



Comments from La'o Hamutuk on the Draft Country Chapter for Timor-Leste

2011 Survey for Monitoring Implementation of the Fragile States Principles

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La'o Hamutuk appreciates the hard work many are doing to make international assistance to Timor-Leste and other fragile states more effective, and we are grateful for the opportunity to offer these comments on the draft country chapter for the 2011 Survey for Monitoring Implementation of the Fragile States Principles. We have monitored development partners' activities here since 2000, learning many lessons and observing some improvement.

During that time, the global aid community has also learned lessons, and this Fragile States Aid Effectiveness process is helping governments and donors share and act on this knowledge. La'o Hamutuk hopes that our contribution will be useful both to citizens and to development partners of Timor-Leste, and to others who wish to learn from Timor-Leste's experiences.

Our comments address the draft Fragile States Country Paper for Timor-Leste, and generally follow the order of the paper and the numbered Principles. However, some of the topics are discussed under more than one Principle, so we cite the numbered paragraphs we are referring to rather than repeat our comments.

We are not commenting on the Summary Findings Table, assuming that it will be revised to reflect changes in the document itself. The timeline in Annex E contains many factual errors, irrelevancies and critical omissions; it should be extensively revised if it is to be included at all. We can provide specific corrections, but will not do so in this submission.

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The report should include complete and accurate context.

The first Fragile State Principle (FSP) is to take context as the starting point. We believe that the most important elements of Timor-Leste's context are omitted from this paper, and that some of the discussion doesn't reflect reality or serves institutional agendas instead of public ones.¹

Timor-Leste's history didn't start in 1999. (Chart 1, Annex E). The legacies of colonialism, war, occupation, trauma, religion, poverty and underdevelopment are the fundamental components of the country's current fragility. Over the past decade, international experts have defined problems or prescribed solutions for Timor-Leste's people without understanding why things here are the way they are. FSP #1 recognizes this, and this paper should discuss some of these challenges in paras 7, 16, 39 and elsewhere. These are not "cultural" or uniquely Timorese, but are the consequences of what international actors have brought to Timor-Leste for 500 years and are intrinsic to "Timorese identity" (para 39).

Post-colonial

- Language controversy
- Land ownership in chaos
- Illiteracy
- Underdevelopment
- People never lived under rule of law
- Powerful people & classes have special privileges
- People never had power to make decisions for themselves
- "To Resist is to Win" – lobbying, coalition-building, compromise and persuasion never worked
- Internalized Portuguese and Indonesian mindsets
- Bureaucracy, corruption, "entitlement," *dwi fungsi*
- Incorporating returned exiles, former collaborators
- Public officials all just learning their jobs
- Most experienced people left in 1999, especially in education, health and governance
- Getting neighboring countries to respect sovereignty

Post-conflict

- Pandemic Post-Traumatic Stress Disorder (PTSD)
- Infrastructure and property destroyed
- Most adults have lost all their possessions and had their lives totally disrupted 2-3 times
- No experience of predictability or long-term planning
- Poverty
- High birth rate
- Domestic violence
- Respecting veterans; dealing with collaborators
- Police and military come from different sides of the independence struggle
- Leading in peacetime requires a different skill set than leading during resistance
- Differences of opinion are personalized. Loyalty and betrayal paramount; long histories and memories

Ongoing impunity makes this democratic state more fragile.

Timor-Leste has recently emerged from centuries of colonialism and a generation of occupation and war. Our people live with their past experiences of trauma, injustice, oppression and discrimination. The prevailing impunity for crimes against humanity committed during the 24-year Indonesian occupation undermines the rule of law. For example, two years ago Indonesia successfully pressured

¹ We elaborated on these concerns in our comment on the just-released *UNDP 2011 National Human Development Report* for Timor-Leste, which repeats widely believed myths about the growth of Timor-Leste's non-oil economy and the total amount of oil revenues Timor-Leste can expect to receive. These are critical to the current context. Our comment is available at <http://www.laohamutuk.org/econ/HDI10/LHatUNDPNHDRlaunch3May2011En.pdf>; the report and a Tetum version of our comment are linked from <http://www.laohamutuk.org/econ/HDI10/11NHDRen.htm>.

Timor-Leste leaders to release indicted criminal Maternus Bere.² This action violated our Constitution and increased popular perceptions that anyone supported by powerful people is above the law, a perception which emerged by the failure to hold accountable the principal actors behind the 2006 crisis or the 2008 attempted assassinations of the President and Prime Minister.

Development Partners and the Government, perhaps because of the past roles of certain states and individuals, are increasingly reluctant to acknowledge international responsibility to end impunity for crimes against humanity committed by international actors in Timor-Leste between 1975 and 1999, increasing the fragility of rule of law and accountability.

Timor-Leste is a petro-state without much petroleum.

(Para 4 and box 1). Mineral-rich countries are retaining a larger percentage of their resource wealth than in the past; this means that Timor-Leste has its own money, but only for the next decade or two. However, this apparent wealth (the income comes from converting nonrenewable oil and gas wealth into dollars and exporting it, not from the "Petroleum Fund" as cited in para 5). Timor-Leste's exaggerated claims of economic growth³ and poverty reduction could cause donors to prioritize more needy, aid recipients, as mentioned in para 96 (although that paragraph omits donors' domestic budget constraints as a cause of aid reduction). Under optimistic assumptions, oil revenues and Petroleum Fund investment earnings will provide \$1.72/Timorese person/day between now and 2050 if all the money is spent as it comes in. With a sustainably managed Petroleum Fund, this declines to \$1.41/person/day but lasts indefinitely.⁴ Both figures are less than is being withdrawn in 2011 -- \$2.56/person/day.

The reduction of poverty to 41% cited in para 8 is a questionable 'projection;' a recent study⁵ showed that hardly any poor people live in Dili, where most economic gain has occurred. In the long term, the failure to build a sustainable, self-sufficient, non-oil economy here will impact disastrously on future generations, as highlighted in UNDP's *2011 National Human Development Report*.

China and Cuba's significant aid to TL, as well as activities like joint military training, are not reported by OECD or NDAE (para 86, table 7), but should be integrated in aid monitoring and this paper, as they are significant parts of bilateral assistance here.

The upcoming Strategic Development Plan cannot free Timor-Leste from fragility.

Government and Development Partners expect the Strategic Development Plan to resolve many problems with a diverse range of positive outcomes, but we have doubts about the practicality and effectiveness of this plan. Although the Government will begin implementing the SDP this year, it has

² More information on the extra-legal release of Maternus Bere, whom the UN-backed Serious Crimes Unit indicted for Crimes Against Humanity for the 1999 massacre at Suai Church, is available at <http://www.laohamutuk.org/Justice/99/bere/09MaternusBere.htm>.

³ See analysis cited in footnote 1 above. Only one country in world history (China) has sustained double-digit real GDP growth for the long term, and only three others have achieved above 7%. Part of the context of Timor-Leste (and all other countries) is the history of what others in similar circumstances have been able to achieve, and wishful thinking contributes to fragility. Recent rapid economic growth has been entirely driven by state spending, and such escalations are impossible to continue.

⁴ A graph illustrating these revenues year-by-year is at <http://www.laohamutuk.org/econ/HDI10/OilRevenuesTotal2011En900.gif>. Under more conservative assumptions, there will be no oil revenues and no Petroleum Fund after 2030 if spending levels in the 2011 budget are continued and, as is likely, no new oil and gas fields are developed.

⁵ See Table 2.11 of the *2009-2010 Timor-Leste Demographic and Health Survey*. Only 2.5% of Dili's population is among the poorest 40% (approximately where the poverty line is), while more than 60% of the people in Ainaro, Oecusse and Viqueque districts are in the bottom 40%. Although 71% of Dili residents are among the richest 20% of Timorese, fewer than 8% of those in Ermera, Oecussi and Viqueque enjoy that status.

not yet been published.⁶ We find it difficult to understand how Development Partners and the authors of this FSP paper can align with a plan they have not been able to read.

Although para 5 of the report says the SDP will include human capital investment, this is not evident in available documents. In fact, the share of the State Budget allocated to health and education declined from 15.6% to 9.6% between the original 2010 and 2011 budgets, notwithstanding that UNDP says that countries on track to meet the MDGs spend 28% on these sectors.⁷ Para 6 says that some international partners feel the SDP is “overly ambitious in its economic outlook” – “unrealistically optimistic” might be a better description. The targets may be ambitious, but the steps to get there have yet to be revealed and could lead elsewhere. “Increased dialogue” on the implications of the SDP (para 14.9) should also include its goals, content, achievability, sustainability and how it will address the broader concept of security described below.

The SDP does not propose “rapid economic growth” (para 37) but rather rapid increases in expenditures on physical infrastructure, from which it hopes that growth will result. It focuses almost exclusive on physical infrastructure, and we hope the more stable planning that this paper expects (para 99) is implemented soon.

What we have seen of the SDP so far is a vision, not a plan. It (and paras 66-67) ignores the “Vision 2020 National Development Plan” released in 2002 and the Sector Investment Programs that were developed in 2004-2006. The upcoming SDP may also be discarded after the next election or “crisis,” and donors and citizens would be foolhardy to expect that a dream will define policy for decades. It’s also misleading to call the annually-redefined National Priorities Process a “strategic planning mechanism” (Box 2, para 84), as they do not reflect long-term objectives or programs.

A large part of the SDP is predicated on a petroleum industrial corridor on the Tasi Mane south coast, including an onshore LNG plant to process natural gas from Greater Sunrise. These proposed projects, which are already costing tens of millions of Timor-Leste’s dollars, may turn out to be a mirage, as the companies holding the Greater Sunrise contract have different development preferences.⁸ It seems unwise to base so much of Timor-Leste’s development on a project which may be unrealizable.

External debt will make Timor-Leste more fragile.

So far, Timor-Leste has no debt to any country or international institution, but this will change soon. The Government wants to borrow to finance public investment, as expressed in the draft SDP, and several development partners are encouraging this path.

We believe that this violates FSPs 2 (Do no harm), 4 (Prevention), 9 (Sustainability), 6 (Non-discrimination) and 10 (Inclusiveness). Borrowing today will impose debt payments after Timor-Leste’s oil reserves are exhausted. (Even with concessional interest rates, the principal must be repaid). Although potential lenders urge quality investments with long-term returns, many recent large projects here and in other fragile states leave doubts whether these recommendations will be followed.

FSP 7 (or somewhere else) should include a paragraph on the imminent likelihood of Timor-Leste taking out loans from one or more of its Development Partners, especially the World Bank, IMF,

⁶ More analysis, including the published summaries and leaked text of the draft SDP, is at <http://www.laohamutuk.org/econ/SDP/10SDPindex.htm>. If the final version is similar to what we know now, it will not give enough attention to agriculture, social services and human resource investment.

⁷ UNDP 2011 *National Human Development Report for Timor-Leste*, page 122.

⁸ For more on the Sunrise pipeline controversy, see <http://www.laohamutuk.org/Oil/Sunrise/10Sunrise.htm>. The Kitan project will be finished in five years, and petroleum industry history worldwide (as well as recent test well experience here) give little reason to expect that significant additional oil and gas fields will be found.

ADB, Japan, China or Portugal. This will increase fragility and exacerbate the transfer of wealth from future generations to the current one.

Inflation results from lack of local productive capacity.

Paragraph 5 cites a few discouraging indicators; unfortunately there are many more.⁹ Inflationary pressures cited in paragraphs 5 and 18 are a symptom of “Dutch Disease,” common in *rentier* economies¹⁰ where more money is in circulation than local producers have the capacity to absorb. In Timor-Leste, 70% of State spending goes overseas (according to the Minister of Finance), as well as nearly 90% of donor expenditure.¹¹ Imported goods and services are more than 50 times as large as non-oil exports, which are almost entirely unprocessed coffee. This house of cards will collapse when the oil fields run dry in a decade or three.

The Resource Curse is a key element of Timor-Leste’s context and fragility.

The report should discuss the “Resource Curse” which afflicts Timor-Leste as it does nearly all impoverished countries dependent on exporting nonrenewable resources. The “resource curse” is not inflicted by the devil, but by context. Large temporary, annual petroleum revenues have facilitated rapid escalation of state expenditures and severe import dependency, which is unsustainable and violates intergenerational equity.

The “Curse,” exacerbated by short-term thinking, manifests itself in increasing gaps between rich and poor and between the capital and rural areas. Large constituencies do not share in benefits from the nation’s wealth, often leading to conflict, and little attention is given to non-oil revenues or economic sectors. In addition, money is often spent without attention to quality of results or future implications, as demonstrated by *Pakote Referendum*, *Pakote Dezentralizadu*, the national electricity project and subsidizing rice imports. If similar policies continue, Timor-Leste’s fragility may be shattered.

Security is more than the “security sector.”

Security (para 8 and others) means being able to live without fear of crime, invasion or violence – and also without fear of illiteracy, homelessness, unemployment, disease, starvation and other violations of human rights. Every citizen of every donor country expects that for themselves. But when development partners address “security” for Timor-Leste, they focus on men and women with guns intimidating everyone else from misbehaving (paras 51-53). A police state is no solution to structural poverty, economic polarization (which should be mentioned in para 16), alienation and underdevelopment.

⁹ For example, the International Budget Partnership’s 2010 *Open Budget Index* rates Timor-Leste at 34 out of 100: “Provides minimal information to the public in its budget documents during the year.” The U.S. government’s Millennium Challenge Corporation’s FY 2011 scorecard shows Timor-Leste falling on 11 criteria compared with last year and improving on four, with two unchanged. On “control of corruption,” Timor-Leste fell from 21% to 10%, worse than 28 other lower-middle-income countries and only better than Angola, Iraq and Afghanistan. The World Bank’s 2011 *Doing Business report* ranks Timor-Leste 174th of 183 countries in “ease of doing business,” and the Fraser Institute’s *Global Petroleum Survey 2010* ranks Timor-Leste 118th out of 133, calling it “The least attractive jurisdiction for upstream petroleum investment in Oceania,” which is “tied for the worst scores overall (globally) for labor availability and skills, and quality of infrastructure ... especially poor scores on the socio-economic agreement, labor regulations, and employment agreement factors.”

¹⁰ *Rentier* economies have state income from renting or selling resources, rather than from production. Timor-Leste is the global outlier: our GNI is six times larger than our GDP, according to the 2008 data in UNDP’s global *2010 Human Development Report*. Every other country’s GNI is less than 80% above its GDP, and only three countries have GNI more than 20% above GDP. More than 95% of Timor-Leste’s 2011 state revenues and four-fifths of GNI come from exporting nonrenewable petroleum wealth.

¹¹ See <http://www.laohamutuk.org/Bulletin/2010/Feb/bulletinv11n1-2.html#donor>. La’o Hamutuk estimates that 10.6% of \$5.2 billion in bilateral and multilateral assistance to Timor-Leste between 1999 and 2009 entered the local economy.

Similarly, avoiding or preventing conflict (paras 12, 30-31, all of FSP 4, para 59, 66-67, 90, and others) should not be the primary dimension for measuring effectiveness of a government or donor program. Improving people's quality of life – especially as defined by international standards for human rights (economic and social as well as civil and political) – is also relevant. Starvation, diarrhea, kidney disease and toxic pollutants can be just as fatal as bullets, and far more Timorese people are killed by preventable diseases than by violence. For example, the great majority of the more than 2,000 Timorese children under five who die every year are victims of preventable or curable conditions,¹² while homicide took only 39 lives in Timor-Leste 2010.¹³

The “security” discussion (para 53 and elsewhere) should explain that the role of police and military forces is to enforce laws, not to impose order according to their own or their commanders' ideas, and is defined by the RDTL Constitution and international conventions Timor-Leste has ratified. Increasing awareness and adherence to the principles of a democratic state under rule of law should be one of the Priority Actions for FSP 3, and should be discussed in para 58.

Financial data and discussions in the draft should be corrected or expanded.

Expenditures (Table 3): Should clarify that 2007 is a six-month period. Also, the Transparency Portal has updated and more complete expenditure figures: \$485.6 million (2008), \$604.4 million (2009) and \$758.2 million (2010).

Payroll costs (para 11). The data cited is inconsistent with official figures for expenditures on salaries, and do not include the rapidly increasing expenditure on “professional services” – national and international advisors and consultants paid by the gov't (paras 19-22). These expenditure numbers (in millions) are from the full-year budget execution reports:

Year	Salary & Wages	Professional Services	Total
2005-6	26.3	n.a.	
2006-7	33.8	n.a.	
2007	<i>Omitted because transitional half- year is not comparable.</i>		
2008	50.3	20.5	70.8
2009	87.4	20.9	98.3
2010	93.6	40.8	134.4
2011 (budgeted)	114.6	35.6 (more are in the Special Funds, but not quantifiable from public documents)	150.2

It is misleading to focus on dollars spent (paras 19-22), as both government-paid and donor-paid consultants and advisors should provide value for money. During the last decade, Timor-Leste has experienced many international “experts” who are unaware, incompetent, insensitive, lazy, uncaring, ignorant, unqualified, self-interested and/or unproductive. This has set an unfortunate model, creating low expectations for many “national advisors” and civil servants. Similar, compensation and overhead costs for foreign experts often exceed the value of their work.

Shared analysis (paras 13, 14.5) should also include objective facts and analysis not tailored to suit a donor or Government political agenda, and should involve independent academic research by Timorese experts based here; one more reason why the national education system needs to be strengthened.

¹² The 2,000 figure is calculated from the 64/1,000 under-5 mortality rate reported in section 8.3 of the 2009-2010 Timor-Leste Demography and Health Survey. According to the WHO Global Health Observatory Database, under-5 mortality in Timor-Leste in 2008 was 93/1,000, while in Singapore it was 3/1,000, Australia 5, Malaysia 6, Brunei 7, Thailand 14 and Fiji 18. The Philippines and Indonesia were higher, but less than half of Timor-Leste's rate.

¹³ According to UNPOL statistics provided by UNMIT. Some deaths originally reported as suspicious were later determined to be accidents or suicides.

Donor transparency and accountability should be a priority action for FSP 9. Although Government has increased transparency and timeliness of financial information, few development partners have. The Transparency Portal opens a window on expenditures by state organs which will be widened to include procurement and revenues. It should be further expanded to include aid budgets and expenditures (including comprehensive and timely information from donors), project-level expenditures by Government and development partners, project implementation milestones, and loan receipts and payments.

Paragraph 70 discusses “**low budget execution capacity**” in some ministries, citing an unfortunate indicator which has become widespread. We should evaluate performance by whether the intended service was provided, not just how much money has been spent. It is easy to achieve 100% budget execution with corruption or waste, but nobody benefits.

Statebuilding is not the only objective.

Although this is Fragile States Principle #3, the second FSP (“Do no harm”) should ensure (para 15) that donors do not decrease people’s quality of life or increase violations of their rights, either today or tomorrow, even if a state does so. Policies that squander non-renewable resources or permanently damage environment or climate, violating future generations’ rights, also do harm. Increasing the divide between a small affluent elite and impoverished masses, or the state’s reliance on force (i.e. repression) are also harms to be avoided.

Paras 28-30 discuss donor roles in supporting Government efforts to deliver services. But if the Government fails to prioritize essential sectors such as health, education¹⁴ and food production for local consumption, donors (perhaps in cooperation with local NGOs, community groups or the private sector) should try to fill the gaps, rather than exacerbating the consequence of state weaknesses. A Priority Action for FSP 7 should be to ensure that donors help cover what falls between the cracks of the Strategic Development Plan. Similar concerns apply to local and international NGOs (para 81-82), which should maintain their **non**-governmental identities even if they become more dependent on government funding and direction. Local NGOs and other civil society organizations can provide grassroots, popular legitimacy and continuity between administrations and projects where other institutions fall short.

An educated public is necessary for development.

Para 22 talks about short-term measures to improve public servants’ capacity, but little attention is given to education for the broader population, which receives only 6% of the 2011 budget. A disproportionate amount of Timor-Leste’s education expenditure goes to a few hundred overseas scholarships (primarily for public servants), which are allocated twice as much money as the National University, responsible for educating many thousands. Although the Human Capital Development Fund (para 34) is less than 2% of the state budget, it is four times larger than the state will spend on UNTL this year.¹⁵ If today’s students don’t receive solid primary and secondary education, will donors in 2030 pay for consultants to provide remedial “capacity-building” after Timor-Leste has depleted its oil reserves?

Para 63 identifies tertiary education as a “longer-term” solution to unemployment when it is actually medium-term, while primary and secondary education (whose inadequacy should be mentioned in this paragraph) would have longer-term returns. Donors should not follow recent, ill-advised trends by the WB, MDG and UNDP to use years of schooling as an indicator of education, but should focus on quality – are the children learning? Box 5 discusses the need for refurbishing schools, but little attention is given to teachers, books, curricula or standards. Although the language controversy has complicated education, a decade of focused effort could have made Portuguese work. It appears

¹⁴ See note 7 above and the discussion it relates to.

¹⁵ All data in this paragraph are calculated from Timor-Leste’s General State Budget for 2011.

that some policy-makers believe that a small educated elite is all Timor-Leste will need; donors should use pressure and resources ensure quality basic education for more students.

Avert potentially harmful interventions by thinking “outside the box.”

Employing the deeper thinking suggested in para 20, we suggest additional items for the list in para 23 where donor activities could cause harm:

- Increasing class divisions, including between a rich urban elite and alienated urban poor
- Squandering nonrenewable resource wealth without building a sustainable non-oil economy
- Focusing exclusively on short-term projects, incurring an “opportunity cost” when essential actions are not taken to underpin longer-term, sustainable development.

Prioritize prevention with analysis that gives earlier warning.

As discussed in paras 41-42, political actors are still developing strategies for this new, evolving state. The most fundamental fact is that our current economy depends entirely on selling off nonrenewable petroleum wealth from oil and gas fields that will be exhausted by 2023 (or 25 years later if Sunrise is developed).¹⁶ The country’s total petroleum revenues are barely enough to raise the population above the poverty line.¹⁷ When today’s babies are in secondary school, they will cease. Yet very little attention is given to developing other sectors of the economy, which should be discussed in Box 1 and para 5. The following discussion, about thinking further ahead, would also improve adherence to FSP 9 and FSP 10.

Table 6 is nearsighted, “early warnings” that fail to anticipate disasters beyond a two-year horizon. Without long-term investments in education, preventive health care, sustainable agricultural productivity, reduced dependency on imports and equitable distribution of wealth, social injustice and disintegration are almost inevitable (as one can see in resource-export-dependent states as diverse as Nigeria, PNG, Libya and Iraq), and will get much worse when the oil runs out. This could also be discussed in the third paragraph of Box 3, and in paras 101-102.

The short-term perspective is exacerbated by the “project” orientation of many international agencies and donors. Building a state, developing a non-oil economy, and educating a child are not projects that can be completed in a year and concluded with an evaluation of indicators and outcomes, followed by a new project in another area. (see also paras 90-91). You can’t solve malnutrition with a cup of Frutamin, or overcome cancer with a Handiplast (Band-Aid). Long-term planning should be one of the Priority Actions for FSP 5.

Similarly, early warning efforts to predict and prevent future conflict (para 48-49) should address the social and personal causes of violence, as well as the symptoms. Dialogue between leaders and donors (para 50) will not reduce alienation and social jealousy (class conflict) within the population. This should be a Priority Action for FSP 4. The distribution of cash grants to disaffected groups (para 91) has given rise a tradition of wheel-squeaking: others (petitioners, evictees, victims, youth gangs, veterans) have learned that threatening to disrupt business as usual can win a piece of state funds.

Inflation (line 2 in table 6), is part of endemic “Dutch Disease” discussed above. Line three of the table downplays the increasing intra-urban divide between rich and poor (this is more fundamental than martial arts groups [line 6, para 59, para 100], although they are a symptom) which is likely to cause insecurity in the future. As the rapidly increasing population¹⁸ reaches the age of employment or gang membership, the danger increases. A common misguided response – viewing young men as

¹⁶ See notes 4, 8 and 10 above.

¹⁷ See note 4 and related text, as well as La’o Hamutuk’s paper referenced in note 1.

¹⁸ Although age statistics from the 2010 census have not yet been published, the 2009-2010 Demography and Health Survey shows that there are more than twice as many people aged 0-9 as 20-29.

a problem to be sent away kept busy, rather than as resources which can help develop this country – does not serve the nation or its people well.

The sixth line in the table, on youth unemployment, is also shortsighted. As youth mature and have families, they will need permanent jobs. 15,000 people enter the work force every year, far more than the UN will lay off. In 2023, after Bayu-Undan is dry, 34,000 Timorese will reach working age. Similarly, exaggerated claims of job creation in paras 105-106 (Cash for Work provides \$350 total remuneration per “job” according to para 105) fall far short of meeting the need.

The fourth line of Table 6 should be about “impunity” not “immunity,” and follows the perilous precedent of avoiding accountability for the perpetrators of crimes against humanity against Timor-Leste during the Indonesian occupation. In addition to encouraging lawlessness (especially by people in positions of power), it encourages vigilante justice when victims see the formal justice system as compromised or ineffective.

Timor-Leste is already impacted by climate change which will get worse in the future, largely because large industrial nations refused to listen to “early warnings” from climate scientists. If unpredictable weather, sub-normal dry seasons, and torrential rains continue to get worse, it will be harder to maintain infrastructure or agricultural productivity. This should be included in early warning planning, and donors should give attention to prevention as well as adaptation by reducing their own greenhouse gas emissions. It is an essential component of the fragility of many underdeveloped tropical countries, although the solutions are found – according to the principle of climate justice – in the countries from which many development partners come. In addition to aid for adaptation and mitigation, development partner countries should reduce their own emissions of greenhouse gases, making small changes in their lifestyles of their own citizens to prevent large disruptions in fragile states like Timor-Leste.

Investors take more than they give.

Para 60 cites “growth in domestic, private and foreign investment” as key to longer-term stability. As discussed above, young people – educated, motivated and encouraged to help build the nation – are Timor-Leste’s greatest resource, and we are luckier than most because we have oil wealth to invest in their futures. Unlike foreign investors who hope to take profits out of the country, donor and Government investment in Timor-Leste’s people will maximize long-term benefits for all, improving employment, local production, economic stability, poverty levels, and the ability to survive without oil revenues. The objective should not be macroeconomic GDP growth, but improving people’s lives.

Sustainable, equitable processes are essential.

One effective way to avoid discrimination (FSP #6) and pockets of exclusion (FSP #10) is to conduct activities that benefit broad segments of the population. Paragraph 65 lists a variety of programs to address non-discrimination, to which we suggest adding support for sustainable agriculture, value-added processing, food sovereignty, decentralized renewable energy production, small-scale local manufacturing and other businesses which produce items for local use. Para 94 discusses the need to move away from public spending “for stability and growth,” and we would encourage “prosperity” (or human rights and quality of life) rather than “growth” which is often not equally shared. Paragraph 94 could include developing a vision of the constituents of Timor-Leste’s future economy – going beyond macroeconomic statistics to consider how people will live and what they will produce.

In the same vein, paragraph 95 relates Government respondents complaining that donors don’t give attention to maintenance. Government also should address this, as demonstrated by frequent failures in electricity, flooding and road conditions. Perhaps donors and Government together can figure out how to keep infrastructure working. For example, annual road maintenance contracts encourage companies to make long-lasting repairs, while payment for each job (regardless of quality of work) rewards work that needs frequent re-repairing.

Procurement is not rocket science, although it is skyrocketing.

Para 71, Box 3 and footnote 17 discuss frustrations with procurement, as if there was something mysterious about them. The Government often creates new tender mechanisms, rather than fixing defective ones, and it's not surprising if donors can't keep up. However, the limitations have been obvious in the results of tenders including the national electricity project, *Pakote Referendum*, the Hera port and the recently-revised EOI for a Procurement Firm for the Infrastructure Fund. In Timor-Leste, procurement processes appear to have two conflicting goals -- achieving contract results and distributing money to friends, constituencies or local businesses.

However, the solutions are not obscure. When suppliers are fairly selected and compelled to deliver quality work, expectations and results will no longer spiral downward in a vicious cycle. This could be discussed in paras 103-104, and we hope that the soon-to-be-implemented procurement component of the Transparency Portal will help.

If donors can help Timor-Leste move away from the accusative-defensive tone that overwhelms almost every discussion of procurement, they will reduce the fragility of Timor-Leste and make it easier to use this "country system." The first paragraph of Box 3 appears to use 2010 figures -- it should be updated or "currently" should be deleted.¹⁹ This Box could explain that the great majority of procurement dollars goes to international suppliers, and its third paragraph should mention petroleum-export-dependency as a major contributor to these problems.

Thank you for your consideration of our comments, and we look forward to continuing discussions and improvements regarding these issues, which are vital to the lives of people in Timor-Leste and other fragile states.

¹⁹ Everything in the state budget except salaries and transfers to individuals requires procurement. In the 2011 State Budget, this is \$1,022 million, far more than the \$550 million mentioned Box 3 in the draft paper, which appears to reflect 2010 budget execution.