

Japanese Aid to East Timor

Japan is the richest nation in Asia and the second richest in the world. Since the early 1970s, Japan has been a major global economic power, challenging U.S. domination over global investment and markets. Japan is one of the five largest contributors to the IMF and World Bank. As such, it has one of the largest voting shares in these two international financial institutions. Japan is also the top regional power in the Asian Development Bank (ADB), sharing equal power with the United States, one of the ADB's non-regional member states.

Japan has been the largest contributor of multilateral and bilateral aid to East Timor since September 1999. The government of Japan contributed US\$100 million to InterFET and \$30 million in humanitarian assistance during the emergency phase after the referendum. Much of this money was disbursed through multilateral agencies such as the World Food Programme (WFP) and the UN High Commission on Refugees (UNHCR), to the UN Consolidated Appeal and International Committee of the Red Cross Appeal, and to Japanese NGOs. At the December 1999 Tokyo Donors' Conference for East Timor, Japan pledged \$100 million for the rehabilitation and development of East Timor over a period of three years. 90% of this first pledge has already been administered. At the last Donors' Conference for East Timor held in Dili the week before official independence ceremonies, Japan pledged an additional \$50 million

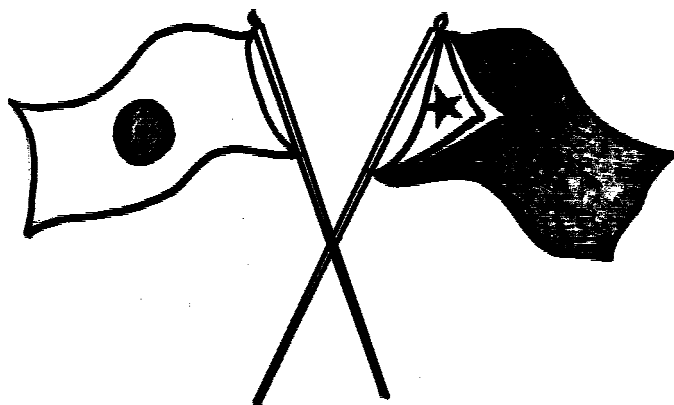
over the next three years.

While East Timor certainly deserves this level of financial assistance from members of the international community, it is important to examine some of the influences Japanese aid could have on the future development of East Timor. This article will put Japanese aid to East Timor in the context of Japanese assistance to other countries. It will first define how the government of Japan provides aid, and then look at some of the ways in which the structure of Japanese aid is linked to the health of the Japanese economy. This article will also examine the Japanese government's relationship to East Timor with particular attention to the rehabilitation of infrastructure in East Timor. Two related articles appear in this edition of the bulletin: one dealing with the rehabilitation of electrical power in East Timor, a project to which Japanese aid has contributed a great deal of funding (*page 7*) and another looking at with the Japanese Self Defense Force presence in East Timor (*page 6*).

Japanese Aid - A Definition

Japan is currently the largest aid donor in the world. While it gives more aid dollars than any other country, this money represents only a small percentage of Japan's actual wealth. In 2000, Japan gave only 0.27 percent of its Gross National Product (GNP) to other countries as overseas development assistance, far below the 0.7 percent target set by the United Nations.

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Japanese aid provides assistance to more than 140 countries and is distributed in three main ways: bilateral grants, bilateral loans (direct to countries) and contributions to international organizations (such as to UN Agencies and the World Bank). The government of Japan provides aid to developing countries based on four principles cited in the Official Development Assistance Charter created in Tokyo in 1992:

- The assistance should promote sustainable development;
- The aid should not be put to military use;
- Full attention should be paid to trends of the military expenditures and actions in recipient countries in order to maintain and strengthen international peace and stability; and
- Full attention should be paid to efforts of recipient countries towards democratization, market-oriented economies and good governance.

The administration of Japanese aid is usually negotiated directly between the government of the recipient country and the government of Japan. Prior to the transfer of powers on 20 May 2002, however, the procedure of administering projects in East Timor was more complicated due to the absence of an independent government. During the transitional period, negotiations involved the Government of Japan, UNTAET, and the East Timor Public Administration

(ETPA). In addition, the United Nations Development Programme (UNDP) and the United Nations Office for Project Services (UNOPS) have been involved in the administration and implementation of some Japanese-funded projects. Since independence, the government of Japan is now waiting for the new East Timorese government to begin negotiating bilateral aid projects between the two governments.

The Politics of Japanese Aid

Since the 1990s, Japan has shown a renewed interest in exerting political influence in the Asia-Pacific region. Not surprisingly, this interest in its neighbors coincided with an increase in Japanese aid to countries in the region. In 1996, over 50% of Japanese aid went to Asia and Oceania. In 1994,

51.8% of overall aid to Asia came from Japan. Japan is the biggest contributor of aid to Asia, and Asia is a priority for Japan in terms of how it distributes its own aid.

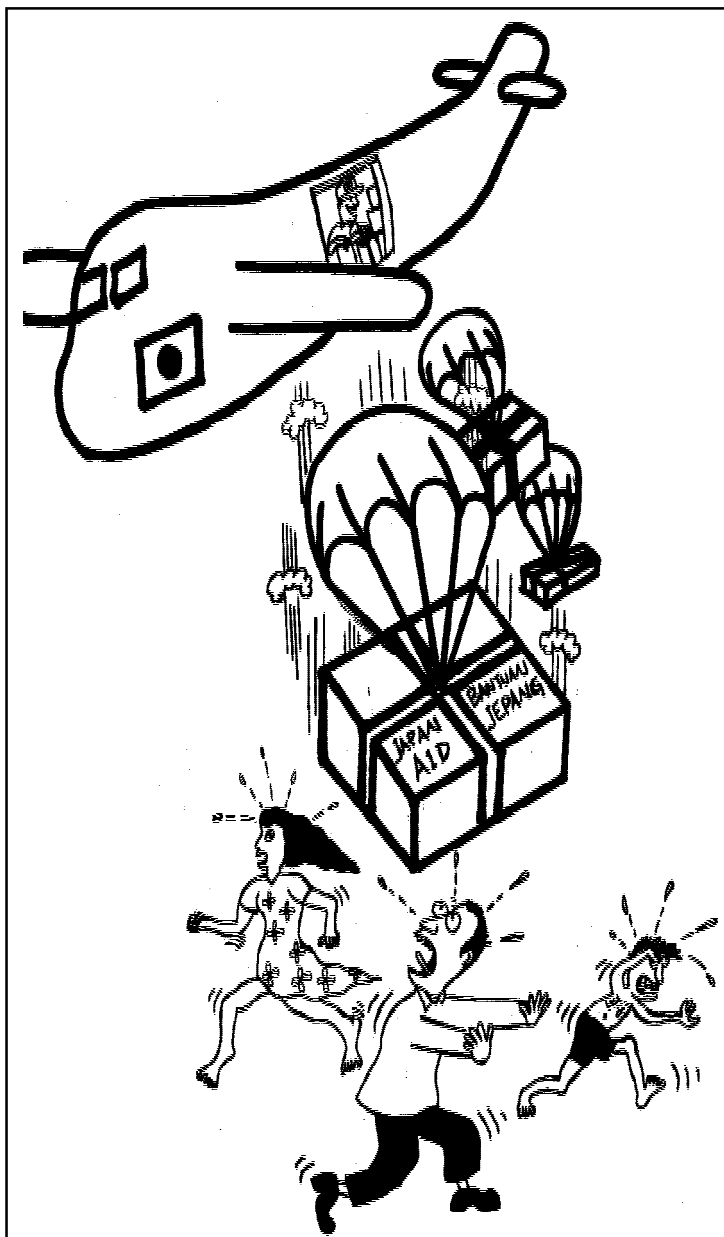
Japan tries to create a good environment for its own businesses in a recipient country. In this way, the health of the Japanese economy is related to how Japan distributes its aid. This happens in two ways. Firstly, Japanese aid is often 'tied',

meaning that it comes with certain conditions. For example, Japanese aid to a country for the purpose of building roads might only be given with the condition that Japanese consultants and engineers are hired. By giving 'tied' aid, the Japanese government is ensuring work for its own citizens. This also means that, through wages, consultant's salaries, and contract fees, most of the aid money comes back to Japan. The second way that Japanese business influences aid is through the implementation of capitalist market economies allowing Japan to help its own businesses. For example, Japan might direct aid towards the rehabilitation of infrastructure (roads, power, water, ports) in order to gain better access to natural resources that a recipient country might have. Another form of Japanese aid might also be directed to technical and economic assistance in order to stabilize the economy and to thus provide a market for Japanese industrial products such as electronics, transport and telecommunications. A large percentage of Japanese

overseas development assistance is in the form of loans. Loans account for approximately 40% of Japan's bilateral assistance. These loan accounts are handled by the Japan Bank for International Cooperation (JBIC) and used mainly for infrastructure projects such as roads, dams and power plants. Indonesia is the largest recipient country of Japanese loans, and this has contributed to Indonesia's accumulated foreign debt.

Japanese Aid to East Timor

Japan has been East Timor's largest bilateral donor since September 1999. Why so much assistance to East Timor? Some Japanese activists view this assistance as a form of reparations for Japan's past support for the repressive Su-



harto regime and for Indonesia's occupation of East Timor. The Japanese government, they explain, supported Indonesia's occupation, voting against or abstaining on every UN General Assembly resolution supporting East Timor from 1975 through 1998. Japan's economic interests in Indonesia, its largest trading partner in Asia, were the primary reason for their position on East Timor.

Representatives of the Japanese Embassy explained to *La'õ Hamutuk* in July that the primary reason for Japan's current support for East Timor is the need for economic stability in Asia. "As the biggest economic power in Asia, Japan must support its neighbors," explained Shinichi Kusano of the Japanese Embassy's Economic Section. "The Japanese economy is dependent on the stable flow of international trade and on general stability in the region. The stability of East Timor is particularly important as it is the closest neighbor of Indonesia, one of the largest trading countries in Asia." In fact, East Timor is also emerging as a trading partner for Japan as four major Japanese companies have made significant investments in East Timor's Timor Sea oil and gas reserves. Osaka Gas owns 10% of the Sunrise and Evans Shoal fields; Inpex, another major Japanese petroleum company, owns 11.7% of the Bayu-Undan field as well as shares in other fields. And Phillips Petroleum recently announced that Tokyo Electric Power Company and Tokyo Gas will buy most of the gas from the Bayu-Undan field (for more details, see *La'õ Hamutuk Bulletin* Vol. 3, No. 5).

During the UN Transitional Administration in East Timor, the Japanese Government provided bilateral grants and contributed to multilateral organizations such as UNDP, UNICEF and WFP, as well as the World Bank and Asian Development Bank (ADB) administered Trust Fund for East Timor (TFET). Japan also contributed significant funds to the transitional East Timorese government through the Consolidated Fund for East Timor (CFET).

As the representative of the Japanese Government in East Timor, the Japanese Embassy in Dili is in charge of all direct government aid to East Timor. The Embassy, functioning under the Japanese Ministry of Foreign Affairs and Ministry of Finance, carries out bilateral negotiations, although

at present they are still waiting on the initiative of the new East Timorese government.

The Japanese development organization known as the Japan International Cooperation Agency (JICA) administers the majority of Japanese overseas aid to East Timor. This includes technical cooperation, which includes training programs in Japan and overseas, the dispatch of Japanese experts, the provision of equipment and development studies. JICA is not technically part of the government, although it receives funding from it and is supervised by the Ministry of Foreign Affairs. JICA also works closely with the Japanese Ministry of International Trade and Industry and the Japanese Ministry of Agriculture, Forestry, and Fisheries. The only aid which is directly administered by the Japanese Embassy is a program in grants to non-governmental organizations and local government authorities in a variety of small-scale development projects.

There are three priorities of Japanese bilateral aid to East Timor:

- Agriculture and Community Development to increase the productivity of staple foods; to improve the livelihood of people in rural villages.
- Rehabilitation and Maintenance of Infrastructure to restore roads, water supply and electricity; and to transfer skills related to the maintenance and operation of infrastructure.
- Capacity Building to strengthen the existing capacity of East Timorese civil servants and engineers; to promote partnership training programs with other Asian countries.

The Japanese Government has not yet given any loans to East Timor. However, with independence, this could change. In other Asian nations, initial grants are often used to carry out feasibility studies, which lay the groundwork for future loans from Japan. For example, in East Timor a large part of the money devoted to the rehabilitation and maintenance of infrastructure has been spent on development studies by Japanese consultants to create implementation plans for present and future projects. It would not be surprising if these consultants recommended that the rehabilitation of the electricity sector be implemented with money borrowed by the government of East Timor from the government of Japan.

AGRICULTURE AND COMMUNITY DEVELOPMENT	IMPLEMENTING AGENCY	AMOUNT (MILLIONS OF US\$)
Rehabilitation of irrigation system in Manatuto	UNDP	3.4
Seed project (rice and corn)	FAO	0.8
Community activation project (over 5 years)	CFET	5.0
JICA's Community Empowerment Project (CEP)	JICA with NGOs	2.5
Grant assistance to grassroots projects (18 different community based projects)	Japanese Embassy	1.5
TOTAL		13.2

CAPACITY BUILDING	IMPLEMENTING AGENCY	AMOUNT (MILLIONS OF US\$)
Timor Lorosa'e scholarship program	UNDP	1.4
Primary school reconstruction	UNICEF	1.2
Training of civil servants (ie. lawyers, diplomats)	JICA	N/A
The establishment of an engineering department at the University of East Timor	UNDP	4.7
Support for Constitutional Assembly elections	UNDP	1.2
Support for Comission for Reception, Truth and Reconciliation	UNDP	0.5
TOTAL		9.0

Infrastructure Rehabilitation

Since September 1999, when the Indonesian military and their militias destroyed most of East Timor's infrastructure, there has been an urgent need to rehabilitate basic services such as power, water and roads. Much of this rehabilitation has been concentrated in Dili, and there is still much work to be done in the districts where some major towns still have little to no power or clean water. One of Japan's major aid contributions is to the rehabilitation of physical infrastructure in East Timor. As of April 2002, the Government of Japan had given US\$31.9 million for the rehabilitation of infrastructure (see Table *Infrastructure Rehabilitation*).

These projects have been implemented based on the Memorandum of Agreement (MOA) signed between the government of Japan, UNTAET, UNDP, and the embryonic East Timorese government (then ETTA) in early 2000. The MOA states that technical assistance can only be provided by hired Japanese nationals. Therefore UNOPS, in implementing the project, hired Japanese consultants and contractors. Thus,

much of the money set aside for these projects has actually gone back to Japan. Additionally, UNOPS and UNDP each receive 6% of the total cost of the project as administrative fees. Therefore, for the infrastructure projects in East Timor, UNOPS and UNDP have received nearly \$1.5 million.

This aid has indeed provided significant improvements to East Timor's infrastructure. At the same time, there have been some complications with the aid truly meeting its goals. In the district of Lautem, for example, in the village of Iliomar, Japanese aid and expertise helped to install two new generators, and yet the town still has no electricity because the aid did not include the cables or poles needed to utilize the energy of the generators. As noted in the accompanying article on electricity in East Timor, many generators, particularly those in outlying communities, are broken and un serviced for long periods of time. While these problems are complex and can not be blamed on Japanese aid alone, it is important to assess how well the goals of any aid have been met.

INFRASTRUCTURE REHABILITATION	IMPLEMENTING AGENCY	AMOUNT (MILLIONS OF US\$)
Dili-Ainaro-Cassa road	UNDP	4.7
Dili water supply system	UNDP	2.4
Dili port	UNDP	3.0
Comoro (Dili) Power Station	UNDP	3.1
Small power plants in rural areas	UNDP	3.4
Dili water supply system (Phase2)	UNDP	2.4
Water system in rural areas	UNDP	5.1
Container yard at Dili port	UNDP	3.0
Laclo irrigation system in Manatuto	UNDP	4.8
TOTAL		31.9

All aid must be scrutinized to ensure that the money benefits the people of East Timor, and not just foreign consultants and international agencies. The complex arrangement over the past years between UNTAET, the government of Japan and UNDP has meant that each group contributed administrative personnel to Japan's aid project. These personnel require salaries and overhead costs. This money is often taken out of the aid money, leaving less money for the actual project. Additionally, the requirement for Japanese consultants can prove costly. For example, in the case of the power rehabilitation project, it has been necessary to hire Japanese technical advisors and engineers, despite the fact that these

staff, while competent, may not be the most cost-effective. An open and transparent tender process for these positions would ensure that the most competent and cost-effective people were hired. In this way, more money would be available for rehabilitation.

Donor countries must demonstrate their concern for the health of the East Timorese economy, and not just their own domestic economies. Reconstruction plans must be cost-efficient with minimal expenditure on administration and consultants. In addition, they must recognize, strengthen and utilize as fully as possible East Timor's own skilled workforce. ❖

OTHER CONTRIBUTIONS	IMPLEMENTING AGENCY	AMOUNT (MILLIONS OF US\$)
Emergency aid (1999)	UNHCR, WFP, UN/ICRC Appeal	30.0
Grant assistance for displaced persons and returnees	Japanese NGOs	0.4
InterFET	InterFET	100.0
Japan's Self-Defense Force dispatch	SDF	51.2
Consolidated Fund for East Timor (CFET)	UNTAET	9.0
Trust Fund for East Timor (TFET)	World Bank/ADB	28.0
Establishment of Central Fiscal Authority	IMF	0.7
TOTAL		219.3

** All of the figures in the tables, except the details for contributions to infrastructure rehabilitation, come from an April 2002 report "Japan's Contribution to East Timor" from the Government of Japan. Infrastructure rehabilitation details come from other Japanese Government reports.*

Who is La'ó Hamutuk?

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Japanese Peacekeepers in East Timor

In March 2002, Japan dispatched 690 military personnel to East Timor. This is Japan's largest contribution to a United Nations peacekeeping mission, which the Japanese government calls "an epoch-making initiative". After World War II, in 1946, Japan adopted a new constitution which prohibits the establishment or maintenance of a military force and renounces the use of force to solve international disputes (see sidebar). Since 1954, however, Japan has maintained what is called the Japanese Self-Defense Force (SDF) whose mandate restricts its operations to the area immediately surrounding the island nation as a means to protect itself from attack. In 1992, despite concerns among the public and some political opposition parties, the Japanese government passed a law allowing SDF to participate in UN international peacekeeping missions. This came soon after Japan dispatched minesweeper ships and other naval vessels as part of the U.S.-NATO war against Iraq in 1991, and was intended to legitimize Japanese participation in international military maneuvers. Since then, the Japanese SDF has participated in UN operations in Cambodia, Mozambique, Rwanda, and the Golan Heights (Israel/Syria). Each mission has offered the opportunity to expand the parameters of SDF activities overseas.

In fact, a December 2001 amendment to the 1992 law expanded the scope of SDF participation in UN missions, easing restrictions on the use of weapons and participation in certain activities. In a *Japan Times* report on the amendment, a Defense Agency official stated that the SDF would no longer be "a force in name," but that it had become a force to be fully activated.

Despite the amendment, Japan's SDF participation in the UN mission in East Timor has not differed greatly from past missions, focusing on activities such as construction and transportation that are viewed as less likely to lead to armed conflict. The Japanese SDF personnel in East Timor are an engineering battalion. 680 soldiers are working in the field, primarily in the areas close to the Indonesian border (Covalima, Bobonaro, and Oecusse), and ten military engineers are based at PKF Headquarters in Dili, providing logistical support to the field staff. The work of the SDF focuses on the maintenance of the main PKF supply routes, including paving the Dili airport, and fixing bridges and holes on the Dili-Baucau road and the main road from Dili through Maubisse, Suai, Bobonaro and back to Dili.

The work of the Japanese SDF in East Timor is now coordinated by UNMISSET and PKF Headquarters. The Japanese SDF plans to remain in East Timor until at least March 2004, with Japanese military personnel being rotated every six months. It is expected that the number of personnel will be slightly decreased in the upcoming September rotation, and that the Japanese SDF presence will be significantly downsized in 2003, as the overall PKF is reduced.

According to a Japanese government press release in May 2002, these "logistic and support operations for [the United Nations] ... are expected to provide assistance for the economic activities and daily lives of the East Timorese people." A Japanese government official, however, told *La'o Hamutuk* in July that while the soldiers work on some projects requested by local leaders, the primary assistance is to PKF and all projects must be approved by the UN. He also explained that the Japanese battalion is not fixing the roads except in a very temporary manner given a two year time constraint. "The work of building a permanent road," he explained, "is for the East Timorese government."

The same official explained that while SDF personnel are working in border areas viewed as security risk regions, they are mostly unarmed and unprepared for combat. He explained that the SDF personnel rely on other PKF battalions for their security, namely New Zealanders in Covalima, Portuguese in Bobonaro and Dili and South Koreans in Oecusse.

Although both the Japanese and East Timorese governments speak about the humanitarian assistance of Japan's SDF in East Timor, it is unclear how their contribution is humanitarian in any direct way. The SDF presence does nothing to provide local employment, and in fact seems to take jobs away from East Timorese. It is also unclear why peacekeeping troops who are unprepared for combat are working in border areas where they may indeed face armed conflict.

In February 2002, as SDF dispatch plans were still being finalized, three Japanese and twelve East Timorese NGOs, including *La'o Hamutuk*, expressed opposition to the dispatch. Japanese activists argued that the dispatch violates the Japanese constitution (see sidebar), is extremely expensive and does not support local employment. They also wrote that it is immoral to send in troops without first resolving issues related to the Japanese occupation and demanded a formal apology and reparations for past Japanese abuses in East Timor.

East Timorese activists also demanded a formal apology focusing on "the East Timorese people's sense of justice" and suggested that "the funds needed to send troops would be better used to compensate victims of abuses during World War II and during Indonesia's occupation." During Japan's occupation of East Timor from 1942-1945, approximately 40,000 East Timorese were killed, thousands were used as forced labor by Japanese soldiers, including thousands of women as sexual slaves. In *La'o Hamutuk Bulletin* Vol. 3 No. 1, Nuno Rodrigues explained that "the request for the Japanese government to apologize and take responsibility is not only for the Japanese occupation during World War II; it is also for the 24 years that the Japanese government supported Indonesia's victimization of hundreds of thousands of East Timorese. Only steps such as these will allow the

Article 9 of Japan's Constitution

"Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes. In order to accomplish [this] aim...land, sea, and air forces, as well as other war potential, will never be maintained. The right of belligerency of the state will not be tolerated."

development of strong bilateral ties between East Timor and Japan. East Timor needs financial assistance and assistance in rebuilding the devastated nation should be viewed as a requirement of the Japanese government.”

According to the East Timorese daily *Suara Timor Lorosa'e*, Foreign Minister José Ramos Horta stated that NGOs should not participate in matters of foreign affairs and should instead give this responsibility to the transitional government. He has also repeatedly stated that East Timor must forget the tragic events of World War II.

Before sending troops, Japan had already contributed US\$100 million to the International Forces for East Timor (InterFET), which, along with the SDF contribution, is cal-

culated separately from the “overseas development aid” discussed in the cover article. According to Japanese officials in Dili, the dispatch of the SDF personnel, costing US\$53 million, was requested by the United Nations and East Timor. Annual expenses for the SDF presence are estimated to be US\$128 million.

East Timor as a nation is a victim of international militarism and nations that prioritized economic interests with Indonesia over human rights in East Timor. *La'o Hamutuk* again calls on Japan to formally apologize for its part in East Timor's suffering and to ensure that all aid it provides to East Timor truly and directly address the needs of the East Timorese people. ❖

Special Report on Electricity

Around 75% of East Timor's public buildings were destroyed by the Indonesian military and their militia in September 1999, including the electricity network. Almost three years later, many places still do not have electricity. Besides Baucau district, with electricity 18 hours a day and Dili, with rotating two-hour blackouts every night, all other districts only have electricity from 7 pm to midnight. The reason given is fuel is too expensive.

The Electricity Company of East Timor (Electricidade de Timor Leste - EDTL) is under the Public Works Department. During the first stage of the UN transitional period, ending in August of 2001, the UNTAET Department of Economic Affairs (which included Public Works) was responsible for electricity. At that time, however, EDTL was yet to develop a good working mechanism for carrying out administrative and financial reporting because that responsibility lay with the Department of Finance.

It was difficult to obtain information about EDTL due to confusion over responsibility and authority. The following report is based on an information gathered in an investigation by *La'o Hamutuk* and *Yayasan HAK*.

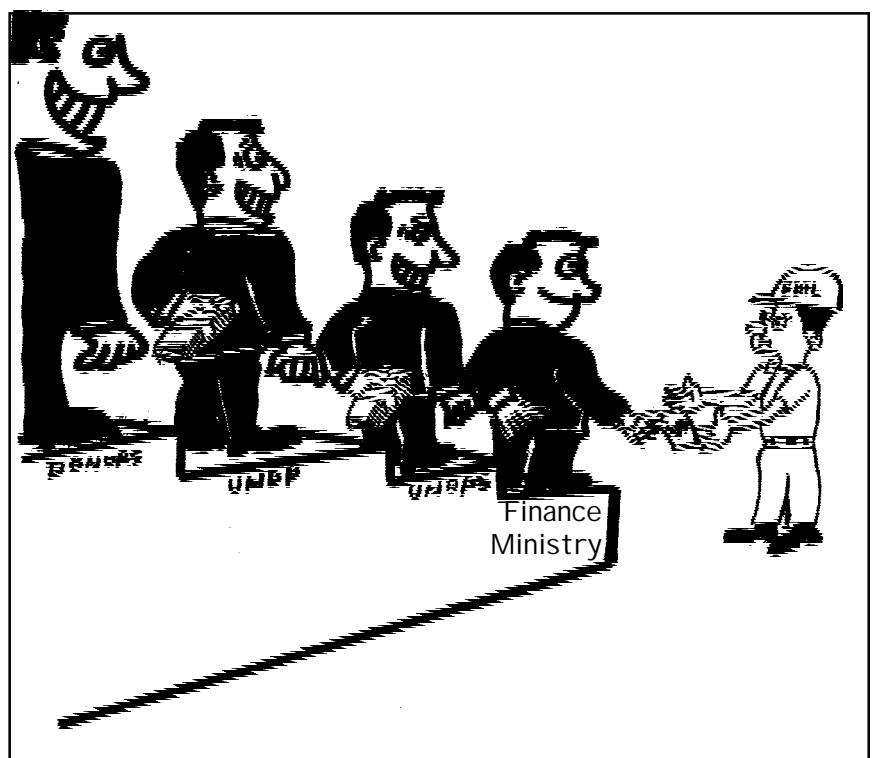
Funding

According to the head of EDTL, Mr. Virgilio Guterres, estimated expenditure in financial year 2001-2002 amounted to US\$11.8 million. However donors funded only \$6.8 million. Likewise, the estimated expenditure for the financial year 2002-2003 is \$11.88 million while donors will only fund \$4 million.

Several countries have contributed bilateral funds to EDTL. The two largest donors are the Japanese government, providing \$3.1 million, and the Portuguese government, providing \$1 million around July/August 2000. Because the two donor nations would only entrust international agencies to manage their funds, responsibility was given to the United Nations Development Programme (UNDP) and the Asian Development Bank (ADB).

The funds are managed by UNDP while the project itself is run by the United Nations Office of Project Services (UNOPS). According to the head of the UNOPS project, Risa Ito, UNOPS takes six percent from every project it runs for administrative costs. However, after administrative costs only \$2.39 million remained from the original \$3.1 million in Japanese funds. Those funds were designated to meet the needs of all electricity control centers in the country. The Japanese Government, UNDP and UNTAET decided to use \$478,000 to repair damages at the Comoro installation in Dili. Consequently, of the funds provided by the Japanese, \$1.912 million remained to meet the needs of all electricity control centers, including providing generators for all 13 districts.

According to Guterres, Japanese funds have been supplemented with machinery and technical expertise to the extent that local staff have been mere observers. In effect the project has been handled entirely from start to finish by the Japanese government, UNDP and UNOPS. The funds provided



by the Portuguese government are being used to repair 4 power stations in 4 sub-districts: Celecai in Baucau, Luro in Lospalós district and Laclubar and Natarboro in Manatuto district.

Given that EDTL needs to be self-supporting and to compensate for an approximate \$5 million shortfall in financial year 2001-2002, EDTL has placed a tariff on electricity consumption (see sidebar *EDTL Fees*). \$6.8 million from the new government is used to pay for fuel and maintenance. As a result of an agreement between the government and the Indonesian oil company Pertamina, ETPA purchased diesel fuel for the generators every three months. An initial payment of \$1.1 million was made in 2000, covering November 2000-January 2001. However, fuel is now purchased at a monthly rate of \$510,000. According to Guterres, this is due to the high cost of diesel fuel at \$0.34/liter. According to the

Timor Post (8/7/02), oil is now supplied to the 35 district electricity control centers and 2 Dili power stations in Comoro and Caicoli by six different oil companies: Colega Timor, East Timor Fuel, Baboe, WP Timor Oan, Country Fuel and Pertamina, ending Pertamina's monopoly on supplying fuel for East Timor's electricity.

Generators

In Dili District, the UNTAET transitional administration leased 5 generators, 2 in Caicoli and 3 in Comoro. \$200,000 was allocated from the Consolidation Fund for East Timor (CFET) to renting these generators, as part of the electricity repair and service budget. The generators were rented due to frequent blackouts from July to October 2001, and many of the generators which were left from Indonesian times were broken. In the case of Comoro one generator, a MAK 4 No.5, was damaged, so for a period the generators operating at full capacity were a MAK 1 with 1.8 megawatt capacity, a MAK 2 with 1.6 megawatt capacity, a MAK 3 and a NIGATA, both with 2.6 megawatt capacity.

The lease on the Caicoli generators expired 27 January 2002 while the lease on the Comoro generators expired 28 February 2002, so EDTL is now limiting electricity usage that exceeds the maximum limit. According to Guterres, "the government quickly took concrete steps to deal with the change in circumstances. Without the anticipatory steps taken, the electricity could not have continued to function in accordance with expectations." EDTL began with a capacity of 13 megawatts, but after receiving an additional generator repaired by the Japanese Government in December, EDTL's capacity is now 14 megawatts. It is expected that EDTL's capacity will continue to increase.

In the sub-districts, according to EDTL, there are 32 electricity control centers operating normally. 13 of those centers are run by the Japanese government, which will supply two generators for each control center and repair the Comoro installation. ADB runs 15 electricity control centers, each with one generator. The provision of generators to various centers depends on the demands and conditions of each area. An exception is Aileu district where, according to EDTL District Coordinator Dominggos Bonaparte, three generators left by the Indonesian government are still in order. There are 86 permanent generators in East Timor electricity control centers, and an additional five are currently being leased. However, only 28 of the generators have full operational capacity. (See table *EDTL Generators Nation-wide*)

EDTL Staff

In January 2002, EDTL had 205 staff throughout East Timor. National recruitment has not yet been undertaken. Approximately 192 people were recruited when the UK Department for International Development (DFID) took charge of electricity in September 1999, and 13 more staff were later recruited by UNTAET based on their qualifications. EDTL staff are now paid by the East Timorese government. EDTL previously lacked staff to record electricity meter readings, a problem that has been overcome by recruiting a further 45 people on three-month contracts. The funds to re-

EDTL Fees

Connection Fees:

- \$10 for domestic residences
- \$15 for social buildings
- \$20 for Class I (low-level consumption) commercial buildings
- \$100 for Class II (high-level consumption) commercial buildings without a current transformer meter or with a transformer meter installed by the customer themselves.

Cost is estimated for Class II commercial buildings with high-level consumption with a current transformer meter installed by the electrical power service provider. If the total cost exceeds the estimation, the difference must be paid before electricity is provided.

Usage tariffs:

The cost per kWh of electricity supplied is calculated as follows:

- Cost (US\$ per kWh) = \$0.117 + (\$0.0986 x CFP/BFP)
CFP = Current Fuel Price in US\$ per liter of diesel fuel sent to the Comoro and Caicoli power stations.
BFP = Base Fuel Price (US\$0.26 per liter).

The cost per kWh is rounded up to the nearest \$0.001.

The cost per kWh is determined according to this formula, with an exception for domestic and social consumers: as an interim and exceptional measure the first 25 kWh used every month will not be charged *provided that* \$1.00 is paid to the electrical power service provider every month.

The price of electricity will be reviewed and adjusted at least every 6 months. If a price rise is required, customers will be advised at least one month before the new pricing comes into effect.

(from original version in Indonesian)

EDTL Generators Nation-wide		
Electricity Center	Generators	Condition
Aileu	3	All operating
Alas	1	Operating
Atabae	3	To be repaired by Japan
Atauro	2	Operating
Atsabe	2	Repaired by Japan, but not operating
Baguia	2	1 generator operating
Balibo	2	To be repaired by ADB
Batu-Gede	1	To be repaired by ADB
Bazartete	2	Repaired by Japan, but not operating
Betano	1	To be repaired by ADB
Bobonaro	1	To be repaired by ADB
Cai-Coli	6	All broken
Cailaco	1	To be repaired
Comoro	6	Operating
Fatu-berliu	2	Operating, repaired by Japan
Fatumean	1	Broken
Fohorem	1	Broken
Gleno	5	4 Broken; 1 operating, repaired by ADB
Hatolia	2	Being repaired by Japan
Hatubuilico	1	Repaired by Japan, but not operating
Hatu-Udo	1	Repaired by Japan, but not operating
Iliomar	2	Repaired by Japan, but not operating
Laclubar	1	Operating, repaired by Portugal
Lacluta	2	Operating, repaired by Japan
Lautem	1	Operating
Letefoho	none	Receiving electricity from Gleno Center
Liquedoe	1	Being repaired by ADB
Loes	1	Repaired by Japan, but not operating
Lolotoe	1	To be repaired by ADB
Luro	1	Repaired by Portugal
Manelima	1	To be repaired by ADB
Maubisse	2	Operating, repaired by ADB
Natarbora	2	Repaired by Portugal
Nitibe	1	To be repaired by ADB
Oesilo	1	To be repaired by ADB
Ossu	2	1 generator operating
Passabe	1	To be repaired by ADB
Quilicai	1	Operating
Railaco	2	Repaired and operating
Raimean	1	Repaired by Japan, but not operating
Remexio	2	Operating, repaired by Japan
Soibada	1	Operating
Tilomar	1	To be repaired by ADB
Turiscail	1	Operating, repaired by ADB
Tutuala	2	Operating
Uatu-carbau	2	Operating
Uatulari	3	2 generators operating
Vatu-boro	1	Repaired by Japan, but not operating
Venilale	2	Operating
Zumalai	2	To be repaired by Japan

cruit these staff came from the EDTL budget. Staff development has been undertaken in the Accounts and Administration and Finance divisions.

Four technicians were employed as foreign staff at EDTL: 3 East Timorese with foreign passports, with salaries ranging from \$1,500 to \$3,800 per month, and one foreigner paid \$5,000 per month. Due to budgetary and efficiency considerations, EDTL did not extend the contracts of those technicians when they expired in January and February 2002. According to Virgilio Guterres, funds were wasted on foreign staff salaries when the quality of their work was no better than that of local staff. In fact, as a result of the experience they received during Indonesian times, local staff are capable of superior work.

According to the report on the ETTA Combined Sources Budget for financial year 2001–2002, an estimated \$138,000 went to hire foreign technicians. 14% of this went to the infrastructure sector (including electricity), and smaller amounts went to general governance and education sectors. Other sources of funding for technicians included \$750,000 from TFET, \$800,000 in bilateral assistance, and \$935,000 from other sources, making a total of \$2.485 million that went to employing foreign technicians in fiscal year 2001-2002.

Client Categories

In accordance with regulations from 26 July 2000, EDTL customers are divided into three categories:

- *Domestic*, covering household residences, including apartments which have their own meters.
- *Commercial*, covering places of businesses, foreign missions, hotels, boarding houses, companies, government buildings, boarding schools and other institutions.
- *Social*, covering humanitarian, non-profit and religious organizations.

EDTL often incorrectly categorizes particular buildings. An example is the experience of social worker Sister Maria Dias, who runs Prontu Atu Servi (PAS), a non-profit health clinic in Becora, Dili. EDTL categorized PAS as a commercial consumer, charging a \$1,500 electricity bill for September 2001. This was a significant burden for Maria Dias, because the clinic does not charge patients and operates with very limited funds. When she complained to EDTL, she was told the only person with the authority to change her categorization was the Minister in charge of electricity.

According to Virgilio Guterres, EDTL has experienced substantial losses because many consumers are not paying their bills. For example, EDTL issued invoices in June 2002 with the following results:

- In the domestic category: of 13,586 invoices issued, approximately 606 were paid.
- In the commercial category: of 713 invoices issued, approximately 92 were paid.

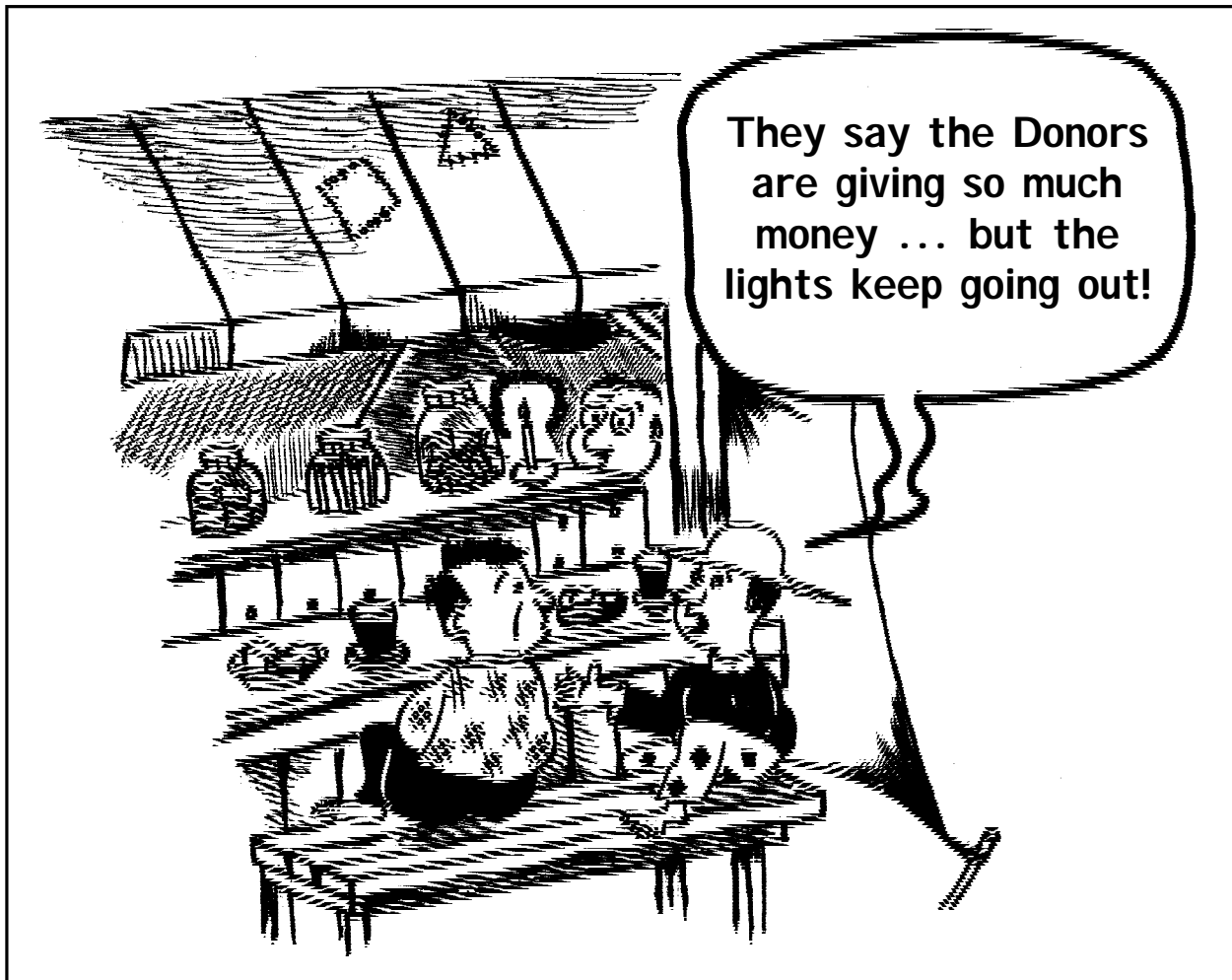
- In the social category: of 37 invoices issued, approximately 5 were paid.
- And 56 invoices were issued to the Government, of which 6 were paid.

If all the June invoices were paid, EDTL would have received \$781,503 from its customers. But EDTL only received \$231,000. In Dili during April and June 2002, EDTL only had a supply capacity of 11.1 megawatts. During the World Cup in June, EDTL rented an additional generator with one megawatt capacity, increasing EDTL's capacity to 12.1 megawatts. However, according to Virgilio Guterres, this was still insufficient to meet peak demand, which would reach 12.8 megawatts during a soccer match. On several occasions some areas would lose electricity because there wasn't enough capacity to meet demand. Guterres said that EDTL did not deliberately cut electricity when World Cup matches were on, rather it was simply because demand exceeded capacity.

At the conclusion of the World Cup, EDTL did not continue to rent the extra generator and consequently its capac-

ity returned to 11.1 megawatts. However, on 27 July, 2 of the diesel fuel generators at Comoro broke down and capacity fell to 7 megawatts. According to the head of EDTL, the break-down can be attributed to the age of the generators, which are more than 20 years old and are in operation 24 hours a day. At night when parts of Dili experience rolling blackouts, it is because demand cannot be met. Due to the decrease in internationals, peak demand has now decreased to approximately 11.5 megawatts.

In the view of *La'o Hamutuk*, the management by UNDP, UNOPS and ADB of Japanese and Portuguese government funding indicates that both the Japanese and Portuguese governments do not have faith in the East Timorese government to manage bilateral aid themselves. Japanese government has provided funding and technical experts, but they have not enhanced the capacity of local East Timorese technicians. Funding of that magnitude should be used to overcome the problems faced by EDTL, in a manner that is sustainable for the long-term future. ❖



Donor Pledges

The following is an approximate summary of pledges made at the May 2002 Donors Conference in Dili (see *LH Bulletin*, Vol. 3 No. 5), based on notes taken at the conference and information from various donors. This list does not cover all the governments present at the conference, since *La'o Hamutuk* was unable to contact all attendees and conference organizers the World Bank refused to make the pledges public. Such pledges are often vague and often left unfulfilled. All amounts have been converted to U.S. dollars, so the breakdown does not always match the total pledge. Total pledge amounts do not include funds already used before the conference began.

Government	Pledge (Millions USD)	Timeframe and Purpose
Japan	60	\$50 million in future funds, \$10 million from previously committed funds (pledged after conference)
European Commission (EU)	42	\$25 million for 2002 (\$8.1 million for TFET, \$9 million for health sector, \$2.3 million for UNDP and \$5.9 million for other projects)
Australia	38	Promised over four year period of 2000-2004 (\$22 million for fiscal year 2000-2001, \$22 million for 01-02, \$19 million for 02-03, \$19 million for 03-04)
United States	25	Fiscal year 2002-2003 (including \$4 million for budgetary support, \$150,000 for Peace Corps, \$1 million for Foreign Military Financing and \$50,000 for International Military Education and Training)
United Kingdom	17	Budget support for 2002-2005 (\$5.8 million per year)
Portugal	9.1	Pledged to cover 10% of the expected \$91 million budget shortfall over next 3 years
China	6	No specified time frame or purpose
Ireland	2.2	For 2002 (\$0.5 million already given to CFET; \$1 million for budgetary support; \$720,000 for UNDP; \$140,000 for CRTR; \$230,000 for community and gender projects)
New Zealand	1.4	For fiscal year 2002-2003 (\$230,000 budget support; \$1.1 million for bilateral projects in pre-school education, natural resources, community development and governance)
South Korea	0.9	\$600,000 for independence day celebrations; \$300,000 for medical education
Canada	No specified amount	Long-term modest support
Brazil	No specified amount	Short-term support including education, health, agriculture, and diplomacy
Philippines	No specified amount	Assist with training in management, agriculture, and economics; support students to study in the Philippines
Malaysia	No specified amount	Capacity building, education and health
Namibia	No specified amount	Would like to assist with capacity building
Mexico		Will discuss further
Norway		No pledge

Report on Petroleum Conference in Darwin, Australia

The South East Asia Australia Offshore Conference (SEAAOC) discussed offshore oil and gas mining in the region including Australia and South East Asia. This conference was held for oil companies and others in the industry to promote offshore technology development. Australia's oil and gas interests dominated the conference, and one area of focus was the Timor Sea oil and gas fields.

The conference, held 17-19 June 2002 in Darwin, Australia, was the eighth such conference organized by the Institute for International Research, an Australian business which organizes conferences on many subjects. More than 300 people attended, including representatives of the Australian and East Timorese governments and the petroleum industry. Adriano Nascimento from *La'o Hamutuk*, representing the Independent Information Center on the Timor Sea (CIITT, an East Timorese civil society group formerly known as the Timor Gap Working Group), and Australian activists who share concerns about Timor Gap issues also attended. CIITT participated to increase its knowledge about Timor Sea oil developments and to develop communications with companies, government officials, and others working in this area.

The Timor Gap was one of the main topics in presentations by representatives of the Australian government, the East Timorese government, and oil companies. Each of these groups gave presentations on the Timor Gap based on their roles and interests.

The Australian Government

In the opening speech for the conference, the Northern Territory government representative, Chief Minister Clare Martin, raised two main issues: the Timor Sea Treaty signed on 20 May 2002 and the gas pipeline.

According to Martin, the NT government and people have the perspective that the natural gas in the Timor Gap is key to economic and petroleum development for Australia and will make Darwin the fourth largest gas market in Australia.

The Chief Minister stated to conference participants that Australia's hopes lie in the signing of the Timor Sea Treaty for the shared exploration of oil and gas by Australia and East Timor. From her perspective, the Treaty is the best first step towards developing the Australian petroleum industry.

Pushed by this interest, this Northern Territory leader asked for speedy ratification of the Timor Sea Treaty by the parliaments of both countries. She said that ratifying the Treaty would give legal and commercial security to the companies investing in the Timor Gap.

The Australian government feels that the 90% of production revenues from the joint area (JPDA) under the Treaty is fair compensation for East Timor. For that reason, according to Martin, ratification of the Timor Sea Treaty will strengthen the friendly relationship between the two nations and peoples. Martin ignored the fact that the treaty also gives Australia control over large areas that should be East Timorese under international law. Regarding the gas pipeline plans, Martin said that the Australian government – especially the Northern Territory government – sincerely hopes that the gas pipeline will be built to Darwin, giving employ-

ment opportunities to the Australian people and increasing investment, business, and technological renovations in Australian.

The Australian government, especially that of the Northern Territory, is certain that if gas from the Bayu-Undan and Sunrise fields are brought to Darwin for processing, this would:

- Diversify the national economy;
- Create jobs for around 10,600 workers; and
- Increase national revenues by US\$8 million for the duration of the project

Aside from the points above, gas from Bayu-Undan and Sunrise are also expected to bring:

- Opportunities for new businesses and training programs
- A decrease in the dependency of the Northern Territory government on the central government, guaranteeing the Northern Territory government's ability to support its own social and development programs.
- Annual revenues of US\$60 million of which US\$55 million will go to the national government.

The East Timorese Government

Prime Minister Mari Alkatiri told conference participants of the East Timorese government's position on the Timor Sea Treaty, maritime boundaries, and the status of oil and gas fields.

Alkatiri said the Treaty he signed with John Howard is extremely important and beneficial for the relationship between the two nations. In his opinion, the Timor Sea Treaty strengthens the commitment to mutual understanding between the two nations. He promised conference participants that the Treaty would be ratified quickly in East Timor.

The Prime Minister stated that maritime boundaries must be resolved based on international legal principles recognizing East Timor's national sovereignty, and he will personally raise the issue of maritime boundaries with Australia.

According to Alkatiri, the East Timorese government will continue discussions regarding the status of certain oil and gas fields such as Laminaria and Sunrise. East Timor has full rights to Laminaria and Sunrise if maritime boundaries were resolved using international law as laid out in the UN Convention on the Law of the Sea (UNCLOS).

Alkatiri also addressed the oil companies directly, proclaiming the Joint Petroleum Development Area "open for business." With this, he pushed petroleum companies to continue their work in oil and gas fields in the Timor Gap.

The Petroleum Companies

In the conference, four oil companies gave their perspectives on issues relating to the Timor Gap. They covered many issues, including the Timor Sea Treaty, taxation, and the gas pipeline.

They expressed that the ratification of the Timor Sea Treaty is an urgent matter which must be carried out by both Australia and East Timor. The Treaty's ratification is a key

agenda item for the companies because only with ratification will they have a legal framework and commercial guarantee for continuing their mining activities and investing in Timor Gap.

Aside from the issue of ratification, the petroleum companies raised the uncertainty of how much they would be taxed. The East Timorese government plans to instate higher levels of taxation than the Australian government. The oil companies called for the Australian and East Timorese governments to unify their taxation policies in the Timor Gap.

Phillips Petroleum advocated a gas pipeline to Australia as the most technologically sound approach. Although East Timor is closer to the gas fields, Phillips said a pipeline to Australia is more feasible since the ocean floor is not as deep.

Conclusion

The Timor Sea is an arena of strategic struggles using political and economic strength to promote different interests.

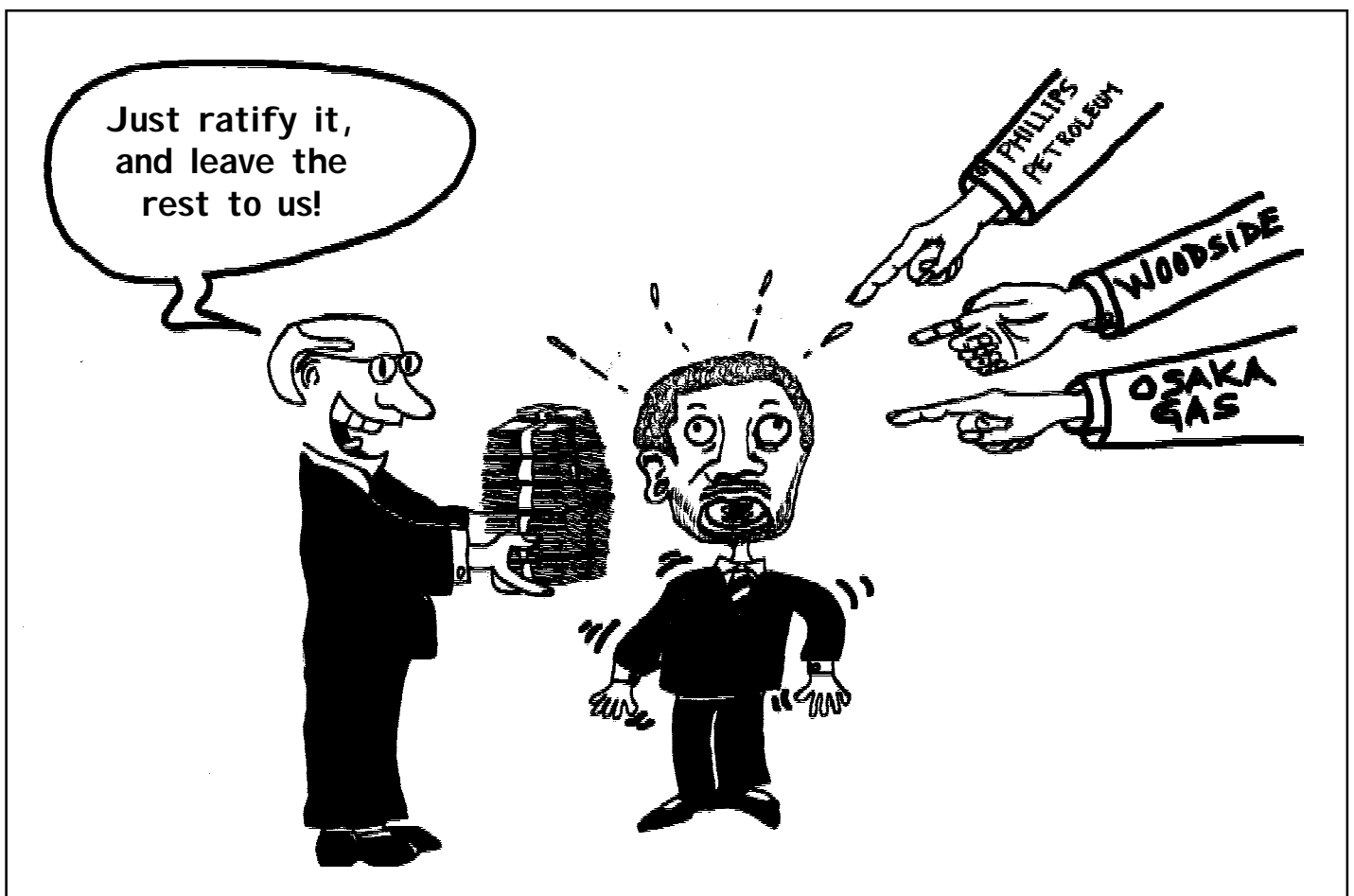
For the Australian government, the Timor Sea is an opportunity that must be pursued using all political, economic and technological strength available. This nation very much hopes for a legal framework to facilitate employment opportunities, investment, national revenues, business, and technological renovations. With this reasoning, Australia is pressuring its small neighbor to quickly ratify the Timor Sea

Treaty. Australia is also using its political strength by withdrawing from the International Court of Justice and the UN Convention on the Law of the Sea arbitration processes for maritime boundary resolution.

Economically, Australia is using its economic strength to offer a lower tax rate to oil companies exploring petroleum in the Timor Gap. This policy will make it difficult for East Timor to finalize its own tax policy. The petroleum companies will likely side with Australia, which is offering them a better deal than East Timor. Also, the technological reasoning from Australian and Phillips Petroleum for building a pipeline to Australia does not help East Timor.

For East Timor, the substance of the Timor Gap issue is the recognition of its independence and national sovereignty by the international community, particularly by its two neighbors, Australia and Indonesia. Independence means that East Timor owns its national wealth, and has the right to explore and maintain that wealth in accordance with national and international legal principles. National sovereignty means that East Timor has territorial rights over land, water and air in accordance with national and international laws.

As a small and poor nation, East Timor must rely on moral strength, including international solidarity, to balance the advantages of its powerful neighbor Australia. East Timor must call on the international community to respect East Timor as an independent and sovereign nation with its own territorial rights based on international law. ❖



In Brief...

On 11 July, the **United Nations High Commission for Refugees (UNHCR) reported that approximately 1,910 East Timorese children are still separated from their parents.**

Of that number, 821 are in West Timor; their parents are either in other parts of Indonesia or in East Timor. Another 504 children are in East Timor, but their parents are in Indonesia. There are also 148 children in private households and another 437 children staying with various foundations and orphanages. According to reports, these foundations and orphanages in Indonesia are holding the children against the will of the parents, claiming that they do not believe UNHCR documents, letters signed by parents, and video footage of parents. Octavio Soares, an ardent pro-Indonesia East Timorese, heads one of the groups, the Hati (heart) Foundation, which is holding about 150 children in Java. Soares states that he will only hand over the children to their parents, not the UNHCR.

On the same day, **Xanana Gusmão stated that he did not support independence for Aceh or West Papua (Irian Jaya).** “In political terms, we respect the sovereignty and integrity of Indonesia,” said the East Timorese president. “No government in this country should ever be imprudent or foolish enough to offer sympathy or support for Papua or Aceh’s quest for independence,” added Foreign Minister José Ramos-Horta, “they should accept Jakarta’s autonomy offer—it is genuine.”

LH Comment: *East Timorese political leaders should follow East Timor’s constitution, which states “The Democratic Republic of East Timor shall extend its solidarity to the struggle of all peoples for national liberation.” The independence movement was supported by activists from all over the world, including those with struggles similar to East Timor. East Timorese people and political leaders should also support the rights of others to self-determination, including those in Aceh and West Papua. If political leaders are not in a position to extend their solidarity to others, at the very least they should not work against the interests of such struggles.*

On 17 July, the **Commission for Reception, Truth and Reconciliation sponsored a seminar in Dili entitled “Amnesty or Reconciliation.”** Bishop Carlos Filipe Belo opened the seminar, repeating statements made in a pastoral appeal that “forgiveness on the part of the victim must be a prerequisite in granting amnesty.” The Bishop said that granting amnesty has to be done in respect to the victims’ wishes, and “amnesty may be granted to a perpetrator of a crime beforehand, having expressed the truth, admitted their guilt, expressed repentance and remorse and promised not to do the same offence again.” Aniceto Neves from Yayasan HAK added, “granting amnesty to those who committed crimes against humanity in East Timor will abolish truth and justice as well as maintain legal immunity in the population.” Agio Pereira from the office of the President of RDTL presented a paper outlining President Gusmão’s views on amnesty, claiming, “amnesty must be discussed in a political

context, meaning amnesty is given to those involved in political cases.”

While at the 18-19 July summit meeting of the African Caribbean Pacific (ACP) group of countries, **Xanana Gusmão urged low-income countries to spend far less money on weaponry.** He also called on countries that produce arms to “redouble their efforts to curtail weapons exports to the developing world and in particular to regions in conflict.” The president reported that the East Timorese government was spending almost 30 per cent of its national budget on education and public health, a figure that would increase in the coming years, while the military budget would consume less than one per cent.

On 19 July, the **United States Senate Appropriations Committee approved the resumption of U.S.-provided training for the Indonesian military** under the International Military Education and Training (IMET) program. IMET brings officers from more than 90 countries to the United States for training in tactics, weapons use, and other subjects. Since the 1991 Santa Cruz massacre, the U.S. Congress has banned Indonesia from the program. The Clinton and Bush administrations, as well as the U.S. military, unsuccessfully lobbied against the ban, which was repeatedly reaffirmed by Congress and has now been U.S. law for almost a decade.

After the TNI destruction of East Timor in 1999, Congress increased the restrictions, specifying conditions relating to justice, refugee return, accountability and civilian control of the military which must be met before the U.S. resumes training and weapons sales for TNI. Although these conditions have not been met, the global “war on terror” led by the U.S. has increased the U.S. military’s influence within the United States government, and led the Senate Committee to effectively repeal the conditions as applied to IMET. The committee did agree to continued restrictions on weapons sales to Indonesia.

IMET for Indonesia cannot resume unless the entire Congress approves similar legislation. Human rights advocates and supporters of East Timor are working hard against resuming military assistance, which is seen by the Indonesian military as U.S. approval for impunity and continuing human rights violations. According to John M. Miller of the East Timor Action Network (ETAN), “The committee has abandoned justice for East Timor, the human rights and lives of thousands of Indonesians, and a policy that could have encouraged genuine reform and democratization in Indonesia. In the name of the war on terrorism, they seem to be endorsing the continued terrorization of the Indonesian people by the TNI.”

On July 20, during a visit to Indonesia, United Nations Special Rapporteur Param Cumaraswamy characterized the country’s legal system as one of the world’s worst. He also stated that the government of Megawati Sukarnoputri lacked the political will to rid Indonesia of corruption. In

addition, the U.N. envoy expressed concern about the ongoing East Timor trials, specifically about the fact that many leading TNI officials have not been charged.

On 23 July **East Timor became the 184th member of the IMF and World Bank Group** when Prime Minister Mari Alkatiri signed Articles of Agreement in Washington, DC. On the same day, East Timor became the 61st member of the Asian Development Bank (ADB). In addition to joining the institutions, East Timor signed two grant agreements with the World Bank, a US\$5 million Transitional Support Program and a Supplemental Grant Agreement from the Trust Fund for East Timor (TFET) for an Economic Institutions Capacity Building Project. A week earlier, East Timor Finance Minister Madalena Boavista had sent World Bank President James Wolfensohn a letter of development policy and action matrix outlining government plans for implementing the National Development Plan over the next year.

Indonesia's foreign ministry announced on July 26 that it will re-open the case of Sander Thoenes, a Dutch journalist killed in Dili in September 1999. Jakarta had dropped the case in June, claiming that there was insufficient evidence to issue any indictments. After receiving new evidence from Dutch authorities, and in the wake of international criticism, Jakarta announced the change.

In July, **nineteen U.S. Peace Corps Volunteers arrived in East Timor**. Following a month of Tetum-language training, they are living in Aileu, Manatuto, Liquiça and Ermera districts, working on local governance promotion and community health service planning. The Peace Corps is a 40-year-old United States government program, funded and directed by the U.S. State Department, with 7,000 volunteers in 70 developing countries. The main purpose of the Peace Corps is to build a good public image for the United States, with secondary goals of helping people in communities where they work and providing a rewarding and educational experience for the volunteers.

The volunteers are neither professionals in their tasks nor particularly knowledgeable about East Timor. Rather, they are well-intentioned amateurs, expected to work closely with local communities to define and carry out their missions. Peace Corps volunteers here receive living expenses of about \$195/month (plus medical care and \$6,000 after they complete their service), much less than UN Volunteers (UNV) or Australian Volunteers International (AVI). The Peace Corps considers their presence in a community as permanent, even as volunteers rotate in and out. Those now in East Timor have already spent two years in other countries with the Peace Corps. Next year, forty more Peace Corps Volunteers will arrive for two-year postings, replacing the first 19, and more could come in future years. ❖

Editorial: Overview of the National Development Plan *(continued from back page)*

in the relations between different peoples/nations," it does not discuss the unjust nature of the global trading system and how it serves to create and perpetuate government is largely resigned to the global economic status quo. The plan speaks of the need for "a disciplined labor force"—short-hand for low wages—even though it emphasizes strong labor rights. It also advocates that East Timor aspire to "international competitiveness." At the same time, the plan speaks of the need for economic "sustainability" in addition to the elimination of poverty. Given the nature of East Timor's economy and its workforce, and those of the countries with which East Timor must compete to attract foreign capital, these words imply poverty wages and poor regulation of capital.

Such contradictions are present in the section on coffee production. The NDP characterizes the coffee industry as "non-viable" because of very low prices received by coffee farmers in the current global economy. Nevertheless, it advocates and foresees dramatic growth of East Timor's coffee sector over the next several years (from US\$5.2 million in exports in 2002 to \$24 million in 2007). This increase is supposed to happen through the improvement of the quality of East Timor's coffee, the expansion of overall production, and marketing of specialty coffee. But this is the same strategy that coffee producers in numerous other countries are also pursuing. In this regard, any potential increases in East

Timorese coffee production and quality will not necessarily result in higher incomes. As discussed in *LH Bulletin* Vol. 3, Nos. 2-3, there are severe limitations to what a purely national-based strategy can achieve in terms of significantly improving the lot of coffee producers. The problems associated with coffee production are global in nature. Unless development of the coffee industry includes a global analysis and an accompanying strategy, coffee production will remain "non-viable" for East Timor's farmers.

The plan correctly argues that East Timor needs a diversified economic base. The question is, how will East Timor reach such a goal? What are the roles that alternative forms of economic organization—such as cooperatives and community-based initiatives—might play in promoting development? What lessons can East Timor learn from other countries and popular movements working for economic and social justice? How can East Timorese society undertake a truly participatory development planning process?

These are some of the issues that a national development strategy process must consider. In this regard, it is important that East Timorese civil society take seriously the document's promise that "[t]he plan is not the end of the planning and development process; it is only the beginning." It must not be a beginning that frames and, thus limits, future discussions, but one that allows for fundamentally different analyses and strategies. ❖

Editorial: A Brief Overview of the National Development Plan

In early May, in time for the international donors conference in Dili, UNTAET and East Timor's political leadership released the country's first National Development Plan (NDP). Characterized as "a watershed event in the history and development of the world's newest nation," the 319-page, English language text lays out broad development goals, approaches and strategies for the next five years.

According to the document, the NDP "is the work of the East Timorese people" as its preparation involved consultations with thousands of people in each of the country's 13 districts. Out of these consultations two overriding development goals emerged: 1) poverty reduction throughout all sectors of society and across the territory; and 2) sustainable and equitable economic growth, resulting in improvements in health and education standards and general well-being.

Such goals are laudable, as is the plan's emphasis on gender equality and the need for the government to focus its limited resources on social spending. But after reading the document, it becomes clear that the "East Timorese people" actually played a minor role in the NDP's preparation. The country's citizens as a whole only helped to establish broad goals, but they did not help to formulate the highly important means to realize those goals.

Small groups of East Timorese civil servants, along with foreign consultants from the World Bank, the International Monetary Fund (IMF), the United Nations, and other international bodies did the actual "planning" and writing of the document. While non-governmental organizations (NGOs) were invited to comment on drafts of the NDP, few did. NGOs received only some of the chapters (all of which were in English) before final public meetings took place to discuss the plan, and they received them only one week beforehand, if at all. Civil society in general did not show much interest in the plan, and on the tight schedule, there was little time to go through the complex document written in a language that few East Timorese understand.

For such reasons, it is not surprising that much of the document reads like similar publications written for and/or by the World Bank and IMF in other countries. Thus, poverty reduction and development, according to the plan, are to take place largely through private sector growth, one encouraged by "an open-market system." Such growth, the NDP promises, "will be the key driver of poverty reduction in the medium- to long-term." The government will only play the role of a "facilitator" largely through regulation, enforcement and strategizing. In fact, the NDP states that the government "will avoid involvement in commercial activities unless there is clear evidence that the private sector is unable to provide essential goods and services."

Given all the problems associated with so-called free market systems in low-income countries—ranging from increasing gaps between rich and poor to lack of access to basic services to substantial levels of external control over the economy, often resulting in significant instability—such

a heavy reliance on the private sector seems ill-advised. Nevertheless, the NDP foresees "an increasingly important role" for the private sector (which would seem to include for-profit companies) in health care, education, and infrastructure. Thus, the document says nothing about free and universal healthcare, even though it speaks of the need for the government to provide a social safety net.

Also problematic is the document's discussion of where East Timor's poverty comes from. Among other factors, it emphasizes the violence of 1999. But it does not mention the previous 23+ years of Indonesian war and occupation and the preceding centuries of Portuguese colonialism. On a related note, when discussing "justice, human rights and gender equality" in the section on foreign affairs, the NDP correctly sees the promotion of reconciliation as an important goal. However, it does not even mention the need for legal justice for the crimes against humanity and war crimes committed against the East Timorese people in 1975-1999. And although the NDP has as one of the "guiding principles" of East Timor's foreign affairs "the creation of an international economic order capable of ensuring peace and justice

(Continued on page 15)

What is La'o Hamutuk?

La'o Hamutuk (Walking Together in English) is a joint East Timorese-international organization that monitors, analyzes, and reports on the principal international institutions present in Timor Lorosa'e as they relate to the physical, economic, and social reconstruction and development of the country. *La'o Hamutuk* believes that the people of East Timor must be the ultimate decision-makers in the reconstruction/development process and that this process should be democratic and transparent. *La'o Hamutuk* is an independent organization and works to facilitate effective East Timorese participation in the reconstruction and development of the country. In addition, *La'o Hamutuk* works to improve communication between the international community and East Timorese society. *La'o Hamutuk's* East Timorese and international staff have equal responsibilities, and receive equal pay and benefits. Finally, *La'o Hamutuk* is a resource center, providing literature on development models, experiences, and practices, as well as facilitating solidarity links between East Timorese groups and groups abroad with the aim of creating alternative development models.

In the spirit of encouraging greater transparency, La'o Hamutuk would like you to contact us if you have documents and/or information that should be brought to the attention of the East Timorese people and the international community.