

# THE PARADOX OF AID IN TIMOR–LESTE

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## Introduction

It's an honor for our organization, La'ó Hamutuk, and for me to be here to share our experiences and observations about the negative and positive impacts of international assistance on Timor-Leste. Ever since our vote for independence in 1999 and the violence which followed it, international assistance has played important roles in our nation-building process.

As you know, the Timorese people and the international community have seen renewed violence in Dili, the capital of our country, over the past three months. These are the worst incidents since Timor-Leste restored its independence in 2002.

The problems began in the military barracks and spread to the public, with demonstrations, violent acts such as burning peoples' houses, killing people, street fighting, stealing, etc. Because of these incidents, a lot of innocent people lost their lives or their homes, others were injured; many young people cannot go to school, and economic activity has collapsed<sup>2</sup>. The problems also led to the dismissal of the constitutional government led by Mari Alkatiri.

The incidents have been described in some international media, and the international community has paid some attention; we have received support from friends in the solidarity movement. Our government requested troops and police from Australia, New Zealand, Malaysia and Portugal, who have arrived to help with security.

In the future, the current crisis will create further problems. Timor-Leste's people will become poorer, many of the population have lost their homes, many people have lost their jobs

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<sup>1</sup> La'ó Hamutuk is a local NGO based in Dili, founded 20 May 2000, whose main activities are to monitor, analyze and report about the International Institutions involved in reconstruction and development of Timor-Leste. La'ó Hamutuk has published many reports which can be accessed thorough our website at [www.laohamutuk.org](http://www.laohamutuk.org).

<sup>2</sup> The problems started when Brigadier General Taur Matan Ruak dismissed 596 F-FDTL members after those members went on strike after complaining about ethnic based discrimination within the institution. Then the problem escalated to violence between youth gangs. Some international media have reported it as an ethnic conflict, but it is more complex. It has deeper causes such as unemployment, social inequality and social jealousy, poor nation-building, deficiencies in UN capacity building and misguided UN decisions.

and unemployment will increase. Foreign tourists and investors will think twice before coming to our country.

People from different perspectives have a variety of opinions and analysis. Some call Timor-Leste a “failed state,” reflecting the lack the capacity of our leaders and the fragility of our democracy. By considering different opinions and ideas, we can form our own perspectives. Taken together, these problems reflect the poorly-implemented nation-building process, including lack of coordination, weakness of state institutions, failure to prepare Timorese for Self-Governance, and the fragility of Democracy. From the military barracks to the national police, they demonstrate how weak our institutions are.

Strengthening state institutions is part of nation-building, and we should remember that the international community has been involved in nation-building in Timor-Leste since 1999. UNTAET, the UN transitional government that had administrative authority from 1999 to 2002, played a big role in defining our state institutions. From 2002 to 2004 UNMISSET supported state institution-building by placing many advisors in Timor-Leste’s state institutions. In addition to these two UN Missions, , many multilateral and bilateral donor institutions played their role by placing advisors through bilateral projects, as well as carrying out their own projects.

Historically, the problems result from our long domination by Portuguese colonialism and Indonesian military occupation. Our independence came after a 24-year struggle, and many people lost their lives to achieve our dream. More than 100,000 people were killed during 24 years of occupation and resistance. In 1999, in front of the eyes of the international community, pro-Indonesia militia conducted a terror campaign, killing more than a thousand people, displacing three-fourths of our population, and destroying 75% of the buildings and virtually all the infrastructure in the country.

In response to this, the United Nations formed the United Nations Transitional Administration in East Timor (UNTAET) through Security Council Resolution 1272 in October 1999, which started its activities the following month. UNTAET combined peacekeeping operations and an administrative mission. Based on its transitional nature, UNTAET coordinated two elections, facilitated writing the Constitution, and prepared Timor-Leste for self-governance.

During UNTAET’s administration, international assistance began to flow to Timor-Leste. First came emergency and humanitarian assistance, then reconstruction and development assistance, and finally long term assistance. As in other third world countries receiving assistance, the money was accompanied by multilateral institutions, International Financial

Institutions, United Nations agencies, Western NGOs, International Development Agencies (USAID, AusAID, JICA, etc), international staff and consultants, foreign businessmen, and equipment imported from overseas. They even brought in foreign floating hotel ships to house the foreign workers.

Since 1999, two billion U.S. dollars has been allocated to Timor-Leste as aid. The five biggest donors are Portugal, Australia, the United States of America (USA), Japan and the European Commission<sup>3</sup>. In addition, UNTAET and UNMISSET have their own budget, totaling US\$1.7 billion, from assessed and voluntary contributions from UN Member states. In total, it's more than three billion US dollars. None of this money was loans which have to be repaid; it's all grants, projects, or operations of foreign institutions.

Some questions arise: what are the implications of the assistance for the nation-building process? Everyone has their own point of view to respond these questions. But viewing today's reality, Timor-Leste is one of the most petroleum-dependent countries in the world, with 89% of our GDP and 94% of government revenues from Petroleum extraction in a few years.<sup>4</sup> Although our revenues from petroleum increase each month at least as long as oil prices stay high, they don't impact much on people's lives, as the money is not being spent or providing jobs.. Non-petroleum development remains low, growing only 0.4% in 2004 and 1.8% in 2005, and non-oil exports are only about \$7 million/year, about 2% of total GDP (which is itself about one dollar/person/day). Unemployment increases every year, and is currently 23% in urban areas, 44% among Dili youth.<sup>5</sup> Because of the latest incidents , it is likely to get even worse.

Although most of the state institutions defined in the Timor-Leste Constitution have been established, some of them are still pending, and in many, high-quality human resources and legal frameworks are not yet in place. We face challenges in dealing with checks and balances within the government, underlined by our constitution<sup>6</sup>. The latest incidents reflect the weakness of our institutions, especially the military and police. These incidents also raise questions about the military training done by the USA, Australia, South Korea, Portugal, Malaysia and other countries, as well as the international advisers in every state institution, including in the military (F-FDTL) and police.

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<sup>3</sup> External Assistance Registry, Timor-Leste's MoPF. April, 2006.

<sup>4</sup> La'o Hamutuk Bulletin, Focus on Petroleum Dependency and Petroleum Regime, Vol. 6, No.4, [www.laohamutuk.org/Bulletin/2005/Nov/bulletinv6n4.html](http://www.laohamutuk.org/Bulletin/2005/Nov/bulletinv6n4.html)

<sup>5</sup> Background Paper for the Timor-Leste Development Partner Meeting, World Bank Documents, April 2006, p.5.

<sup>6</sup> "Strengthening the Institutions of Governance in Timor-Leste," Document of the World Bank, April 2006, p. 4.

Human Rights Watch reported last April that the record of our national police on human rights is problematic, that they continue to use force in arresting suspects, and commit abuse and ill-treatment of detainees in police detention. Internal police disciplinary mechanisms remain weak at addressing such issues.. The HRW report reflects the lack of priority given to human rights during education and training in the police academy. The timeframe for this training is very short and many countries are involved, each with its own systems and methods. The training fails to consider the actual conditions in Timor-Leste<sup>7</sup>.

The above demonstrates that Timor-Leste is still facing a lot of problems. So, the questions is: What happened to the billions of dollars that have been flowing to Timor-Leste? What did the hundreds of advisors in state institutions do? This paper tries to give another perspective about Timor-Leste's experience with international assistance from 1999 until today.

### **The Complexity of Managing Aid**

International Assistance to the Timor-Leste is a complex problem, difficult to understand, because of the involvement of many actors and donors. Each donor and actor has its own fiscal system, political interests, ideology and program. International Assistance also comes not only as cash, but also as foreign experts, imported equipment, etc. International Assistance in Timor-Leste can be classified into seven categories;

**The Consolidated Fund for East Timor (CFET)** is the central account of government, structured to reflect revenue, operating and capital income budget. Revenues are derived from government taxes, Timor Sea revenues and direct budget support from donor countries. Direct budget support is provided through a financing mechanism called the Transition Support Program (TSP) and then CSP, coordinated by the World Bank. CFET was created during the transition phase to finance the embryonic national government (ETTA). which was created within UNTAET. The CFET paid for the emerging national government's operational costs, including the building of basic institutions, the provision of public services, the repair of government buildings, and civil servants' salaries.

The CFET has two parts. The first part is made up of voluntary contributions from foreign governments in the form of the UNTAET Trust Fund (UNTF), set up by the United

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<sup>7</sup> Human Right Watch report 2005 "Human Right Watch World Report, 2006, the Events of 2005, p. 259; also La'o Hamutuk Bulletin, Vol. 4 No.2, focus on the UN Mission and Security, [www.laohamutuk.org/Bulletin/2003/May/bulletinv4n2.html](http://www.laohamutuk.org/Bulletin/2003/May/bulletinv4n2.html)

Nations in October 1999 to help finance an East Timorese governing body. The second part of the CFET comes from East Timor's domestic revenues. These include taxes and import duties, as well as revenues from the initial exploitation of oil reserves in the Timor Sea. Since 2002, CFET has been integrated with the annual budget of the government; as oil revenues increase, the portion of the budget from international assistance is scaled down every year.

**The Trust Fund for East Timor (TFET)** provides grants for economic reconstruction and development activities in Timor-Leste that are prepared and supervised by the World Bank and the Asian Development Bank (ADB). The World Bank is the trustee. The ADB administers TFET projects in the sectors of roads, ports, water utilities, telecommunications, power and microfinance, with the World Bank responsible for TFET projects in the sectors of health, education, agriculture, private sector development and economic capacity building. Since 2004, TFET projects are implemented by government departments. TFET is scheduled to finish in 2006-07. Until April 2005, TFET has spent US\$177.89 million<sup>8</sup>.

In late 1999, representatives from the World Bank, the International Monetary Fund, and several national governments visited East Timor to assess its needs and circumstances. These Assessment Missions helped inform policy recommendations and assistance requests. Soon thereafter—in December 1999—the first international donors conference for East Timor took place in Tokyo. The conference established the TFET to finance and oversee reconstruction and development projects. According to the donors, TFET has performed well, but the donors' view doesn't reflect the local people's view. Our view is that TFET has been used to give power to the World Bank and provided control by donors over Timor-Leste's government activities.

**UNTAET and UNMISSET Regular Fund** This was the largest budget, providing for the establishment and maintenance of both UN missions. Most of the funds for UN peacekeeping operations such as UNTAET and UNMISSET, as well as the regular budget of the United Nations The UN General Assembly approves each assessment, is based on the ability of a country to pay (taking into account principally the country's Gross National Product relative to all other countries' GNPs). Starting next year, the scale used for peacekeeping operations will be one that has 10 levels of assessments based on each country's per capita income. Until May 2005, UNTAET and UNMISSET had spent US\$1.732 billions on Timor-Leste. [that figure doesn't include other UN expenditures: UNAMET, UNOTIL, UNDP, other agencies, etc.]

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<sup>8</sup> Trust Fund for East Timor, Report of the Trustee, April 2005, p. 1.

**UN Assessed Fund.** United Nations Assessed Contributions are the cost of core UN personnel paid directly to work in Timor-Leste government operations. Initially, this came through the Consolidated Appeal Process. Many of these agencies still operate in Timor-Leste, although they now raise their funding through normal agency channels. Voluntary contributions from UN member states fund most UN agencies. Some of the administrative costs of some of the agencies are covered by the regular UN budget that is funded from assessed contributions. After the transition phase, UN agencies raise funding from donor countries for specific programs, such as state institution-building and capacity-building program implemented by UNDP, children's programs implemented by the UNICEF, some rural development programs implemented by UNDP through bilateral donors, etc.

**Bilateral and Multilateral Fund;** Bilateral and Multilateral funds are provided by donor governments or one of the International Financial Institutions (IFIs) or other multilateral agencies – EC, ICRC, IOM, etc. for specific projects defined by a grant agreement. The project and funding is managed by the relevant donor and the donors have more power to control the fund, and the government only has consultative power.

**Consolidated Inter-Agency Appeal (CAP),** The East Timor CAP operated from September 1999 until 2000 only, to coordinate the emergency humanitarian program of the international community in the territory. As in other places, the UN Office for Coordination of Humanitarian Affairs (OCHA) coordinated the international response to humanitarian emergencies. Ideally, the CAP is a process by which international actors involved in humanitarian relief (donors, United Nations agencies, and international non-governmental organizations) plan and prioritize the relief process. Secondly, the CAP acts as a mechanism to raise funds for UN agencies and, to a much lesser extent, INGOs.<sup>9</sup>

**Funding for INGOs and NGOs.** Many local and international non-government organizations are doing a wide range of work in Timor-Leste, especially in the areas of relief and development/reconstruction. Their funding sources are the most diverse. Some international non-government organizations (INGOs) have been in East Timor for many years, but the number of INGOs and NGOs increased radically when international assistance began flowing to Timor in 2000. With the reduction in assistance a few years later, the number of NGOs decreased again, because some INGOs left and some local NGOs had no funding.

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<sup>9</sup> RDTL's Combined Budget, also Funding East Timor's Reconstruction, La'o Hamutuk Bulletin, Vol. 2, No.1, 2001. [www.laohamutuk.org/Bulletin/2001/Apr/bulletinv2n1.html](http://www.laohamutuk.org/Bulletin/2001/Apr/bulletinv2n1.html)

Aid in Timor-Leste has involved a lot of actors such as World Bank, International Monetary Fund (IMF), Asian Development Bank (ADB), UN Agencies, International Development Agencies, international NGOs and local NGOs. Each actor has their programs, and each program has different funding sources. Many of the foreign actors have been criticized because of their lack of consultation with Timorese government and civil society, refusal to allow local people to participate, and having programs with no long-term analysis. The most active and powerful have been UNTAET, UNMISSET, World Bank, Asian Development Bank, UN Agencies and International Development Agencies.

### **Assessing UNTAET's Transitional Administration**

UNTAET came with a mandate from the UN Security Council, legalized by the Resolution 1272. Although UNTAET's responsibilities can be derived from the wording of Resolution 1272, a less legalistic interpretation gives the mission three principal tasks:

1. Protect East Timor's security and handle the humanitarian emergency resulting from the Indonesian occupation and the devastation of 1999,
2. Prepare East Timor for self-government after the transitional period ends and
3. Govern East Timor during the transitional period.

UNTAET was given the authority to make all decisions necessary for the success of its mission.<sup>10</sup>

UNTAET included a peacekeeping army, UN Police, international staff, UN "Volunteers" and Timorese staff. A few local people were hired by UNTAET, but they were for low-level, positions with no decision-making responsibility. UNTAET's mission combined peacekeeping and Administrative responsibilities, as has also been applied in Cambodia and Kosovo. But UNTAET was the first time in history the UN has had absolute sovereign responsibility, without a local government to cooperate with.

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<sup>10</sup> The United Nations Transitional Administration in East Timor (UNTAET) was formed by UN Security Council Resolution 1272, adopted on 25 October 1999. At its peak UNTAET consisted of 9,150 military personnel, 1,640 international civilian police, 737 international staff and 1,745 local staff.

UNTAET's mission faced several problems including security (the remnants of the armed pro-Indonesia militia, as well as the FALINTIL resistance guerilla army), the collapse of public administration (resulting from the 1999 violence and the departure of virtually all supervisory personnel to Indonesia), and limited human resources in the public services, the humanitarian crisis caused by the displacement of hundreds of thousands of people and the disruption of agriculture and commerce, the reconstruction Timor-Leste's infrastructure, and setting up conditions for sustainable development.<sup>11</sup> Considering that it was a transitional mission, its main priority should not have been to govern Timor-Leste for 30 months, but to prepare the Timorese for self-governance through capacity building and support for development of legal frameworks, governmental structures, and necessary infrastructure.

UNTAET international staff, on average, were paid 20-30 times more than their local staff, who received less than 1% of the total UNTAET budget. UNTAET operational funds also paid salaries and logistical support for the peacekeeping army, UN police, rehabilitating office buildings for UN use, and buying supplies and equipment. All of those were imported from overseas. Most of the UNTAET staff were internationals with little knowledge about Timor-Leste's social and economic conditions. Very few local people worked with UNTAET, resulting in UNTAET's lack of critical local knowledge, as well as frequent language problems.<sup>12</sup>

As part of the effort to prepare the Timorese people for self-governance, UNTAET launched a "Timorization" process in 2000, creating the East Timor Transitional Administration. ETTA<sup>13</sup> was considered the embryo for Timor-Leste's post-UNTAET government. ETTA consisted of seven ministers and all ministers were appointed by the Transitional Administrator (Special Representative of the UN Secretary General (SRSG) Sergio Vieira de Mello) and accountable to him.

During its two and a half years, UNTAET did several things including coordinating humanitarian assistance distribution, creating a legal framework and judicial system, supporting

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<sup>11</sup> Building Blocks for a Nations "The Common Country Assessment (CCA) for East Timor, prepared by the UN Country team, November 2000.

<sup>12</sup> A Closer look at the UNTAET's Budget, La'o Hamutuk Bulletin, vol. 2 No.1, April 2001.  
[www.laohamutuk.org/Bulletin/2001/Apr/bulletinv2n1.html](http://www.laohamutuk.org/Bulletin/2001/Apr/bulletinv2n1.html)

<sup>13</sup> East Timor Transitional Administrations (ETTA) was created in 19<sup>th</sup> of September 2001, through UNTAET's regulations, No. 2001/28.



the return of more than 200,000 displaced people to their homes, facilitating two general elections for the Constituent Assembly (Parliament) and President of the Republic, and supporting the Constituent Assembly to write the Constitution. UNTAET also founded the Defense Force and National Police and maintained internal and external security. In international circles, UNTAET has been celebrated as the most successful mission in UN history.<sup>14</sup>

In some cases we agree that UNTAET's mission succeeded, providing relatively stable external and internal security, delivering humanitarian assistance, laying the foundations of public administration, and putting in place the judicial system and legal framework. But in several areas, UNTAET was not successful and these remain problematic until today. Our observations are based not only on the result and outcomes from the mission, but also on the process.

The mission and process were designed by the UN in New York, far away from Timor-Leste. In designing the mission, Timorese people were not invited to participate very much, and the UN tended to assume Timor-Leste conditions were the same as other post conflict countries where the UN had been involved.<sup>15</sup>

Excluding Timorese participation from the design process had implications for the implementation of its missions, especially during the transition phase. The UN should have known that although public administration and infrastructure were destroyed, there were still some functioning local structures and experienced people. Had the UN reached out to the grassroots, they could have used the capacity of institutions like the Catholic church, CNRT (political network of the resistance, which had a strong nationwide structure), some clandestine organizations, and also the FALINTIL guerilla army. There were also Timorese individuals with experience and capacity, but UNTAET tended not to use them, partly because the UN didn't have a structure for hiring local people for professional positions in their own country.

Although the CNRT leaders looked for ways to be involved from the beginning of the UN Mission, SC Resolution 1272 did not incorporate their opinions. The mission was designed by the UN in the New York without giving consideration to Timorese voices. CNRT President

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<sup>14</sup> Report of the Secretary-General on the United Nations Transitional Administration in East Timor, 17 April 2002.

<sup>15</sup> King College Report "A Review of Peace Operations: A Case for Change", 2003.  
<http://ipi.sspp.kcl.ac.uk/rep006/s01.html>

Xanana Gusmão also looked for a way to be involved, to participate in consultative functions, together with CNRT.<sup>16</sup> UNTAET started its work, but its process was very centralized, with all power controlled by the SRSB.

Although UNTAET had executive power as a government, separate legislative power did not exist at that time. The SRSB had legislative, executive and judicial administrative power, and this centralization created dissatisfaction among Timorese leaders. In response, UNTAET founded the National Consultative Council (NCC) and later expanded it to the National Council (NC). But the NCC was only a consultative body without decision-making power, and it was chaired by the SRSB, while Xanana Gusmão acted as a vice President. The NCC included 15 Timorese members and three from UNTAET, all were appointed by the Transitional Administrator.<sup>17</sup>

UNTAET transformed the FALINTIL resistance army into the Timor-Leste Defense Force (F-FDTL) without any consultative process. The idea of the forming a defense force for Timor-Leste came from a study by King's College, London. King's College assessed the situation in Timor-Leste for two weeks and recommended three options for the defense force for Timor-Leste. The recommendations were followed up by UNTAET and the NC, which had little time to study them before creating F-FDTL<sup>18</sup>.

UNTAET ended its mission in 2002, leaving some unresolved problems. Although social services were better, economic development was still weak. The judicial system was also still fragile, as were other state institutions. Although UNTAET had major responsibility to provide justice for crimes committed by Indonesian forces during and before 1999, until now this has not been achieved, and higher-level perpetrators enjoy impunity in Indonesia.<sup>19</sup>

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<sup>16</sup> Ibid

<sup>17</sup> The NCC was formed in December 1999 through UNTAET's Regulation No.1999/2. Section 3 of the Regulation underlined that Council shall make policy recommendations on significant executive and legislative matters. The NC was formed through UNTAET's Regulation no.2000/24, 14 July, 2000. The NC replaced the NCC and had more power than the NCC. The NC acted as a legislature. Under section 2 of the regulation, the NC could initiate, modify and recommend draft regulations, amend regulations etc.

<sup>18</sup> Report of the King College Study *Independent Study On Security Force Options For East Timor*, The Center for Defence Study.

La'o Hamutuk view on the transformation process could be accessed through the "Transformation of the FALINTIL Into the F-FDTL," La'o Hamutuk Bulletin, Vol. 6. No. 1 & 2, April 2005. [www.laohamutuk.org/Bulletin/2005/Apr/bulletinv6n1.html](http://www.laohamutuk.org/Bulletin/2005/Apr/bulletinv6n1.html).

<sup>19</sup> La'o Hamutuk view on UNTAET's missions can be accessed through La'o Hamutuk Bulletin, Vol. 3 No. 4, May 2002, [www.laohamutuk.org/Bulletin/2002/May/bulletinv3n4.html](http://www.laohamutuk.org/Bulletin/2002/May/bulletinv3n4.html).

## **World Bank Roles on Reconstruction and Development**

The World Bank is more powerful than Timor-Leste, which is a small, new and poor country. The World Bank's presence in many countries has been criticized because of lack of transparency, environmental sensitivity and other problems. The World Bank also acts for powerful countries and market interests, rather than the interests of poor people. The World Bank also has a black record with the Timorese people. During Indonesia's 24-year occupation of Timor-Leste, the World Bank's relations with Soeharto were very close, providing Soeharto with loans.<sup>20</sup>

From 1999 until today, the World Bank plays an important role in overseeing the Trust Fund for East Timor (TFET). UNTAET gave little priority to economic development, allowing the World Bank to play its roles. As described by the King's College study, the World Bank has engaged with Timor-Leste since early 1999.<sup>21</sup>

After the mass violence in 1999, the World Bank and IMF visited Timor-Leste and conducted Joint Assessment Missions about Timor-Leste's situation and future development processes. These assessments were done with little consultation with or participation from the Timorese people. The report of the Joint Assessment Mission was brought to the donors' conference in Tokyo in December 1999, where the World Bank and ADB were entrusted to manage TFET. By the time it finished in 2006, TFET had channeled donations of US\$178.16 million, of which \$177.85 million has been allocated.<sup>22</sup>

During the transition phase, most funds for sectors like Health, Agriculture, Microfinance, and education were managed by the World Bank through TFET. The Asian Development Bank (ADB) was also involved, administering funds for the physical reconstruction and infrastructure. Most donors preferred to channel their assistance through TFET because it was easier for them to control how the money was used.<sup>23</sup> During the UNTAET period, there was no Timor-Leste government to give money to, but after May 2002 the donors could have funded Timor-Leste directly, and the TFET balance could have been transferred to the government.

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<sup>20</sup> "Democracy and the World Bank in East Timor," La'o Hamutuk Bulletin, Vol. 1, No. 4, January 2001. [www.laohamutuk.org/Bulletin/2000/Dec/bulletin04.html#Editorial](http://www.laohamutuk.org/Bulletin/2000/Dec/bulletin04.html#Editorial).

<sup>21</sup> College Report "A Review of Peace Operations: A Case for Change", 2003. <http://ipi.sspp.kcl.ac.uk/rep006/s01.html>

<sup>22</sup> Executive summary of TFET Report, March 2006.

<sup>23</sup> La'o Hamutuk's early analysis of the World Bank in East Timor can be accessed through La'o Hamutuk Bulletin, focus on "World Bank in East Timor, vol.1 No.4, December 2000, [www.laohamutuk.org/Bulletin/2000/Dec/bulletin04.html#The%20World%20Bank%20in%20East%20Timor](http://www.laohamutuk.org/Bulletin/2000/Dec/bulletin04.html#The%20World%20Bank%20in%20East%20Timor)

After 2002, another mechanism which gave power to the World Bank was the Transitional Support Program (TSP). TSP was created when Timor-Leste restored its independence. At that time, Timor-Leste's domestic and oil revenues were not enough to cover its budget, and TSP was set up as a financing mechanism for donors to assist Timor-Leste's government. The Donors created a working group consisting of the World Bank, IMF, ADB, Japan, Portugal, Australia and United Kingdom. The working group recommended to give the World Bank power to control and review government planning and expenditures. Before the government could receive donor money, the government had to submit their plans and timeframe to be approved by the World Bank. Through the TSP, the World Bank has more power to control government because government planning must be based on conditions set up by the World Bank.<sup>24</sup> The plans for each year had to follow the National Plan which was drawn up for Timor-Leste before independence in 2002, with heavy influence from WB and ADB advisors.

The Bank also had the power to control health funds provided by the European Commission (EC). In this case, the government was only empowered to implement, with decisions being made by the World Bank and EC. Agricultural development has been dominated by the World Bank since 1999. The Bank designed some agricultural programs, such as the Agricultural Rehabilitation Project, as part of TFET. As of now, the program is in its third phase, ARP III. In dealing with community development, the World Bank invented and managed the Community Empowerment Project (CEP) to create a local decision-making process for spending CEP funds for village-level projects.

Before 1999, the World Bank's presence in Timor was not known by the people. People didn't know what the World Bank is, or its background, history and interests. Its presence contradicted social conditions of Timor-Leste, because the lifestyle of the Timorese people is different from the Bank's doctrine. Our traditions in agriculture are to produce a little for family use, selling a small amount of surplus locally. But the World Bank came with the doctrine that people have to produce more for sale to domestic or international markets.

Although the World Bank actively advocates for transparency and democracy, its involvement in Timor-Leste doesn't implement these principles. The World Bank has no mechanism to make its fund management accountable for the public. The mechanism that in

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<sup>24</sup> Transitional Support Program (TSP) was created in Donor Conference, May 2002 to assist government budget deficit. For the first year, TSP was 30 US\$ 30 millions and World Bank acted as a trustee to facilitate the fund. La'o Hamutuk Bulletin, Vol. 4 No.2, May 2003, focus on UN Mission and Security, [www.laohamutuk.org/Bulletin/2003/May/bulletinv4n2b.html#review](http://www.laohamutuk.org/Bulletin/2003/May/bulletinv4n2b.html#review)

place is only accountable to the donors. Even though the Bank publishes reports, the reports only reflect the World Bank's vision and tell people about its projects. Beside that, the reports are not accessible to most people because of language problems and high-level terminology. Only people who live in Dili have access, and only a few of them.

The Bank's projects have also been criticized because they lack long term vision, looking only at the short term. That's why even though the Bank administered a lot of money in Timor-Leste, it did little to support long-term economic development and has been criticized because its programs create dependency.<sup>25</sup> The World Bank also advises our government to implement economic development based on market economy principles, and the Bank encourages private sector development, privatization, fee-for-service, and export-driven development in a cash economy. The Bank also placed some advisors in government institutions to advise the government on policy. Now that donor contributions are scaling down, Timor-Leste's government is considering rethinking the World Bank's role in Timor-Leste.

### **The Collapse of Public Administration**

Public Administration is a very complex problem from the transition phase until now. The problem is not only about how to create state institutions, but also about human resources, the legal framework for each institution, and human behavior. The complexity of the problems results from the legacy of centuries of colonization and decades of occupation, which has influenced our mentality and behavior. During the Indonesian occupation, many Timorese people were civil servants, but their positions were not decision-making because the centralization of power in Jakarta. During the occupation, it was considered patriotic to fail to do one's work, but to take Indonesia's money and use it to support the resistance. The Indonesia system was driven by corruption, and the Portuguese bureaucracy is world-famous for inefficiency. Hardly good models to learn from This worsened by the violence in 1999 when more than 75% of public infrastructure were destroyed and more than 7,000 civil servants fled to Indonesia.<sup>26</sup>

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<sup>26</sup> The report of the Skill Audit report in 2001, done by UNDP and other UN Agencies.

UNTAET's mission during two and a half years didn't accomplish much to resolve these problems. The UNTAET Timorization process started late, and lacked commitment from UNTAET. Beside that, UNTAET was facing time pressure to end its mission, as had been determined by the UN Security Council. As the result, the Timorese were not well-prepared to take full responsibility. Even though some local people participated in the UNTAET Administration, they did not have decision-making authority, which was given to the many international staff from around the world. Although the presence of the international staff with various backgrounds could have enriched Timor-Leste's experience, in some cases, the imported systems were not appropriate for Timor-Leste's conditions.

Before ending the UNTAET mission, UNDP coordinated a skills audit to determine what kind of support the international community should provide post-UNTAET. The skills auditing team identified 200 positions considered "critical" and 100 positions considered "most critical".<sup>27</sup> The involvement of the UNDP in the subsequent UNMISSET mission was based on the assumption that there will be peace if development processes are going well and are sustainable.

UNMISSET<sup>28</sup> was established by Security Council resolution 1410, and played important roles in this area by placing 100 advisors in the "most critical" positions. The money for this came from UNMISSET's operating budget, while UNDP played important roles for 200 advisors needed for "critical" positions. The money for the "critical" positions came from donor countries through the UNDP. However, some donor countries and multilateral donors placed their advisors directly in the institutions that they consider important. For example, Norway put its advisors in the Oil and Petroleum Department. That's why there needs to be coordination between peacekeeping missions (UNMISSET) and sustainable development (UNDP).

To implement the support, the international community created the institution-building and capacity-building program. This program was based on the assumption that Timor-Leste people know almost nothing and have very little, capacity. That's why there should be capacity transfers from international to local staff. This program is carried out by placing 300 advisors in

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<sup>27</sup> Ibid

<sup>28</sup> United Nations Mission in Support of East Timor founded by UN through Security Council Resolution 1410. Under the resolution, UNMISSET is to support Timor-Leste in three main sectors: Law Enforcement, Internal and External Security, and Public Administration.

all state institutions. The decisions about which institutions received advisors depended on the donors' interests, rather than on which institutions were weak and needed this support.

The state institution-building and capacity-building program consisted of three pillars: knowledge (individual knowledge, capacity and institutional knowledge), system and process (procedures and regulations within each institution), and human behavior (individual behavior in daily activity within the institutions). We realize that continued international support by placing some experts or experienced people in state institutions remains important even now.

The program faced many problems in implementation. Since the beginning, this program has lacked Timorese participation, which was realized from the start. As a mechanism to provide access for the government, the Capacity Development Coordination Unit (CDCU)<sup>29</sup> was created. CDCU was composed of donor countries, multilateral donors and government. The CDCU was intended to involve the government in decision making process and evaluations.

Hiring and placing the advisors took a long time, but UNMISSET was initially only authorized for one year, and then extended for one more.. So, some advisors only stayed for one year or six months. Although in theory the advisors' role was only to assist Timorese, in reality some advisors performed line functions by being secretaries, making decisions, working at the policy and implementation levels, etc. In addition, cultural and language differences made communications and cooperation difficult.<sup>30</sup>

Bilateral aid usually refers to assistance given directly from a donor government to the Timor-Leste government or NGOs operating in Timor-Leste. Bilateral budgetary support is unusual on the international level (outside TL), although it is increasing. In most cases, it's to international NGOs or projects directly managed by the donor. Although some donors used alternative implementers to provide bilateral aid such as direct military-to-military training, most bilateral aid is managed directly by donor government agencies, such as AusAID, USAID, and JICA. Bilateral aid is used for various purposes; even when the government made a proposal, the decision depended on which project the donors were interested in. Each donor country has its

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<sup>29</sup> Capacity Development for Coordination Unit (CDCU) was founded in 2003. Its aim was to create good mechanism for coordination among Donors and government.

<sup>30</sup> La'o Hamutuk Bulletin, "Focus on UNMISSET Support for Public Administration, Vol. 6, No. August 2005, [www.laohamutuk.org/Bulletin/2005/Aug/bulletinv6n3.html](http://www.laohamutuk.org/Bulletin/2005/Aug/bulletinv6n3.html).

own priorities, depending on its interest. So TL government agencies have to meet the interests of the donor governments.<sup>31</sup>

Theoretically, the donors are motivated by humanitarian reasons to give assistance to Timor-Leste because Timor-Leste is the poorest country in Asia. But in reality, bilateral aid has been used as a tool to promote donors' interests, such as regional stability and to advance markets, support donors' domestic economies, advance their culture, and create conditions that our government has to obey. In the end this is what we call "tied aid."

For example, Australia's aid to Timor-Leste has been seen as a way to strengthen Australia's position in Timor Sea oil negotiations. Australian aid to some local NGOs has been criticized because Australia uses the aid to pressure Timor-Leste civil society not to protest the Australian occupation of the Timor Sea. Although Australia is one of the five biggest donors to Timor-Leste, the total money donated by the Australian government is less than Australia has taken from Timor Sea oilfields that belong to Timor-Leste under international law.<sup>32</sup>

Portugal is another of the five biggest donors. As the former colonial ruler, Portugal should have responsibility to rebuild Timor-Leste, but its presence is portrayed as generosity. Portugal left Timor-Leste in 1975 without fulfilling its responsibility to complete the self-determination process. Education has been the main sector of Portugal's support. But the interest of Portugal is to promote the Portuguese language in Timor-Leste, through the education system. Portugal exported its teachers to Timor-Leste first to train the Timorese students but when this didn't work well, they were reassigned to train Timorese teachers.<sup>33</sup> What we see in Timor-Leste's schools is that in each education level, Portuguese language has become the most important subject, while Tetum is forgotten and other subjects suffer from being taught in a language poorly understood by both teachers and students.

The same things are done by the Brazilian government, together with Portugal. Brazil's presence is through the Agency of Brazilian Cooperation, Brazil's goals are to promote Portuguese language in Timor-Leste and some vocational training.<sup>34</sup>

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<sup>31</sup> La'o Hamutuk's general overview of Bilateral Aid can be accessed through La'o Hamutuk Bulletin, Vol. 2 No. 8, [www.laohamutuk.org/Bulletin/2001/Dec/bulletinv2n8.html](http://www.laohamutuk.org/Bulletin/2001/Dec/bulletinv2n8.html) .

<sup>32</sup> La'o Hamutuk Bulletin, Vol. 3, No. 8, Focus on Australian Assistance to Timor-Leste, [www.laohamutuk.org/Bulletin/2002/Dec/bulletinv3n8.html](http://www.laohamutuk.org/Bulletin/2002/Dec/bulletinv3n8.html) .

<sup>33</sup> La'o Hamutuk Bulletin, Vol. 3, No. 7, Focus on Portuguese Aid, [www.laohamutuk.org/Bulletin/2002/Oct/bulletinv3n7.html](http://www.laohamutuk.org/Bulletin/2002/Oct/bulletinv3n7.html) .

<sup>34</sup> "Brazilian Cooperation in East Timor," La'o Hamutuk Bulletin, Vol. 4, No. 3, [www.laohamutuk.org/Bulletin/2003/Aug/bulletinv4n34b.html#brazil](http://www.laohamutuk.org/Bulletin/2003/Aug/bulletinv4n34b.html#brazil) .



Even though these two donors have given a lot of attention to educational development in Timor-Leste, in reality the education system is one of our biggest problems. Not only because the lack of the equipment and human resources, but until now, the education system itself is not set up. Although children go to school every day, they don't know what the purpose is. During the Indonesian occupation, our experience was that education was simply to produce human resources for labor market; this appears to continue today. But what we want in this situation is to produce thinking people who can be creative and independent.

The European Commission is a different case. The European Commission is different from other donors (other than the UK), because the European Commission doesn't have bilateral projects directly implemented by their Agency, European Commission for Humanitarian Office (ECHO). ECHO doesn't have much power, but money from the European Commission has given more power to the World Bank because most of it is channeled through the World Bank, as well as to UN Agencies and European NGOs.

Aid does not come as cash alone, but arrives with government Agencies and international staff whose way of thinking is very far from Timorese. In the reality, even though our government signs contracts, the donors' government agencies have more power to control the money than the Timor-Leste government. In some bilateral projects, our government is not allowed to make decisions, and is limited to ceremonial functions.

Donor government agencies have no legal obligation to be accountable and transparent to local people. That's why it's unreasonable to expect that their actions will benefit local people, unless it also benefits the donor's interests. What happened is that the money has marginalized Timorese roles in nation-building, causing some people to lose their sense of nationalism which was very high during the resistance.

## **Conclusion**

Realistically, after the referendum and violence in 1999 we needed international assistance to help rebuild our nation. But principally, our view is that international assistance is not about generosity. It's about the responsibility of international community to Timor-Leste's people because they ignored or were complicit with Indonesia's brutal, illegal occupation.<sup>35</sup>

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<sup>35</sup> Donor Should be Generous, Without Strings, La'o Hamutuk Editorial, on La'o Hamutuk Bulletin, Vol. 2 No.8. [www.laohamutuk.org/Bulletin/2001/Dec/bulletinv2n8.html#Editorial](http://www.laohamutuk.org/Bulletin/2001/Dec/bulletinv2n8.html#Editorial).

But the reality of international assistance doesn't reflect that, but it reflects the point of view of donor countries. The donor countries view our population as a sick man who needs a remedy, who doesn't know how to develop his own country. The view has persisted throughout the nation-building process, limiting the participation of Timorese people since the beginning.

Donors also think their assistance to Timor-Leste reflects their generosity, rather than a responsibility of the international community for Timor-Leste after did nothing during the Indonesian occupation. It's very dangerous. If rich countries promise to assist poor countries in poverty reduction and achieving the Millennium Development Goals, rich countries should realize that their assistance not generosity but their responsibility. Furthermore, as many countries – especially in Europe, North America and Australia – became rich by exploiting labor and natural resources belonging to people in countries which are “poor” today, fundamental social and economic justice would include compensation or reparations.

The state institutions were not based on local values, but rather on ideas from donors. For example, the current incidents raise questions about the transformation of FALINTIL to F-FDTL. The problem also raises questions about nationalism within Timor-Leste. The current situation demonstrates that our nationalist spirit, which was very high during the resistance, has been eroded by the nation-building process because of lack of participation; and in the end, our sense of ownership of our state has been whittled away little by little. So the aid did not enforce our independence, but sometimes destroyed our hopes.

So, international assistance to Timor-Leste is not about cooperation, and not about cooptation only, but also about business. Through those Aid, we have been co-opted to adopt global standards and ideologies set up by rich countries, and to neglect our reality and our local values. But it also a commercial matter, because the money that comes to Timor, comes with international staff, businessmen, imported equipment, and most of the money eventually returns to donor countries. Even though the international community has spent four billion dollars in Timor-Leste, the money has had very little spin off effect into our local economy. Most of the money went to pay international staff and buy equipment from donor countries. And our local economy remains low, with high unemployment and other social problems.

In the end, we say it's a dilemma to understand international assistance in Timor-Leste. Theoretically, the donors say that it's a form of cooperation and to help Timor-Leste achieve its independence. But in reality, the donors use their money not to strengthen our independence, but to force us to be dependent again.