

La'ó Hamutuk

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Some Observations from La'ó Hamutuk for the 2021 Timor-Leste Development Partners Meeting

First, we would like to express our appreciation to the Ministry of Finance for organizing this Timor-Leste Development Partners Meeting, which is an opportunity to strengthen coordination and communication between Government, development partners, and civil society.

We appreciate the assistance that development partners have provided to Timor-Leste. This meeting is a space to reflect on the direction of development programs, and help such programs and interventions be more just, sustainable, and responsive to the needs of Timor-Leste's people.

La'ó Hamutuk is a local Non-Governmental Organization which has been analyzing development in Timor-Leste for more than 20 years. We are disappointed that civil society was not asked to share observations as part of this meeting. However, through this note, we will outline our views on today's development context, priority areas for intervention, and principles which should guide development programs.

The Situation Facing Timor-Leste and Development Priorities

State Finances

Most of the financial resources of the state of Timor-Leste reside in the Petroleum Fund, which itself was built by converting limited, nonrenewable oil and gas wealth to dollars. The Bayu-Undan field reached peak production between 2011 and 2013 and has been declining ever since. Today, production has almost ended.

The Petroleum Fund is invested in international financial markets, and is the primary source of money for the State Budget. Withdrawals from the Petroleum Fund allow us to use our finite wealth to strengthen human resources and the productive sector, based on careful study and analysis, and thus to establish a financial foundation for the state's economy, activities and programs.

La'ó Hamutuk has long advocated for the Government and development partners to use the money from extracting our petroleum wealth for productive and sustainable policies to build our human resources and thus strengthen the economy, addressing structural problems that hinder the population's well-being.

As the Government itself recognizes, the Petroleum Fund could be empty within ten years. Timor-Leste has not yet identified or developed sustainable economic activities that could

replace oil and gas extraction from Bayu-Undan. Timor-Leste's may be unable to pay for basic services, including health and education, after the Petroleum Fund is empty. We only have a few years left to improve these basic services, and we ask development partners to work closely with the Government to use this remaining time efficiently to establish basic education, health, and water services to ensure that we can meet essential needs even after the Government's financial resources decline.

With limited financial resources in the future, it will be difficult for Timor-Leste to repay debts. We encourage development partners to continue to consider the full implications of debt before encouraging the Government to continue with projects financed by borrowing.

Climate Change

Climate change threatens to undermine all efforts to improve the quality of people's lives. Interventions in agriculture, health, nutrition, water, and other basic infrastructure cannot succeed if we fail to deal with this underlying threat.

Timor-Leste contributes much less to climate change than industrialized countries, but we are very vulnerable to its impacts. Many development partners now target Timor-Leste for climate change adaptation projects, or for carbon dioxide offsetting projects that use forestation to reduce the impact of emissions created elsewhere. While it's important to adapt, we also observe that many major polluters are not significantly reducing their emissions. We cannot adapt forever to constantly worsening conditions. The same applies to offset programs; these projects won't benefit the global climate if industrialized nations fail to cut their emissions, and may even hurt food security by taking up valuable productive land.

Following the principle of climate justice, we believe that Timor-Leste should not bear a disproportionate burden of adapting to, or offsetting, the impacts of destructive overseas activities which benefit people in more affluent countries. Development partners make their internal policies consistent with what they say and do in Timor-Leste, where they recognize the threat of climate change. The most effective path to climate justice is for industrialized nations to significantly reduce greenhouse gas emissions, in order to minimize climate change and save our planet.

We ask development partners to share Timor-Leste's experiences of climate change as they and we urge the Governments of industrialized countries to reduce their emissions. We also ask that development partner agencies weigh the impacts of their own activities, including air travel, and consider the climate-related impacts of all projects that they promote or support in Timor-Leste, including airports and major projects. It's past time to incorporate climate change perspectives in analyzing all development plans, including how Timor-Leste can reduce its own emissions through development of sustainable infrastructure and renewable energy systems.

Economic Diversification

As Bayu-Undan production dwindles, Timor-Leste is confronted with difficult decisions. Can we continue to expect extraction of non-renewable underground wealth – petroleum or mining – to sustain our economy and our government? How plausible are the promises from advocates for this path, and how well do we understand the risks and consequences if it

doesn't work out as hoped? We are aware that several development partners have studied the geology and economics of Greater Sunrise, Tasi Mane and other potential extractive activities in Timor-Leste, and we encourage you to share your evidence and conclusions with our Government and the public. Although the history of foreign exploitation of Timor-Leste causes many Timorese people to mistrust overseas advice and to see this issue through a nationalistic lens, we hope that development partners can find ways to respectfully provide information and expertise to help our leaders and our people avoid making disastrous decisions.

Economic diversification can reduce our vulnerability to the exhaustion of non-renewable resources, strengthen our economy against global economic shocks, reduce our dependency on imports, and offer opportunities to people with a range of skills, interests and abilities. Bearing in mind climate change, we also believe that a diversified economy will reduce our impact on the environment.

We believe that a diverse economy can emerge from economic activities at a grassroots level, and that we will not achieve diversification that benefits people and the environment if we only focus on large projects.

Mega-projects frequently fail to benefit the entire population, and offer limited long-term employment opportunities. For example, if we add up permanent employment generated and predicted by existing and proposed major projects – the Heineken factory, Tibar Port, TL Cement's mining and production, Pelican Paradise resort, and the Tasi Mane Project – the total number of jobs is less than the number of people who enter Timor-Leste's working-age population every month.¹

A sustainable, inclusive, and diverse economy might not produce corporate profits or GDP growth as large as past oil and gas projects have. However, a diverse economy will benefit all of our people over the longer term. The objective of an economy should not be to increase the GDP or other abstract indicators, but to create opportunities for well-being for everyone. For example, the economist Brett Inder compared projections of the outcomes from investing in Tasi Mane and the coffee sector, and found that a much smaller investment in coffee production could create five times as many jobs as the Tasi Mane project.²

Projects that aim to support economic diversification need to be consistent with Timor-Leste's present reality. Interventions from Government and development partners should recognize existing strengths, and reinforce activities that communities already engage in to build upon existing resources, interests and abilities.

For example, La'o Hamutuk researched³ obstacles to increasing small-scale agricultural production, offering suggestions to improve the industry. We encourage efforts to

¹ The Heineken factory employed 125 staff before layoffs began; the Tibar Port promises to employ 200 people, TL Cement estimates 700, Pelican Paradise 1,500, and Tasi Mane 730. These are permanent jobs during operation, not in the construction phase.

² Brett Inder & Nan Qu (2019). *Coffee in Timor-Leste: What do we know? What can we do?* Monash University Research Briefs on Timor-Leste (RB-TL1). <https://drive.google.com/file/d/1oMufKgFvLVGPjvfPOPSiFK1pOzWthK1j>

³ <http://laohamutuk.blogspot.com/2021/02/relatoriu-peskiza-industria.html>

understand, and then strengthen, existing economic activities, which can be more effective and inclusive than large projects built or operated by multinational companies.

Principles of Development Activity

We appreciate the assistance of development partners in Timor-Leste. While development partners have long delivered aid for education, water, sanitation, agriculture and climate change adaptation, mechanisms to ensure participation and sustainability are not yet clear.

We believe that all donor interventions should be consistent with the actual necessities and conditions of our people, and should align with principles of participation, transparency, accountability, collaboration, and sustainability.

Participation

The participation of the community is key to achieving development goals, and should be incorporated in initial planning and all subsequent activities to ensure that development programs are relevant to people's lives.

We have seen development partners arrive in Timor-Leste with plans that they intend to implement regardless of the existing situation. We urge all development partners to consider community participation as an important pillar of programs, especially in regard to programs linked to basic services. We believe that effective and just interventions should include high levels of community participation, not just as beneficiaries. Development partners and the Government should recognize the people as knowledge-bearers, who can make important contributions to just and effective development.

Transparency and Accountability

We are concerned that Government transparency has declined over the last few years. The 2021 State Budget needs more transparency, allocating funds through a program-based system which, in practice, reduced the amount of program detail available. Past initiatives, including the Procurement and Government Results Portals, no longer function.

While we appreciate the efforts of development partners to help the Government improve transparency and accountability, we also hope that development partners will set a good example in their own practices. We have observed that development partners are very skilled at communicating the positive results of their work. To increase participation and create opportunities for the public to evaluate and give input into partners' programs, we ask that partners increase transparency and publish more comprehensive information in languages that are widely understood in Timor-Leste. We ask partners to communicate all aspects of programs, not just their successful activities and outcomes.

Collaboration, Coordination and Sustainability

We have seen weaknesses in the collaboration and coordination between Government and development partners. In regard to water and sanitation, for example, persistent efforts by development partners have not achieved significant progress; the 2016 Demographic and Health Survey found that only 42% of rural households had access to clean water. The majority of people had to walk for on average 30 minutes to access clean water, with a disproportionate impact on women and children. More recent data would help the public,

the government and development partners. We hope that improved coordination and efforts to improve transparency would result in current relevant data, which would assist planning for the present reality, while creating opportunities for community and civil society to monitor and evaluate progress in providing basic services.

To continue with the example of water and sanitation, we understand that development projects operate within finite time periods, and when they are transferred to local authorities there are often insufficient resources to ensure the maintenance of what they have built, which negatively impacts clean water access. Poor coordination has a similar impact on development projects related to other basic services.

We believe that improved coordination and collaboration between Government, development partners, civil society, and communities should be a target of all projects. This would help ensure sustainability and avoid duplication or gaps in coverage.

We believe that participation, transparency, accountability and collaboration, will all contribute to sustainability. Including communities in project planning from the initial stages, together with Government and development partners, can increase their ownership and commitment and ensure that a project will address the community's desires and needs. Information during all stages of a project is essential to for the Government and community. Good information and coordination can ensure that when local authorities assume responsibility for a project initiated by a development partner, that there are adequate resources and capacity to continue and maintain it.

We have observed that many development partners are fond of innovations, which propose to use technologies such as the internet, smartphones, even virtual reality equipment, or use interventions such as fortified food or chemical fertilizers. Such innovations often change repeatedly, based on shifts in donor countries or advances in technology. This can undercut their sustainability and outcomes, use up funding and time with little benefit, and result in projects that are out of step with the community's needs, capacities, and resources. The majority of innovations don't come from target communities themselves. We believe it would be better to use effective approaches based on existing strengths within communities, rather than introduce solutions from elsewhere. We suggest that development programs should not try to introduce new technology without consideration of existing resources and sustainability.

Conclusion

As always, La'ó Hamutuk remains ready to listen to your concerns and to offer our analysis to assist Government and development partners to engage in more detailed discussion of development in Timor-Leste.

Thank you for your attention and consideration.