The Current Situation in Timor-Leste

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La’o Hamutuk

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Topics

- La’o Hamutuk
- Timor-Leste in historical context
- Justice and reconciliation
- Petroleum dependency and “resource curse”
- Food sovereignty
La’o Hamutuk

- LH started in 2000
- Initiative of civil society and international solidarity movement to improve communication with and information about international institutions here
- Main research and advocacy topics:
  - Non-renewable resources/oil dependency
  - Agriculture/food sovereignty/land rights
  - Democracy/governance/justice
People have lived here for perhaps 5,000 years.

Portuguese came nearly 500 years ago.
- With religion but very little development or education

Australia, then Japan, invaded in 1941-45
- 40,000-60,000 Timorese killed

Portugal began decolonization in 1974
- After Carnation Revolution ended dictatorship
- TL declared independence 28 November 1975

Indonesia invaded 7 December 1975
- 100,000-200,000 killed in 24 years of occupation

Referendum in 1999, then 2-1/2 years of UN rule

Independent since May 2002

2006 “crisis” led UN and ISF to re-engage
Challenges from the past (1)

- Post-colonial
  - Language controversy
  - Land ownership in chaos
  - Illiteracy
  - Underdevelopment
  - People never lived under rule of law
    - Never had power to make decisions for themselves
    - “To Resist is to Win” – lobbying and persuasion alien
  - Internalized Portuguese and Indonesian mindsets
    - Bureaucracy, corruption, “entitlement,” *dwì fungsi*
  - Incorporating returned exiles, collaborators
  - Public officials all just learning their jobs
    - Skilled people gone: education, health, governance
  - Getting neighboring countries to respect sovereignty
Challenges from the past (2)

- Post-conflict
  - Pandemic Post-Traumatic Stress Disorder
  - Infrastructure and property destroyed
  - 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.
  - Leading in peacetime requires a different skill set.
  - Differences of opinion are personalized. Loyalty and betrayal paramount; long memories
Justice and reconciliation

- Many mechanisms, little success.
- ¾ of those indicted by SCU safe in Indonesia
- 99% of crimes before 1999 never investigated
- Gap between leaders and population
- “Transitional justice” doesn’t touch perpetrators
- Continuing impunity has lasting consequences
- Long work to achieve an international tribunal
Santa Cruz Cemetery, September 13, 2001

This cross at the site of the 12 November 1991 massacre recalls victims of the occupation whose bodies were never found. IN 2001, hundreds of Timorese people brought flowers there to respect those killed in the World Trade Center.
People protested on the 10th anniversary of the Suai Church massacre because alleged perpetrator Maternus Bere was being sheltered inside.
Most people live in rural areas by subsistence agriculture.
50% of the people live below the World Bank poverty line of 88c/person/day, and that number is increasing.

80% of the people live in rural areas, largely by subsistence farming.

More children die of diarrhea than malaria.

In 2009, TL exported $8.6 million (coffee).

In 2009, TL imported $283 million (everything).

Extracting oil supplies 98% of state revenues, more than 80% of GNI. They will stop in 2023.
50% of the people live below the World Bank poverty line of 88c/person/day, and that number is increasing.

80% of the people live in rural areas, largely by subsistence farming.

More children die of diarrhea than malaria.

In 2009, TL exported $8.6 million (coffee).

In 2009, TL imported $283 million (everything).

Extracting oil supplies 98% of state revenues, more than 80% of GNI. They will stop in 2023.

By 2024, 400,000 babies will have been born, and the only producing oil and gas field will be used up.

How will they survive?
Timor-Leste is the world’s second newest country and the poorest country in Asia.

Since 1999, it has been allocated USD $5.4 billion in “aid”, ten times its Gross Domestic Product. About 10% of this was put into the local economy.

<table>
<thead>
<tr>
<th>Country</th>
<th>Conflict Ended</th>
<th>50</th>
<th>100</th>
<th>150</th>
<th>200</th>
<th>250</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timor-Leste</td>
<td>1999</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>1995</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>2000</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Rwanda</td>
<td>1994</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>2002</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Congo, Dem. Rep.</td>
<td>2002</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>2001</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Côte d’Ivoire</td>
<td>2002</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Liberia</td>
<td>2003</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Cambodia</td>
<td>1991</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Burundi</td>
<td>1996</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

*Note: Data refer to three-year averages beginning the year conflict ended, except for Democratic Republic of the Congo, Côte d’Ivoire and Sierra Leone, for which data refer to two-year averages, and Liberia, for which data refer to a single year.*
Table 1. Assistance allocated to Timor-Leste, July 1999 – June 2009

In most cases, the amount spent or received is listed, rather than what was promised or budgeted. All dollar amounts in millions of U.S. dollars-of-the-day, without adjusting for inflation.

<table>
<thead>
<tr>
<th>Form of assistance</th>
<th>Year</th>
<th>Amount</th>
<th>Entered TL economy</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Nations Missions (mostly for PKF soldiers, international staff, logistics, etc.)</td>
<td>1999-2009</td>
<td>$2,353</td>
<td>6.4%</td>
</tr>
<tr>
<td>UNAMET</td>
<td>1999</td>
<td>$92</td>
<td>5.0%</td>
</tr>
<tr>
<td>UNTAET</td>
<td>1999-2002</td>
<td>$1,430</td>
<td>5.4%</td>
</tr>
<tr>
<td>UNMISET</td>
<td>2002-2005</td>
<td>$302</td>
<td>5.4%</td>
</tr>
<tr>
<td>UNOTIL</td>
<td>2005-2006</td>
<td>$22</td>
<td>10.0%</td>
</tr>
<tr>
<td>UNMIT</td>
<td>2006-2009</td>
<td>$507</td>
<td>10.0%</td>
</tr>
<tr>
<td><strong>International military forces</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Not including UN PKF, which is listed above)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interfet (paid by contributing countries and Japan)</td>
<td>1999-2000</td>
<td>$250</td>
<td>0.7%</td>
</tr>
<tr>
<td>International Stabilisation Force (ISF, mostly paid by Australia)*</td>
<td>2006-2009</td>
<td>$500</td>
<td>0.7%</td>
</tr>
<tr>
<td><strong>TFET (Trust Fund for East Timor)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Donor money managed by World Bank and ADB)</td>
<td>2000-2005</td>
<td>$170</td>
<td>20%</td>
</tr>
<tr>
<td><strong>Donor budgetary support</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Donor direct grants to TL government budget)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>See Table 2</td>
<td>$204</td>
<td>50%</td>
</tr>
<tr>
<td><strong>Bilateral and multilateral donor projects</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>See Table 2</td>
<td>$1,730</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Grand total</strong></td>
<td></td>
<td>$5,207</td>
<td>10.6%</td>
</tr>
</tbody>
</table>

* Australia values its ISF costs higher. We have tried to estimate the additional cost of deploying these soldiers to Timor-Leste rather than keeping them in Australia and New Zealand.
People don't want to depend on foreigners
Signs of the “resource curse”

- Spending without thinking
- Lack of long-term planning
- Import dependency leading to inflation
- Borrowing, to repay later
- Neglecting non-oil economic development
- Belittling other revenue sources
- Ignoring that oil will run out
- Wealth goes to urban power elite
- “Povo” doesn’t benefit now, suffers later.
The maritime boundary debate has been difficult and publicized. By negotiating from 2002-2006, TL has increased its share of revenue from its oilfields – and increased its petroleum dependency.
Government spending increases, economy doesn’t

State Expenditures over time (including autonomous agencies)

Between 2007 and 2008, State expenditures increased by more than $300 million, but non-oil GDP went up only $101m.

Figures from 2009 on are projections or dreams.

Graph by La’o Hamutuk based on IMF and RDTL Ministry of Finance data and projections.
### Table 2. Annual assistance, state budget and economy overview
**July 1999 – June 2009**

<table>
<thead>
<tr>
<th>Year</th>
<th>Donor projects</th>
<th>Budget support</th>
<th>State expenditures</th>
<th>Non-oil domestic revenue*</th>
<th>Oil revenue spent</th>
<th>Oil revenue saved</th>
<th>Non-oil GDP+</th>
<th>Imports</th>
<th>Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>82</td>
<td>26</td>
<td>n.a.</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>126+</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>2000</td>
<td>152</td>
<td>32</td>
<td>n.a.</td>
<td>14</td>
<td>14</td>
<td>0</td>
<td>288</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>2001</td>
<td>197</td>
<td>23</td>
<td>n.a.</td>
<td>20</td>
<td>11</td>
<td>0</td>
<td>335</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>2002</td>
<td>202</td>
<td>33</td>
<td>69</td>
<td>19</td>
<td>29</td>
<td>0</td>
<td>313</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>2003</td>
<td>199</td>
<td>35</td>
<td>67</td>
<td>29</td>
<td>41</td>
<td>0</td>
<td>306</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>2004</td>
<td>189</td>
<td>34</td>
<td>71</td>
<td>34</td>
<td>64</td>
<td>205</td>
<td>309</td>
<td>114</td>
<td>7</td>
</tr>
<tr>
<td>2005</td>
<td>105</td>
<td>10</td>
<td>93</td>
<td>37</td>
<td>85</td>
<td>366</td>
<td>332</td>
<td>102</td>
<td>8</td>
</tr>
<tr>
<td>2006</td>
<td>150 (est.)</td>
<td>11</td>
<td>137</td>
<td>41</td>
<td>260</td>
<td>733</td>
<td>321</td>
<td>88</td>
<td>9</td>
</tr>
<tr>
<td>2007 (6 mo)*</td>
<td>99</td>
<td>0</td>
<td>56</td>
<td>20</td>
<td>40</td>
<td>633</td>
<td>398</td>
<td>199</td>
<td>8</td>
</tr>
<tr>
<td>2008</td>
<td>223</td>
<td>0</td>
<td>480</td>
<td>45</td>
<td>396</td>
<td>2004</td>
<td>499</td>
<td>258</td>
<td>13</td>
</tr>
<tr>
<td>2009 (6 mo)‡</td>
<td>132 (proj.)</td>
<td>0</td>
<td>181</td>
<td>43</td>
<td>200</td>
<td>817</td>
<td>295+</td>
<td>164</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,730</strong></td>
<td><strong>204</strong></td>
<td><strong>1,154</strong></td>
<td><strong>304</strong></td>
<td><strong>1,140</strong></td>
<td><strong>4,758</strong></td>
<td><strong>3,523</strong></td>
<td><strong>925</strong></td>
<td><strong>46</strong></td>
</tr>
</tbody>
</table>


‡ This table covers the ten years from July 1999 through June 2009. Petroleum revenue, state expenditures and trade data for 2009 is actual for the first half of the year; other 2009 figures are estimates for that period. Data compiled by La’o Hamutuk from many sources, including UN General Assembly reports; OECD online database; RDTL budgets, execution reports, and papers for Development Partners’ Conferences (RDTL Ministry of Finance); Petroleum Fund Quarterly Reports (BPA), *Review of Development Cooperation in Timor Leste* (NORAD, 2007), *Economic Impact of Peacekeeping* (Carnahan et al., Peace Dividend Trust, 2008), Independent Analysis of UN Contributions to Timor Leste, Economic (Peace Dividend Trust, 2007).
Spending 2007-2010

Appropriations by state function, over the past four budgets

Hollow = capital
Solid = recurrent

Million US Dollars/year

Budget year

2008 2009 2010 2011

Auton. Agencies
Agriculture
Economy
Infrastructure
Whole of Govt.
Finance
Governance
Justice
Police
Defense
Education
Health
Welfare
Social
Is the “sustainable income” really sustainable?

La'o Hamutuk ESI model

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>Value</th>
<th>Unit</th>
<th>Base case</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>3.0%</td>
<td>above inflation</td>
<td>3.0%</td>
</tr>
<tr>
<td>Oil Price</td>
<td>$60</td>
<td>dollar/barrel</td>
<td>$60</td>
</tr>
<tr>
<td>Discount rate</td>
<td>2.6%</td>
<td></td>
<td>2.6%</td>
</tr>
<tr>
<td>ESI</td>
<td>3.0%</td>
<td></td>
<td>3.0%</td>
</tr>
<tr>
<td>Spend beyond ESI</td>
<td>$-</td>
<td>MMS/yr tot. withdl</td>
<td>$-</td>
</tr>
<tr>
<td>Years over ESI</td>
<td>0 yrs excess withdl</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Includes Kitan?</td>
<td>0 1=yes, 0=no</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Borrowed</td>
<td>$-</td>
<td>tokion</td>
<td>0</td>
</tr>
<tr>
<td>Dent interest</td>
<td>0.0%</td>
<td>pct/year</td>
<td>0</td>
</tr>
<tr>
<td>Years to repay</td>
<td>30 years</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>Repayment from ESI?</td>
<td>0 1=yes, 0=no</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

Results:

| Petroleum wealth     | $16,719 billion (calc. 1/10) | $16,718 |
| ESI in 2009          | $502 million USD / year       | $502    |
| ESI in 2105          | $494 million USD / year       | $494    |
| Total withdrawal     | $47,833 million USD           | $47,833 |
| Total disc. withdrawal | $18,743 million USD       | $18,743 |
| Total debt repayment | $-     | million USD   | $-        |
If TL borrows $3 billion...
Food security and sovereignty

- 80% live by subsistence agriculture
- Poor infrastructure, transport, irrigation
- Little value-added processing
- Produce is largely organic, seasonal, eaten locally
- Gov’t imports and subsidizes rice
- Internalized colonial attitudes
  + Frozen Brazilian chickens, white Vietnamese rice
- IFIs and donors push export products, “free” trade
- Agrofuels exports take up arable land
Imports rose in 3Q08 - 2Q09 when the gov't imported and subsidized rice.
Exports are 98% coffee, which is seasonal and dropped in 2009.
Ships bringing thousands of tons of imported rice wait to unload at Dili Port, November 2008.
Timorese agriculture products
Most people live by subsistence agriculture.
Rice growing in Viqueque.
Obrigado barak.

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http://www.laohamutuk.org

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