disappeared during this

massacre, as well as organizing victims' families. On another note, Aderito de Jesus Soares said that, contrary to the comments of East Timorese political leaders, an international tribunal is not impossible. He said that atrocities committed in 1991, as well as 1999, could be categorized as serious crimes against humanity, a prerequisite to establish an international tribunal. Because of that, he suggested that all East Timorese people who are interested in this issue, including NGOs and other interested people, should begin collecting evidence to support a future judicial process. Aderito concluded that if the evidence and testimony is ready the perpetrators can be brought to justice.

Participants in the NGO Seminar on Justice and Accountability in Dili on 16 October (see *La' o Hamutuk Bulletin*, Vol. 2, Nos. 6-7) **followed up the gathering with letters to the United Nations Security Council.** Similar letters, urging the creation of an international tribunal for East Timor, were sent by the International Federation for East Timor, the Asia-Pacific Coalition on East Timor, and others. The papers and letters from the seminar are included in the printed and online report, available in English and Bahasa Indonesia from *La' o Hamutuk* and other sponsoring organizations, or at <http://www.etan.org/lh/misc/justconf1.html>.

According to a 27 November report, **East Timor's new General Prosecutor Longuinhos Monteiro stated that the Indonesian government does not consider valid the Memorandum of Understanding (MOU) signed on 6 April 2000 by UNTAET and the Indonesian government.** Monteiro came to this conclusion after meeting with Indonesia's Attorney General, M.A. Rachman. The MOU obligated UNTAET and Indonesia to "afford to each other the widest possible measure of mutual assistance" in areas such as executing arrests, transferring individuals indicted of "serious crimes", providing relevant documents and records, and interviewing witnesses and suspects. Although Jakarta never complied with the agreement, this is the first official repudiation of the accord. According to Monteiro, "Indonesia says

the agreement of April 6, 2000, is not legally binding because it was not approved by the Indonesian Parliament." and that "no Indonesian citizen will be released" for trial in East Timor. UNTAET/ETPA and Indonesian officials have agreed to meet in Bali in December to draft a new agreement.

The United Nations Committee on Torture strongly criticized the Indonesian government for failing to ensure justice for crimes committed in East Timor and Indonesia. According to a 22 November report issued at the end of its most recent session, the Committee raised concerns about a "climate of impunity" within Indonesia that has failed to bring to trial "members of the military, the police or other state officials, particularly those holding senior positions, who are alleged to have planned, commanded and/or perpetrated acts of torture and ill-treatment." It also expressed concern about the "geographical and time limitations on the mandate of the proposed (Indonesian) *ad hoc* human rights court on East-Timor" and recommended that the court "have the capacity to consider the many human rights abuses which were alleged to have occurred there during the period between 1 January and 25 October 1999."

On 3 December, the Gender and Constitution Working Group presented the members of the Constituent Assembly with T-shirts and posters from their campaign. The symbolic gesture was to thank the members and celebrate the Working Group's successful lobbying efforts. The Working Group grew out of an Oxfam-sponsored workshop in July, and has campaigned for the protection of gender rights in the Constitution. Women representatives from all the districts participated in creating a "Women's Charter of Rights in East Timor" (see *La' o Hamutuk Bulletin* Vol.2, No.5), which received the enthusiastic support of Sergio de Mello. The Working Group's campaign used the media to inform the grassroots about gender issues, and lobbied members of the Constituent Assembly. After months of hard work, 95% of the issues the Working Group campaigned for were included in the draft constitution. ❖

Who is La' o Hamutuk?

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Editorial: Donors Should Be Generous, Without Strings

The July 2000 *La'o Hamutuk Bulletin* (Vol. 1, No. 2) editorialized that donor governments should consider their aid to East Timor as justice, not charity. In light of the international community's decades of neglect and complicity with Indonesia's occupation, we argued that East Timor must be given a chance to develop and thrive. An involuntary "province" of Indonesia, East Timor was already poor before Indonesia's economy collapsed in 1997. The Asian economic crisis and 1999 destruction exacerbated the sad economic legacy of centuries of Portuguese colonialism and decades of Indonesian occupation.

More than a year later, donors have poured over a billion dollars into East Timor, and the territory is well on the way to self-government. The bulk of the money has gone to support the massive international military and civilian presence here, due to well-documented high costs and expensive overheads in UN administration and PKF operations. As UNTAET phases out, some of the inefficiencies will leave.

Although military security for East Timor is reasonably assured, economic security is not. Infrastructure reconstruction is far from adequate, with basic services like education, health care, transportation, water and electricity sorely lacking. Longer-term economic development has scarcely been addressed.

We encourage donors to continue and to expand their support for the East Timorese government and institutions, especially since projects previously funded through UN assessed funds must now be paid out of voluntary contributions. Previously underserved areas, deferred during the transition but essential for East Timor to be a viable society, need increased attention. This newly independent nation will need international support as it joins the international community – the same community which allowed it to descend into death and destruction between 1975 and 1999. Although Indonesia is not likely to pay reparations, the wealthier powers of the world should look to their consciences as they evaluate financial support for East Timor.

As in the rest of the world, much of the bilateral aid here reflects the priorities of the giver or ends up in the donor country. Donors advance their political and economic agendas; international agencies and international NGOs administer projects, using up part of the funds; money goes to pay foreign consultants or import goods from home. We are under no illusions that aid to East Timor can entirely break free of these patterns. However, we encourage donors to try to ensure that most of their contributions reach the East Timorese people. As this country attains political independence, economic independence should also be a goal. We urge donors to allow the East Timorese people – through their elected government and civil society representatives – to decide what needs to be funded and how aid should be managed and spent.

Since the end of 1999, the United Nations, the World Bank, international NGOs, foreign governments and other international institutions have done many good things for this country. But one thing they have not done is exemplify efficient, responsive, accountable management. Although donors may

feel more comfortable continuing to work through these foreign institutions, it is time for the East Timorese to be allowed to make their own mistakes (as all humans do, even when not taking on new and challenging tasks). When East Timorese people learn from this process, the lessons will continue to benefit their country.

More than a billion dollars has gone to UNTAET. Transitional Administrator Sergio Vieira de Mello has called it "frankly absurd" that his mission "spends 10 assessed dollars on itself for every voluntary dollar spent administering" East Timor. Nearly half as much has been spent in bilateral aid, of which only a fraction enters East Timor, often departing via the expatriate economy after a brief sleep on this island. When one looks at the amount of functioning infrastructure, skills transfer, or economic development, it is hard to see where all the money went.

This country's new government should be allowed some inefficiencies too – not 90%, but more than zero. Not only must they finish the reconstruction, transition and capacity-building that the Transitional Administration has left incomplete, they must also create the foundations for a stable state and durable economy. We urge donors to be generous in amount and spirit during the next few years. Given the chance, East Timor can manage international aid effectively without detailed direction from overseas. The opportunity is here – will the donor community rise to the occasion? ❖

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, economic, and social reconstruction and development of the country. *La'o Hamutuk* believes that the people of East Timor must be the ultimate decision-makers in the reconstruction/development process and that this process should be as democratic and transparent as possible. *La'o Hamutuk* is an independent organization and works to facilitate effective East Timorese participation in the reconstruction and development of the country. In addition, *La'o Hamutuk* works to improve communication between the international community and East Timorese society. Finally, *La'o Hamutuk* is a resource center, providing literature on development models, experiences, and practices, as well as facilitating solidarity links between East Timorese groups and groups abroad with the aim of creating alternative development models.

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.