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Observations Regarding the RESPECT Program in East Timor

The Recovery, Employment and Stability Program for Ex-Combatants and Communities in Timor-Leste (RESPECT), is a development project whose administration is carried out by the United Nations Development Program (UNDP). The program has been operating for one year in Timor Leste, and is indirectly funded by the Japanese government through UNDP. In its implementation UNDP has involved the government as a partner in making general policy

The CEP problems entailed, for example, tension between the structures CEP decision making structures and local leadership structures, especially at the sub-district and village level. The World Bank forced the CEP structure, which was lacking in provisions to strengthen existing local structures. Due to this, communities did not feel a sense of ownership of CEP. Aside from this, the election of the council or organisers of CEP was considered undemocratic and not representative, lacking in female representatives and lacking in a clear communication and socialisation program from the organizers of CEP to the village and sub-district leadership structure as well as to the community

decisions at the national and district level, for example to determine whether a project is in accordance with national planning. Policies regarding allocation of funds for the implementation of the project are controlled by UNDP.

The goal of RESPECT is to create employment opportunities for vulnerable community groups such as ex-combatants, widows, unemployed youth and others. Other goals of the program are to support reintegration and participation in society and the economy via activities that are beneficial for the entire community.

Officially the Japanese government and UNDP signed an agreement to fund RESPECT on 25 March 2003. Then in April 2003 the Japanese government transferred US\$4 million

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to UNDP. On 26 June of the same year UNDP and the Timor Leste government then officially signed the RESPECT project document to begin funding activities and the RESPECT program for a time period of two years.

Information from the RESPECT Unit Office-UNDP Timor Leste explained that the idea surrounding the program arose in August 2002, when the Timor Leste Government invited donor countries to discuss assistance to vulnerable community groups, including ex-combatants. The UNDP then designed RESPECT, and presented it to the Timor Leste Government in January 2003. According to information from UNDP, the design is based on the results of analysing the real conditions of Timor Leste, which showed a lack of employment opportunities resulting in low levels of income, especially for vulnerable community groups. It is hoped therefore that the program can help answer the problem of employment opportunities.

In 2003, La' o Hamutuk in cooperation with the RDTL Department of Finance carried out research regarding the Community Empowerment Program (CEP) and the results show a number of issues regarding the formation of the structural model of CEP. The World Bank as the main supporter of CEP admits that the structural model of CEP has created problems in the community, mainly with the local leadership structure (see Independent Assessment Report on the La' o Hamutuk website).

This year La' o Hamutuk carried out monitoring for three months. The facts indicate that there are similarities between the CEP and RESPECT programs.

RESPECT organisers explained that before RESPECT was formed, the RESPECT team had learnt much from the CEP project that was carried out by the World Bank in Timor Leste - proven to be full of problems (see La' o Hamutuk Bulletin, Vol. 3, No. 7). Based on the CEP experience, RESPECT was determined to bring forth more the principles of transparency, democracy, accountability and participation of men and women in the programs in all RESPECT target districts. Although many circles agree that the principles and goals of RESPECT are positive, many Timor Leste community members are doubtful whether the RESPECT design that is monitored by UNDP can implement those principles and goals that have been supported by the RDTL government and also whether UNDP as a big international UN agency with a very bureaucratic decision making structure can implement the principles and ideals intended. Aside from this, doubts too have been voiced regarding the RESPECT implementation process, in relation to the principles of transparency, accountability and participation based on gender equality.

For three months La' o Hamutuk gathered information regarding RESPECT in the districts of Dili, Manatuto, Liquisa, Ermera, Aileu and Bobonaro and also the UNDP Respect

Unit Office, the office of the SRSG Mr. Sukehiro Hasegawa and the related Ministries in Dili.

Funding and Allocation of Funds

During the first year (May 2003-April 2004) expenditures had reached \$1.095.550,00 USD. In the second year, it is estimated that \$2.878.809,00 USD were spent. These funds are required to pay for the project on a national and district scale along with funding the management of the operation. Until this time (September 2004), information collected indicates that the total funds used for the project at the district level are \$1.074.852,02 USD while for the project at the national level the figure is \$338.832,00 USD (For more information see the table).

RESPECT also estimates that this program will require more funding in order to continue, thus they are trying to request additional funding from other sources that wish to assist. These fundraising efforts have been realised with funding assistance from the Government of Thailand with the amount of \$25000 USD that was given to the RESPECT program on 24 September 2004. These funds will be used to develop a national monument in Metinaro for the victims of war. Although UNDP continues to raise funds for the RESPECT program and is also directly involved in the implementation of the program, at the same time UNDP also stresses that RESPECT is a Timor Leste program that needs to be supported and continued.

Many people amongst the population of Timor-Leste, including those from the government, are of the opinion that there have been dangerous indications that RESPECT has not been successful and will actually create more social jealousy in the community. The Minister for Agriculture, Fisheries and Forestry, Dr. Estanislau da Silva has explained that in principle the government supports the RESPECT program because the goals are very positive, though during implementation there have been many matters that needed to be corrected, including making funding rules effective. On another occasion some of the sub-district and village leaders that were interviewed by La' o Hamutuk felt that they did not have ownership of RESPECT because they were not involved in the decision making process.

Challenges in Implementing the RESPECT Program

All districts have now implemented this program. As of July 2004, all districts had received a certificate from RESPECT. On 14 December 2003, the funds for the first stage were transferred to all districts. The National RESPECT Training Unit Coordinator explained that the certificates distributed to the communities were just to show that the proposal and activities have been made official by RESPECT. However this was not accompanied with an

Our findings show serious concerns about the RESPECT Program, such as the minimal process of socialisation and communication of RESPECT matters to the community, lack of coordination of the RESPECT structure and the local leadership structure especially at the village level, lack of grassroots community participation in decision making, lack of program development in the community, minimum participation of women in the project, the weak position of the RDTL government as a result of funds controlled by UNDP and the lack of community freedom to determine other priorities because RESPECT had determined three development sectors before the implementation of the program.

explanation regarding the time frame for the funds' transfer from RESPECT. Thus many of the community waited a long time for funds with uncertainty, although they had already received a certificate. There were districts that waited for the transfer of funds for four months or more.

The effect was that there were community members who accused the RDTL government of intentionally delaying the transfer of funds and of corruption, although in reality the government did not hold the funds. This accusation occurred because at the time of distributing the certificates a RESPECT and an RDTL Government official were directly involved in the distribution of certificates.

The process of implementing the RESPECT Program is as follows: the community will draft a proposal. The Sub-Regional Office (SRO), which has a relationship line with UNDP will assist the community, technically, in writing the proposal. This proposal will be submitted at the district level, which is to the District RESPECT Committee (DRC). The proposal submitted will be studied and if the proposal is accepted the amount of funds to be used while the project is carried out will be assessed. If the funding is less than \$10,000,00 USD it will be immediately approved by the DRC. Social organisations such as the church and local non governmental organisations are involved as monitors in the decision making process. But, if the proposal which is submitted is above \$10,000,00 USD, it will be submitted to the national level. In this matter the Local Contract Committee (LCC) in UNDP via the Programme Implementation Unit (PIU) and the Programme Working Committee (PWC) will discuss and then approve in accordance with the valid criteria.

Looking at the proposals received by RESPECT, the total number of proposals that have been submitted to the DRC for the thirteen districts during this time is 931, with the total funding required the amount of \$8,438,273,37 USD. However those approved by the DRC were 209 proposals with a total funding of \$1,074,852,00 USD.

The coordinator of the RESPECT Training Unit, Alexandrino de Araujo, explained the selection process of proposals that are submitted. Matters which are considered are whether the program is in accordance with district planning, whether the project answers grassroots community needs, and whether the project can create employment opportunities at the grassroots community level, along with how many people will be involved in the project submitted. After a proposal is approved by the DRC, the proposal will be submitted to the SRO to be revised in regards to the funding that will be used while the project is implemented. Meanwhile, for proposals at the national level, the proposal is submitted to the PWC, then after approval, is submitted to the PIU for the funds to be revised. After the funds are revised, then it is submitted to UNDP for the funds transferral process. Then UNDP will process the transfer of funds to the Implementer via the District Fund Office (DFO).

At the level of implementation and monitoring, PIU only provides technical support by sending technical workers. However the flow of funds is not direct to each district because it has to go via the Sub-Regional Office (SRO) of which there are four SRO's located in Baucau which is responsible for the districts of Baucau, Manatuto, Viqueque

and Lautem. The SRO in Dili is for Aileu, Liquisa, and Oekusi. The SRO in Ainaro is for Same and Ainaro. The SRO in Maliana is for Covalima and Ermera. Meanwhile the function of the DRS while the project is being carried out is as a facilitator to facilitate relationships between the community and RESPECT (SRO).

RESPECT Structure and Sectors which are Prioritised

A number of things which need to be looked at are: Firstly, the Programme Implementation Unit (PIU). This structure is carried out by a program manager based in Dili and represents a separate section from UNDP. The manager is supported by a National deputy. Both are responsible for the smoothness of the implementation and monitoring of the project. Meanwhile, the National Deputy also oversees four Sub-Regional offices (SRO). Each SRO is headed by a program manager from the international staff with the status of United Nations Volunteer (UNV) supported by three or four national staff members who, it is hoped, will play an important role in the program implementation.

Secondly, the National Programme Steering Committee (PSC). This program is headed by the Prime Minister and Minister for Development and Environment and the members are the Minister for Agriculture, Forestry and Fisheries, Minister for Transport, Telecommunications and General Works, Minister for National Planning and Finance, Minister for State Administration, Director for Veterans Affairs, donor countries and UNDP. The function of the PSC is to discuss matters related to policy, development programs, and financial statements. PSC can also call sudden meetings if required.

Under the PSC there is a Programme Working Committee (PWC) headed by a representative from the Ministry of Development and Environment with members from the Ministry of Agriculture, Forestry and Fisheries, Ministry of Transportation, Communication and General Works, as well as the Ministry of State Administration and UNDP. PWC holds regular meetings every week with the goal to discuss developments of every day activities, also acting as an agency of procurement, holding selection of proposals for small projects, selecting international staff, reporting on developments to the PSC and following up on proposals to the PSC. PWC does not have a relationship with the PIU. PIU has a direct coordination line with the DRC. PWC receives reports from the DRC. The DRC itself found in every district is charged with facilitating the operational procedures of the project and also to hold selections as well as discuss matters at the district level. The DRC is headed by the District Administrator. Members include the Development Officer, Line Ministry Officer, Sub District coordinator and others (see the scheme and table attached).

Three Priorities and Technical Advice from the Government

There are three sectors that are a priority for the RESPECT program, amongst others:

1. Development of Agriculture and Forest Conservation.

Implemented based on technical guides from the Ministry

of Agriculture. Activities carried out are rehabilitation of irrigation systems, reforestry, water management training, training for fishermen, and others.

2. Infrastructure rehabilitation in village and city areas

Receives technical guidance from the Ministry of Transportation, Communication and General Works. These activities will fund intensive construction and infrastructure rehabilitation that can create sustainable living. Activities that can be carried out are the repairing of roads in villages, rehabilitation of markets, rehabilitation of schools, rehabilitation of health service facilities and rehabilitation of clean water facilities.

3. Expertise training and development of small businesses.

Carried out with technical guidance from the Secretary of State for Labor and Solidarity. The activities are intended to create employment opportunities for vulnerable community groups, such as ex-combatants, widows' groups, groups for people without employment opportunities, with the aim of providing the ability to be able to create small businesses or their own employment opportunities. The activities that can be carried out are, amongst others, training in making tiles, mechanics, electronics, plumbing, construction, production of agricultural facilities, training and production of fishing equipment.

Specific Problems :

A. Lack of Information relayed to the Community

When La'o Hamutuk carried out interviews with communities in a number of districts, including the Village Chiefs, many complaints were voiced. A complaint that frequently arose was that there was a lack of communication. Although the project had been implemented for more than one year, there was still confusion regarding RESPECT. Some said that they had heard of the program, but did not know for certain what it entailed.

According to RESPECT itself, they used a number of ways to 'socialise' this program. These included workshops and theatre, through working together with the NGO Bibi Bulak. In reality, however, a lack of information was still a complaint in many areas. According to a number of managers at the district, problems in disseminating information were down to a limited amount of operational funds given to the DRC - less than US\$ 2000 per-district.

B. Weak Government Position

Although the government is theoretically seen as a working partner, from information gathered, there is an indication that the government's position has been quite weak. From the beginning, the structure was not designed by the government, but by UNDP themselves. The design was then submitted to the government with the government merely following it up. The reality has shown that from the beginning discussions between UNDP and the government regarding the RESPECT Program have not been very substantive. It is true that in decision making the government is in the PSC Committee which

is headed by the Deputy State Secretary for Environment and Development, Abel Ximenes Larisina. Theoretically, this commission approves a number of proposals that have been submitted, and discusses a number of related policies. However, a number of sources from the government itself admitted that the existence of the government in the structure is just as "a meat sign". The function of the government is seen by many as an accompaniment and program monitor, while the decision making process was still in the hands of UNDP, in this instance the Program Implementation Unit (PIU).

According to La'o Hamutuk the above matter shows that in reality there are two RESPECT structures, that is, the government structure as a medium for campaigning RESPECT and UNDP as controlling RESPECT. It has been admitted by a number of government officials that the involvement of the government in the RESPECT program is a dilemma because the government itself has approved the RESPECT program from the beginning and now must face the fact that the implementation of RESPECT is not going well under the control of UNDP. Even so, the community knows the government more and the negative impact of RESPECT will be carried by the Timor Leste government. There have been indications that the problems or mistakes have resulted from a lack of trust in the government from the community.

C. Local Leadership structure not involved.

Many village chiefs, youth organisation coordinators, and womens' organisations explained that they had not been involved in discussions or meetings for decision making from the beginning of the RESPECT program. Often they were only used as ducts for information to the community. It is true that the Village Chiefs are yet to be acknowledged by





The RDTL President and Prime Minister visit a site of the RESPECT Program. But to what extent is the government involved?

of matters that are raising large question marks. In a number of districts such as Aileu and Ainaro, the funds for proposals that have been approved have not yet reached \$100,000,00 USD. This appears to contradict the information that exists, stating that each district has received an amount of \$100,000,00 USD. The total amount for all districts is \$1,300,000,00 USD. Meanwhile the funds used were \$1,074,852,02 USD, resulting in left over funds of approximately \$211,147,98 USD. Meanwhile \$26,000,00 USD was used for operational costs in 13 districts. This matter has become a problem, considering that there were proposals that were not approved due to limited funds. However, there were surplus funds of approximately \$211,147,98 USD.

the RDTL government itself, though their existence must be acknowledged because they are supported by local communities. Aside from this a number of Sub-Village Chiefs also admitted that they were sometimes involved in RESPECT meetings, however they still feel that the opinions submitted were lacking in calculation and also felt that the RESPECT program seemed to be decided by those who held control. This view is not separate from the RESPECT process, only giving authority at the district level in making decisions because RESPECT created their own structure.

D. Definition of Former Combatants (Antigo Combatentes) not yet clear

Although theoretically “Former Combatants” are often mentioned as the principle target of this project, in reality there are still deficiencies in this claim. Firstly, the definition and criteria of Former Combatants is not yet clear. According to a trusted source former combatants in the RESPECT program have a tendency to be orientated to political considerations according to the version of UNDP and the government in certain matters. Secondly, there has been a lack of available information, with a number of ex-Falintil members stating that they are lacking in information regarding RESPECT. Sometimes they have heard about it, though they didn’t write proposals on the grounds that they weren’t sure about the principles and goals of RESPECT. Aside from this there was also no definite mechanism to involve the community at the village level, thus making the village chiefs and community feel as though they were not involved in the RESPECT program.

E. Process of Funding Usage Still Weak

If we look at the problem of funding, there are still a number

F. Indication of Nepotism

There are also a number of sources who complained of the existence of nepotism in the process of proposal selection. This refers to the selectors at the district level often approving proposals from the relatives of RESPECT employees responsible at the district level, even though such actions are contrary to selection criteria. The existence of such nepotism thus resulted in some projects that should have been directed at the poor and vulnerable community groups, in general falling into the hands of people who were already financially comfortable, for example local business people who ran certain projects. This issue of nepotism was mentioned by a number of village chiefs and also a number of local organisation leaders met by La’o Hamutuk in the Districts of Manatuto and Ermera.

G. Participation of Women

From a gender perspective, the RESPECT program designed by UNDP is weak in involving women. It could be said that this program even has a tendency to provide opportunities for men only. This gender inequality is seen from the composition of project implementation data, and women’s representation in this. Based on data gathered from seven districts in Timor Leste, there are only nine women whose proposals were approved by RESPECT to be project implementors. This means that the involvement of women is very limited, though this contradicts one of the RESPECT program goals, which is to prioritise helping widows. When La’o Hamutuk put this matter to women in a number of districts such as Dili, Liquisa, Bobonaro and Ermera, a typical comment was “...in the RESPECT program women are sidelined, we are not given the opportunity to determine our

own fate. Thus the RESPECT program does not answer our needs”.

Based on the existing information, La’o Hamutuk has observed that this inequality is the result of a number of weaknesses in the implementation process. Firstly, information has not reached grassroots levels of communities and so lacks the involvement of women in the discussion and information process. Secondly, women’s organizations are not sufficiently involved in the consultation process or the decision making process. These factors effect the minimum involvement of women in the RESPECT implentation process.

Looking to the Future and Recommendations

Based on the results of information that exists, La’o Hamutuk is concerned about the process followed by RESPECT. La’o Hamutuk is still committed to monitoring RESPECT in its following programs. At this stage, a number of suggestions can be provided as follows:

* There needs to be continuous socialization with more effective communication with the community, for example via weekly discussions, involving local leaders and community organizations in the campaign process, socialization and accompaniment process, starting from the level of creating proposals to the implementation of programs.

* The Central Government, and specifically the related departments, must be effectively involved, not just in theoretical policies but also starting from the general policy-making process and policies relating to the allocation of funds, to accompaniment in making priorities and program implementation.

* La’o Hamutuk is of the opinion that the involvement of local structures is important because they know best regarding community interests and life. Meanwhile the frequency of structural changes will confuse the community and is not effective because forming a new structure requires time to carry out the function effectively. Based on these reasons it is better to strengthen and develop the abilities of the local leadership structure that exists. Aside from this there needs to be involvement from civil society and local organisations that exist at the sub-district and village levels.

* According to La’o Hamutuk, if this program is aimed at the reintegration of Former Combatants, there needs to be clear definition and criteria so that the aim that is envisioned can be realised effectively and not just serve as positive publicity for the program. Moreover, a sustainable socialisation process is important so that target communities in the project really are involved in the participation process. La’o Hamutuk also thinks that it is better if RESPECT makes some mechanism so that the community can participate effectively by drawing up priorities made before the proposal. RESPECT can also carry out accompaniment when communities create proposals. Aside from this there also needs to be effective socialisation and communication, for example carrying out discussions together with communities, specifically communities at the village/grassroots levels regarding RESPECT. The discussion process should be carried out before a proposal is made and the process accompanied until the program has been completed. On the other hand there needs to be a clear limit regarding former combatants. This is important because they are RESPECT targets and a situation must be avoided where social conflict arises between community members who feel that they are former combatants.

* La’o Hamutuk is of the opinion that nepotism has been caused by a lack of transparency in the proposal selection process. At the same time, the lack of responsibility for the results of the selection process from RESPECT managers to the community has compounded the problem. La’o Hamutuk is also worried that complaints regarding the existence of nepotism could also occur because the community is not clearly informed about the process of RESPECT. This has the potential to cause misunderstandings between the community and the DRC.

* La’o Hamutuk believes strongly in the importance of women participating in program planning, policymaking and program implementation. It is expected that there will be a minimum 50 percent of the proposals from women - particularly widows – given the large number of widows as the result of the Indonesian invasion. Further, assisting widows has been one of the targets and aims of the RESPECT program.

Who is La’o Hamutuk?

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1. Structure of RESPECT and its Partners

	Composition	Function
PSC	<p>Prime Minister and Minister of Development and Environment (<i>Chairman</i>)</p> <p>Vice Minister of Development and Environment (<i>Vice Chairman</i>)</p> <p>Representatives:</p> <ul style="list-style-type: none"> * Minister of Agriculture, Forestry and Fisheries * Minister of Transportation, Communication, and Reconstruction * Minister of Planning and Finance * Minister of State Administration * Director of Veterans * Donor Countries and UNDP 	<p>To determine issues related to policies, such as:</p> <ul style="list-style-type: none"> * progress of the program, to determine the boundaries of each section of the RESPECT Program * to hold ad hoc meeting if needed
PWC	<p>Vice Minister of Development and Environment (<i>Chairman</i>)</p> <p>State Secretary for Labour and Solidarity (<i>Vice Chairman</i>)</p> <p>Members:</p> <p>Secretariat: Program Implementation (PIU) (Member representatives):</p> <ul style="list-style-type: none"> * Department of Agriculture, Forestry, and Fisheries * Minister of Transportation, Communication, and Reconstruction * Minister of State Administration * UNDP 	<p>To determine issues related to RESPECT activities, such as procurement, proposal selection on micro projects, proposal implementation, and selection of international staff;</p> <p>To monitor and guide PIU and SRO's works;</p> <p>To provide progress reports to PSC;</p> <p>To continue policy related to proposals to PSC</p>
DRC	<p>Residence (<i>Chairman</i>)</p> <p>Members: Bupati</p> <p>Representatives connected with district and subdistrict RESPECT/UNDP delegation.</p>	<p>To facilitate a distribution of concept and operational project procedures to communities, to determine issues related to proposal on micro project, to formulate micro project, selection of partners, and also project implementation. To carry out proposal selection and consider a proposal with a total amount less than US\$10,000 and to transfer proposals to PWC if the total amount is more than US\$ 10,000; to provide progress reports to PWC</p>
PIU	<p>One Program Manager (international) and a Vice Program Manager (national). Both based in Dili to guide RESPECT.</p>	<p>Program Manager and Vice Program Manager responsible to implement the project effectively and efficiently. Also responsible for the release of funds, payments, etc.</p>
SRO	<p>There are four SRO in sub regional office: Ainaro, Baucau, Dili and Maliana. Each SRO headed by a District Program Manager. (international, UNV)</p> <p>Each SRO cooperates with 3-4 field staff which has now been prepared to take on more responsibilities. District Program Manager acts as a partner, while national officers hold a key role in project implementation.</p>	<p>To give technical assistance on ways to strengthen proposals;</p> <p>To cooperate with DRC on composing a progress report;</p> <p>To cooperate with DRC on monitoring, implementation assessment, and project management;</p> <p>To assist communities by providing technical assistance on project implementation</p>

2. Priority Sectors

Sektor	Activity	Output
Development on Agriculture and re-forestry	Rehabilitation of irrigation system, reconstruction of wells/roads Cultivation of seedlings Re-forestry Farming training given to officers Training on land usage Training on clean water usage Training on fisheries	This component will create short term employment opportunities and increase income in the medium and long term for vulnerable communities
Rehabilitation of Infrastructure in Urban and Rural Area	Road Broadening/reconstruction in urban areas Reconstruction/rehabilitation of markets Reconstruction/rehabilitation of schools Reconstruction/rehabilitation of health facilities Reconstruction of clean water system Reconstruction of drainage Reconstruction of community meeting rooms Reconstruction of recreation parks River cleaning Rubbish Recycling and Rubbish Handling	This component will give incentives to workers to rehabilitate community infrastructure in urban and rural areas which provide progressive levels of regeneration & increase sustainability.
Vocational Training and Development of Small Entrepreneurs	To evaluate markets, assessing opportunities; Training on carpentry, metal, mechanical, electricity; training on pipe reconstruction, reconstruction, materials of building production, etc	To give opportunities to the most vulnerable communities, including ex combatants, widows, unemployed youth and orphans, in order that they get a basic vocational training or to enhance capacity to increase the pool of skilled labour and improve employment prospects

3. List of Funds for each district

District	Total Proposal	Total Fund (US\$)	Explanation of the Project	Total Fund (US\$)	Responsible Ministry
Aileu	11	74,452.15	Skill training Dom Bosco	24,775.00	State Secretary for Labour and Solidarity
Ainaro	14	79,115.00	OISCA Training	22,504.00	
Baucau	21	98,000.00	SSLS	40,657.00	
Bobanaro	15	89,840.00	Peace Park Project in Tasi Tolu	32,896.00	Department of Agriculture, Forestry and Fisheries
Covalima	10	57,127.62	Lugassa Bridge	66,000.00	Department of Transportation, Communication and Reconstruction
Dili	15	98,000.00	Seical Up	65,000.00	Department of Agriculture, Forestry and Fisheries
Ermera	7	30,219.55	Irigation Project, Maliana II	87,000.00	Department of Agriculture, Forestry and Fisheries
Lautem	18	98,000.00	Total Fund	338,832.00	
Liquica	27	98,000.00			
Manatuto	15	98,000.00			
Manufahi	16	85,646.00			
Oe-Cusse	21	98,000.00			
Viqueque	19	98,000.00			
Total	209	1,074,852.02			

Inbrief...

Workshops Analysing Gender and the Role of Men in Gender Issues

During 2004, AMKV – The Association of Men Against Violence (Asosiasaun Mane Kontra Violensa) - worked with the UN Population Fund (UNFPA) to organize workshops with the topics of “Analysing Gender” and “The Role of Men in Gender Issues” in 8 separate districts in Timor Leste. Workshops were held in the districts of Liquisa, Ermera, Aileu, Manatuto, Baucau and Dili while workshops were held in Lospalos and Ainaro for December. Workshops have the general purpose of raising awareness of men and women about gender equality and, specifically, the understanding and the involvement of men’s groups in gender issues that raise social problems in society. Each workshop was attended by 35-40 participants, with men making up 60%, and women 40% of participants.

AMKV is a network, formed in 2001 by Lao Hamutuk and some other NGOs. AMKV has a commitment to facilitate discussions and workshops using the methodology of ‘popular education’ with a group objective in each society, and with involvement in the districts. During this year, AMKV’s grassroots workshop activities have been funded by the UN Population Fund, with Lao Hamutuk assisting with methodologies used in discussions.**

National Alliance for an International Tribunal

From the 16-22 October 2004, the Timor Leste Alliance for an International Tribunal disseminated new, interrelated information that demanded the founding of international tribunals in the Districts of Lautem and Manatuto and in each Suco of Muapitine, Malahara, Pajahara, Carlito and Obrato.

The Alliance’s team had 10 people: 5 students, 2 NGO workers, 2 from the Los Palos People’s Forum and 1 person from a victim’s families’ organization. They held meetings with victims, families’ victims and discussed the arrival of the team of experts of the UN Peacekeeping Forces in 1999 and the work of the Serious Crimes Unit (SCU).

Meetings in 3 villages of Lautem district discussed the consistency of the activities which were a part of the campaign, and disseminated information about the meaning and purpose of the expert team, and made sure the victims know that an international tribunal is the only way to pursue justice.

Draft In Brief Petroleum Fund Public Consultation V.05, N.05

On 16 November the government of Timor-Leste held a public consultation meeting in Dili to discuss the proposed model for the establishment of a Petroleum Fund for Timor-Leste. Prior to this there had been similar meetings in several districts.

The meeting in Dili included presentations by the Prime Minister, the Minister for Planning and Finance and the Director General for the Banking and Payments Authority, followed by a session of questions and answers.

As La’o Hamutuk has been consistently stating, petroleum wealth can easily become a curse instead of a blessing (*see editorial of La’o Hamutuk’s October 2004 Bulletin*). This condition is prevalent in almost all petroleum-producing countries that weren’t rich before they started to develop petroleum and Timor-Leste has all the preconditions for this problem. Although we know that good revenue management is not enough to avoid the “resource curse”, a good Petroleum Fund designed for Timor-Leste’s reality and necessities, may help to reduce some of the risks.

Oil and gas revenues are not “income” but are a conversion of the nation’s existing, non-renewable wealth from one form to another, from petroleum to cash. As Timor-Leste has no other significant resources which can readily be marketed internationally, our oil and gas have a key role in ensuring our nation’s economic independence and survival. Timor-Leste will have converted all its oil and gas to cash within two or three generations, an irreversible process. The issues discussed in this Public Consultation will largely determine the quality of life for the future generations of East Timorese. If we have not developed non-oil sectors of our society and economy to be self-sufficient in food and other basic necessities, and to generate enough foreign exchange to import what we cannot produce, Timor-Leste will soon revert to its current status as the poorest country in Asia, with unacceptable levels of disease, lack of services and poverty.

Therefore this is a very important issue for the future of Timor-Leste and the rights of the future generations of East Timorese to use their national wealth. Although La’o Hamutuk believes in the government’s good faith when holding such meetings the pattern followed up to now is that of socialization rather than consultation. Genuine consultation involves more than questions from the floor which can be answered. It includes alternative views, debates, and issues which require follow-up exploration.

Unfortunately, the public is hardly ever asked for their views on pending legislation, which may explain why civil society attendance was so limited, and why there were so few questions that the meeting ended early.

Following the public consultation, the Petroleum Fund Steering Committee received submissions on the proposed model. La' o Hamutuk's submitted our comments and suggestions and we hope that perspectives, approaches and information different from those proposed in the government discussion paper will be seriously considered. (*La' o Hamutuk's submission can be viewed in our website*). We hope also that the consultation process continues as this legislation is drafted, revised and enacted. We were quite disappointed to hear that the Council of Ministers has approved the Petroleum Regime Bill last 9th December, and the results of the public consultation hold for this law has not been made public yet. We hope that this time the government will put more efforts into making this consultation a true beginning for popular participation in Timor-Leste and not just use it to please international institutions.

Main Points Raised by La' o Hamutuk in our Submission:

- ★ Norway's law has useful elements for Timor-Leste to emulate, but some are not included in the Government Discussion Paper. São Tomé may be a more appropriate example.
- ★ The Petroleum Fund should include all mineral resource revenues, not just Timor Sea oil and gas.
- ★ Assumptions in the Paper about the future value of the U.S. dollar and the future prices of oil and gas may be incorrect, and should be re-examined. Dollars are losing value, and oil, as a globally finite resource, will be more valuable.
- ★ Binding laws or Constitutional provisions are necessary to protect the rights of future generations to the national patrimony, and to insulate the Petroleum Fund from the political and financial pressures of the annual budgeting process.
- ★ Other sectors of the economy and alternative energy sources, need to be developed soon since Timor-Leste's oil and gas will be exhausted within two generations.

★ We support the Government's fiscal policy of maintaining the value of our petroleum wealth, although this should be reassessed every few years.

★ Care needs to be taken when spending petroleum funds in the annual budget, distinguishing between operating expenses (consumption) and physical and human investment (capital purchases).

★ Parliament should be required to enact a resolution whenever money is to be withdrawn from the Petroleum Fund.

★ The Fund should not be allowed to be used as collateral for borrowing, or for debt service.

★ The Petroleum Fund should be invested in a diversified portfolio, including many long-term securities, and those in currencies other than the U.S. dollar.

★ Timor-Leste should adopt guidelines or rules for ethical (socially responsible) investing.

★ The Investment Steering Committee should represent diverse sectors of society.

★ The Banking and Payments Authority should operate according to the law, with a legally-constituted Governing Board.

★ The Council of Eminent Persons should be created, but strengthened and given the legal mandate and obligation to oversee Fund operations, in coordination with the Provedor and the General Prosecutor.

★ All petroleum-related payments should go into the Petroleum Fund, with sanctions against payers who fail to comply, and clear and enforceable mechanisms. Dividends and interest earned by the Fund should be re-deposited in the Fund.

★ There should be a presumption of transparency, which must be backed up by an accessible Public Register with specific requirements for what information must be public. This includes not only how much money there is, but where it is deposited and invested.

★ The Public Consultation process thus far has been closer to socialization than consultation.

★ Long-term economic planning is essential to prepare Timor-Leste for its post-petroleum era.

Listen to La' o Hamutuk's Radio Program

Interviews and commentary on the issues we investigate -- and more!
In Tetum and Bahasa Indonesia
Every Sunday at 1:00 pm on Radio Timor Leste

La'o Hamutuk needs you!

We are looking for both East Timorese and International activists to join our staff collective.

National Researcher

- Justice and Human Rights
- International Financial Institutions

International Researcher

- Justice and Human Rights
- Natural Resources

Each staff member at *La'o Hamutuk* works collaboratively with other staff to research and report on the activities of international institutions and foreign governments operating in East Timor. Staff members share responsibilities for administrative and program work, including our *Bulletin* and *Surat Popular* publications, radio programs, public meetings, advocacy, popular education, coalitions with other East Timorese organizations, and exchanges with people in other countries. Each staff member is responsible for coordinating at least one of *La'o Hamutuk's* main activities.

For more information about *La'o Hamutuk*, see back page of this *Bulletin* or our website at www.etan.org/lh.

Requirements

- √ Activist background, experience and orientation
- √ Strong commitment to making the development process in East Timor more democratic and transparent
- √ Commitment to share skills and help build other staffers' capacity
- √ Responsible, with a strong work ethic and willingness to work cooperatively and creatively in a multi-cultural setting
- √ Understanding of and willingness to work against gender discrimination
- √ Strong written and verbal communication skills
- √ Ability to present factual information from investigative reporting
- √ Sound physical and psychological health
- √ Experience in one of the areas cited above
- √ Work experience in international development, policy research, and/or international solidarity desirable

Additional requirements for internationals

- √ Fluency in written and spoken English (native speaker preferred)
- √ Strong organizational and computer skills
- √ Knowledge of East Timor's history and politics
- √ Experience living and working in a developing country; interest and capacity to live simply
- √ Fluency in or willingness to learn Tetum
- √ Indonesian and/or Portuguese language skills desirable

Additional requirements for East Timorese

- √ Fluent Tetum and Bahasa Indonesia, and ability to write and translate between these languages
- √ Basic organizational and computer skills, and willingness to expand those skills
- √ Investigating skills, with the ability to write factually and clearly, desirable
- √ English and/or Portuguese language skills desirable.

To apply, please bring the following documents to our office in Farol (next to Perkumpulan HAK and the Sa'he Institute for Liberation) or email them to laohamutuk@easttimor.minihub.org

1. Cover letter explaining your reasons for wanting to work with *La'o Hamutuk*
2. Curriculum vitae (CV)
3. Two professional references from previous employers or organizations
4. Writing sample about the development process (one or more pages).

Applications will be considered as we receive them.

Pertamina's Dominance and the implications for EDTL

Introduction

When Timor-Leste was occupied by the Republic of Indonesia, the Indonesian government built infrastructure to support the New Order regime, such as office buildings, public services, and extended the operations of state-owned enterprises like Pertamina.

In 1999, the majority of Timor-Leste chose independence, forcing the Indonesian government to leave the territory. The Indonesian government then began developing relations with Timor-Leste as an independent state. Some issues still remain to be resolved between the two states, such as Indonesian government assets in Timor-Leste, the border and security, refugees, and human rights.

Access to Power

After four years we now know the situation of electricity use in Timor-Leste. In Dili there are approximately 23,000 households who are users of EDTL power, who have a power need/use of approximately 12 megawatts (MW). Outside of Dili there are approximately 17,000 households who use 57 generators spread out in every District and sub-district. According to data obtained from one source, in 2001 it was identified that approximately 28% of the population (approximately 237,000 people) have access to electricity, while in the middle of 2003 only 36,000 households had electricity. This information shows that the need for electricity is increasing, with the increase in the needs of electricity users, with the result that the need for fuel is also increasing per kilolitre.

The Relationship between Pertamina and EDTL

Pertamina is an Indonesian state-owned oil company. Since the first UN mission in Timor-Leste (UNAMET) in 1999, Pertamina was an oil company trusted to deliver oil for UN operations. The next UN mission in Timor-Leste (UNTAET) continued working with Pertamina as a fuel supplier for UNTAET and INTERFET. Cooperation between the UN missions and Pertamina began at this time, with Pertamina being contracted as a fuel supplier.

Pertamina was chosen as the primary supplier for the UN mission, the electric company (EDTL) and the general public. Pertamina supplies Premium, Diesel, kerosene and Avtur. For the needs of the UN, Pertamina supplies fuel for two- and four-wheel drive vehicles, airplanes and helicopters, and diesel for generators and UN fuel. Since January 2004 the UN's fuel consumption has been decreasing.

Pertamina began operations under a contract with the

Timor-Leste Transitional Administration (ETTA) under the authority of UNOPS. After independence on 20 May 2002, the RDTL government has not signed a contract with Pertamina. RDTL has only bought fuel through Local

PERTAMINA is a state-owned enterprise, 100% owned by the Indonesian government.

**Shareholder: PT. PERTAMINA (Persero)
Pertamina is the world's 14th largest oil company.**

It has an annual turnover of approximately US\$25 million, out-of-account assets of \$16-20 million and seven oil refineries (processing crude oil to petroleum) in Indonesia.

Purchase Orders (LPOs) with Pertamina.

Pertamina supplied fuel to all the electric plants in Timor-Leste (Dili and in the districts) at a rate of about 2,000

Sun Shine Fuel:

Is a joint venture between a local Timor-Leste businessperson together with an Australian and a Singaporean, where the shares are evenly divided three ways. According to the manager of *Sun Shine Fuel* Joao Martins, *Sun Shine Fuel* has supplied 500 kilolitres of fuel to EDTL up to now. The fuel supplied by Sun Shine is generally imported from Singapore and Australia. According to Joao Martins, *Sun Shine Fuel* only supplies fuel to Timor Leste and *Sun Shine Fuel* is not involved in district distributions.

kiloliters/month, although since November 2003 Pertamina only supplies the central electric plant in Dili (Comoro) at 1,600 kiloliters/month, because EDTL has decided to obtain fuel at the district level from Sun Shine Fuel.

According to RDTL Director of Procurement Gregorio da Silva, there is no solid binding contract between RDTL and Pertamina, only limited orders. Therefore, the government is able to ask other oil companies to provide fuel. This is done to prevent one company's monopoly.

Mr. da Silva says that in order to have a contract with Pertamina, an open tender process would have to be carried out to select a company according to administrative, technical and financial considerations.

In 2002, the RDTL government held two national tenders (in May and December) to supply oil for EDTL, and Pertamina participated in the bidding. But there were no concrete results from the two tenders.

Gregorio da Silva said the two tenders had to be cancelled because the documents from participating oil companies were ineligible for technical and financial reasons.

Since 1999 Pertamina has been supplying fuel to EDTL based on procurement orders, and as of mid-2004 the RDTL government always buys needed fuel from Pertamina.

Through the procurement process the RDTL government hears offers from other oil companies to supply fuel to EDTL, examining the alternatives to choose the best quality professional service through a national or international tender.

In supplying fuel for EDTL, Pertamina is exempt from taxes, because it is for the RDTL government. This means that whatever oil company provides fuel to EDTL will be granted tax exemptions.

Pertamina manager Rifky E. Hardijanto confirms that there is no fuel purchasing contract between RDTL and Pertamina. Pertamina would actually prefer a contract to purchase orders, in order to have promised rights and responsibilities for each party. When only LPOs are given, there are no clear responsibilities for either side.

Regarding the lateness in supplying EDTL, Mr. Hardijanto told us that in September 2003 there was a delay with the tanker. Although there is no formal contract requiring Pertamina to be the primary supplier for EDTL, in reality Pertamina is still the primary supplier through the Atapupu Depot in NTT, Indonesia.

RDTL State Secretary for Water and Electricity Igidio de Jesus said that the frequent shortages in electricity from 2000 to 2002 were not only due to delays in fuel supplies, but also because the supplies did not always respond to the requests. For example EDTL requested 65 Kiloliter per ton of oil, but Pertamina only gave 50 or 40 tons resulting in two to three hours of shortage. The current electric shortages in districts such as Baucau are because the generators are too old and their engines are unable to meet demand.

On 27 February 2004 the RDTL government began a procurement process, calling an international tender to supply fuel for EDTL. This tender was open to all national and international oil companies, and the information was published locally and abroad. Companies that want to bid

have to submit their bid and company profile.

The procurement will proceed to estimate the company profiles, identifying those that fulfill the qualifications will receive complete documentation. The company that wins the tender will provide oil for 59 electrical centers in Dili and all the districts, for a contract of three to five years.

The oil companies following the tender must have experience in supplying oil, with experienced management, professionalism and respect for peace and the environment, without losing the importance of guaranteed quality oil.

Igidio de Jesus said that some of the generators' engines in the districts have broken not only due to age, but also because of the use of oil of questionable quality. For this tender, each company must provide an oil sample to be tested in a laboratory, and EDTL will run technical tests on the quality of the oil. Because EDTL does not have its own laboratory, they will try to find a partner in a neighboring country to conduct the proper tests.

Regarding the quality of the oil causing some generators' engines to break, Pertamina has said if their oil is of poor quality then many generator parts and engines would be breaking across Indonesia.

Pertamina does have to pay tax in providing fuel for public consumption, and this is regulated by RDTL Border Control.

The RDTL government acknowledges that oil prices in Timor-Leste are rather high. This is due to high import taxes and lack of government regulations fixing oil prices. Each company bidding for the international tender has to provide a plan for adjusting or controlling oil prices. Currently oil prices are at the mercy of supplying companies.

There are some other companies or groups of individuals involved in the oil business in Timor-Leste, and competing in supplying oil. They sell oil from Indonesia, Australia and Singapore with varying prices.

Rifky E. Hardijanto feels the unstable oil prices are normal, because it is following the international market. The current difference in prices of Pertamina oil in Indonesia versus Timor-Leste is because Pertamina has a monopoly in supplying oil in Indonesia, and its prices are kept low with Indonesian government subsidies. The oil prices in Timor-Leste are also affected by RDTL government taxes, such as import, customs, income and sales tax.

On 20 February 2004 Pertamina launched a "We Care" program to lower oil prices. Pertamina felt that fuel prices were indeed too high and becoming a heavy burden for the people of Timor-Leste, so they decided to lower prices for Premium and Diesel gasoline. It was hoped that this would have the effect of winning goodwill from the public. In the future Pertamina plans to improve its services by promising fuel that meets the quality standards of the American Standard for Testing Material (ASMT) and American Petroleum Institute (API). They also promise to increase quantity with the Meteorology and Geophysics Institute in Kupang periodically calibrating all the Pertamina "metering systems" in Timor-Leste.

Reductions in Fuel Prices

The program above had only been conducted for one funds, about \$1.11 million has been used for a tender to supply fuel to EDTL. This is to cover fuel for a one-year period. The Japanese government does not know if the RDTL government will continue asking for grants for fuel supply. The RDTL government has not yet decided what to request from Japan for Non-Project Type Grant Aid FY2003.

Product	Reinstated Price (US Cents/Liter)	Price since 20 February 2003 (US Cents/Liter)
PREMIUM (Petrol/Gasoline)	56,30	51,90
DIESEL	52,60	48,20

In the most recent information obtained by Lao Hamutuk, Pertamina confirmed that they have continued the delivery of petrol to the Comoro power station procured from a LPO, that has already been running for 3 months (as of October 2004). On the 1-20th of every month, Pertamina has responsibility for the delivery of 1000 Kilo Liter petrol/per month. Thereafter, from 20-31th, Sun Shine Fuel takes over supply duties, providing 500 Kilo Liters Petrol/per month.

month. In the following months, fuel prices returned to follow international prices. Each month fuel prices change. There is also a difference in the prices Pertamina charges to the UN and to the public. For example in August 2004 the prices were the following:

The Prices Oil for UN equal with the prices oil for EDTL.

Product	UN Price	Local Price
PREMIUM	0,4170	0,5300
DIESEL	0,4190	0,5430
AVTUR	0,4650	0,5950
KEROSENE	0,4610	0,5910
PERTAMAX PLUS	0,5110	0,6480

Sources: Pertamina

As of 22 July 2004 Pertamina no longer supplies oil to Comoro Central Electric Plant, because EDTL received a grant of 3800 KL of oil from Japan.

La'o Hamutuk confirmed with the Japanese embassy that the Japanese government has awarded a US\$2.5 million grant to the Timor-Leste government (Non-Project Type Grant Aid FY2002), not only for buying fuel and MAK 4 generators, but also for asphalt and cement. From these

Pertamina's Assets

In 1957, the Indonesian government nationalized oil companies operating in Indonesia (including Shell, Stanvax, and BPM). Pertamina first appeared in Timor-Leste in 1976, when fuel was taken by DFC or rubber tanks. After 1979 Pertamina built Dili Depot in Pantai Kelapa with six oil tanks with a 250,000-1,250,000 liter capacity. Besides the Depot and oil tanks, Pertamina had a tanker (boat) and dock.

After the 1999 referendum Pertamina continued selling oil in Timor-Leste, although amidst chaos. According to Rifki E. Hardijanto, the oil was still being supplied at subsidized prices. After 2000, Pertamina set their prices according to the international market.

The Constitution of RDTL states in Article 54(4) that "Only national citizens have the right to ownership of land." According to the Director of Land and Property Pedro de Sousa Xavier, the RDTL government did not give Pertamina permission to stay on the land they are currently occupying (at Pantai Kelapa). Pertamina has been recommended to leave the said property. The Land and Property Department has already sent a letter notifying Pertamina to vacate the premises.



In addition, the Director of Land and Property has asked Pertamina to pay rent owed for the land to the RDTL government from 25 October 1999 until now. The vastness of the land and the development done by Pertamina has been deducted from the total owed to the RDTL government.

Rifky E. Hardijanto confirmed that Pertamina has received a letter of notification from the RDTL government. However Pertamina is not planning to leave straight away, as the issues of Indonesian government assets are still being discussed between the two governments. At the last meeting between the two governments in Dili, a technical sub-commission for assets was formed to discuss this problem.

Rifky E. Hardijanto also said that Pertamina has not paid rent on the land being used to the RDTL government. He does not agree with Pertamina paying rent to the RDTL government for the land and dock, because they are Pertamina assets. According to Pertamina this issue has yet to be finalized, and they are entrusting the sub-commission to find a solution. Although they have not paid rent, in 2003 Pertamina paid US\$2.3 million in customs duties, import, sales and income taxes to RDTL. The taxes are paid through two methods, with import, customs and sales tax paid monthly to Border Control and income and salary taxes paid monthly to ETRS. La'o Hamutuk confirmed with Timor-Leste Revenue Service (ETRS) and at the time of going to press, the Timor-Leste Revenue Service has not confirmed how much Pertamina has paid in taxes. Given that Indonesian assets are still under dispute, the government has asked the Asian Development Bank to write a Master Plan for the Power Sector in Timor-Leste.

Power Sector Master Plan

As one of its plans to overcome the power problem in the medium term, the Timor-Leste government has requested a Norwegian power company to do a Feasibility Study concerning the possibility of building a Hydro Power Plant at Ira Lalaro, in Lospalos District. It is predicted that Ira Lalaro Hydro Power will produce 27 megawatts of power, where it will then be able to supply electricity to all corners of the country. According to an important document titled the Power Sector Master Plan, which has become a guide for the government, there are approximately seven choices for future development of the power sector. The seven choices are:

- Hydro Power development, the basis for this argument being that Timor Leste has a lot of mountain ranges, and that this represents a great potential for Hydro Power. Five locations have been identified for development: Ira Lalaro, Baucau, Gleno, Belulic and Lacro. From these five potential Hydro Power plants, it is predicted that 80 megawatts of power will be produced.

- The development of Wind Power; according to the research presented in this document, there is great potential for this in Timor-Leste considering the strong winds present from April to October. There are several areas which have been

identified as potential locations for Wind Power development, including Bagarkoholau mountain, which is predicted would be able to produce 10-15 megawatts of electricity.

- Offshore oil and gas could be exploited if the pipeline from Greater Sunrise runs to Timor-Leste.

- In the onshore oil and gas sector, it has been discovered that there are 30 oil and gas fields on the land of Timor-Leste itself. And PetroChina, a Chinese oil and gas company, is currently doing research to ascertain the exact number of fields.

- Geothermal potential; a preliminary assessment done by this study concludes that Timor-Leste has a large potential for geothermal energy.

- Solar Power potential is another option for power generation, using an Off-Grid system. In 1996-1997 several mountain areas were using solar power as an alternative energy source and this was viewed as being very cheap when compared to Hydro Power or the other options.

- Biomass reserves are another alternative for the development of power, achieved through the burning of rubbish.

From the seven options above, the government has already begun an analysis of the development of Hydro Power at Ira Lalaro, with funding from the Norwegian government to the amount of US\$1,346,000. Although there is funding support from the Norwegian government, the amount is not enough to cover the costs of the Feasibility Study, which it is estimated will cost approximately US\$3,649,635.

Conclusion

Pertamina is one company that operated in Timor-Leste, even during the crisis, because the militia did not destroy Pertamina's assets in Pantai Kelapa. Its direct purpose is good, but it is monopolizing. Besides its large capacity to supply fuel to Timor-Leste, Pertamina also dominates fuel distribution in each district. Pertamina's dominance has already affected dependence on market prices. All the fuel prices are aligned to Pertamina's prices. Pertamina is currently the "price leader" in Timor-Leste.

Another example is that of Pertamina selling fuel to the UN at a cheaper price than that sold to the community. The price difference is substantial and is not equitable because the UN clearly is able to pay more, compared with the community.

Although they use the pretext that they are assisting the people of Timor-Leste and are helping to build a good relationship between Indonesia and Timor-Leste, as an international company doing business in Timor-Leste Pertamina must follow the laws, regulations and decisions of the Timor-Leste government.

They should not be mixing business with politics.

The RDTL government, represented by its procurement department, has been very slow in determining a policy for the regulation of the price of fuel, with the result that the fuel companies themselves are determining the price in accordance with their standards. When this article went to press there was still no clarity about how the International Tender process was running. According to a trustworthy source, the International Tender process has even been cancelled. La'o Hamutuk attempted to confirm this with procurement, but the person responsible for tender implementation would not comment.

If the Timor-Leste government does not act quickly to determine a standard fuel price, it will be the people of Timor-Leste that will feel the impact, because fuel companies in Timor-Leste will be able to charge any price they wish – at the expense of the poor.

The role of the international financial institutions in this case is also important. Elisabeth Huybens (Head of the World Bank in Timor-Leste) has said that it was the RDTL government that requested the World Bank to put together the International Tender document. Apart from the very high tender criteria, the document plan does not guarantee price stability.

If we re-examine the seven choices above, it seems that the government wants to as quickly as possible build the Hydro Power plant at Ira Lalaro, but the funding is a major obstacle to the project, where it is estimated that the extra money needed will be approximately 64 million American dollars. The question is: Where will the government find that amount of money?

Recommendations

A discussion regarding the provision of energy has been called for from many sources. The fulfillment of fuel needs for the whole community is very much dependent on the purchasing ability of the people and the market price of fuel.

A large problem for the people of Timor-Leste at the current time is the unstable market price of fuel, as there is no price control by the government.

The Timor-Leste government must as soon as possible regulate price controls on fuel, so that the lack of such a standard is not exploited by business people and fuel companies.

The Timor-Leste government must allocate subsidies for the purchase of fuel for EDTL, as the electricity tariff in Timor-Leste is very expensive compared with the rest of the world.

If we look at EDTL's budget in the table below, we will see that there is only one donor country that is assisting with budget support from 2003 to 2007, Norway, and we can see that EDTL's income is approximately 32 million dollars compared to the allocation of CFET funds that are only about 18 million dollars. If the CFET allocation was increased by 32 million dollars, then the price of electricity would be cheaper and that would help the poor. It would then be possible to eat twice a day instead of once. This subsidy could be taken from the Timor Sea revenue where, according to information received by Lao Hamutuk, this revenue increased by 35 million dollars in the first three months of 2004.



While waiting for the approval of the Petroleum Fund Law, we think that this would not overly affect the annual budget.

Another alternative for the next 5-10 year period is to establish Timor-Leste's own National Oil Company. We have to start thinking now about how we can store and supply fuel for the domestic market, and a National Oil Company can play a role in this. The experience of other countries that have their own National Oil Company (NOC) like Pertamina, Petronas etc. have demonstrated that apart from managing domestic needs, the NOC can also become involved in joint exploration with other international oil companies (IOC).

The products of oil exploration from the oil fields in the Timor Sea could then be sold for the benefit of the people of Timor-Leste, with the potential for some to be saved for domestic use. Given that it would be a national oil company, many benefits could be derived from it, from exploration to exploitation, processing of unrefined oil to ready-to-use fuel, provision of fuel for domestic consumption such as fuel for EDTL, and even selling it to international consumers.

In the opinion of La'o Hamutuk, it is more productive to begin consideration of how we may set up our own NOC – this is the best option, rather than giving the opportunity to international oil companies to exploit fuel prices as they please, as well as limiting fuel stocks. More detailed information and data analysis about how oil and gas in the Timor Sea is related to the issue of domestic consumption will be discussed in the next bulletin.

Regarding the plan to build a Hydro Power Plant at Ira Lalaro, we do not view this as a solution to overcome the power problem in Timor-Leste, rather we see this as eating up a huge amount of money and causing a negative impact on the environment. We can look at the experiences of other countries, where communities surrounding dams have only reported bitter experiences. A close example is Kedung Ombo in Indonesia. So in our opinion, it is best if the government analyse the negative effects that will arise if this project is implemented. And the government must also consider other options, such as the development of solar power, by calculating the financial costs of such development, as well as the benefits that will be gained.***

Table: Sources of Funding for Power Sector Expenditure Program (\$)

Sources of Funding	FY99/00-FY02/03		FY03/04 - FY06/07	
	Amount	%	Amount	%
Total Expenditures	42.093.464	100.0	99.079.000	100.0
Sources of Funding				
Donor Programs				
Approved				
Japan				
TFET	6.011.335	14.3	-	-
Norway	4.170.000	9.9	-	-
Other Donors	2.160.770	5.1	1.346.000	1.4
Subtotal	1.318.000	3.1	-	-
EDTL revenues	13.660.105	32.5	1.346.000	1.4
CFET appropriations	5.126.365	12.2	32.050.000	32.3
	23.306.994	55.4	18.669.000	18.8
Total available funding	42.093.464	100.0	52.065.000	52.5

Sources: SIP Exercise

Report
From the IDA 14 Opinion Leaders Consultation
Hanoi, Vietnam
July 9, 2004

The fourteen representatives from the International Development Agency (IDA) borrowing countries in the Asia region, met in Hanoi, Vietnam, to discuss and exchange experiences with donors and representatives from other borrowing countries. The first meeting of the 'IDA 14' covered three central themes: 1) Development of the Private Sector 2) Partnership with the government and 3) Growth Strategies. Those represented in the Opinion "Leaders" Consultation were from Bangladesh, Cambodia, India, Indonesia, Mongolia, Nepal, Pakistan, Sri Lanka, Vietnam and Timor-Leste. Among them there were seven people representing NGO's, three from the private sector and four from the government. The purpose of the meeting was to discuss how IDA Fund borrowing countries may best use the money that they have borrowed from the World Bank, specifically from the IDA; in other words how they may improve and strengthen the Poverty Reduction Strategy Papers (PRSP) as much as possible. Among those at the consultation, only Timor-Leste has not yet borrowed money from anyone, including from the World Bank. If at some stage Timor-Leste does borrow from one of the International Financial Institutions (IFI's) it is most likely that they would borrow money from the World Bank via the IDA. This is because in the IDA Timor-Leste is categorised as a post-conflict country, and also as a country with a per capita income below US\$400 per year.

Development of the Private Sector

The first theme discussed was how to enhance the development of the private sector. As part of this discussion, the panellist from Sri Lanka, Ken Ballendra put forward his perspective on the private sector in Sri Lanka. As a businessperson in Sri Lanka, Ballendra said that the private sector plays an important role in determining the speed and direction of economic development. It is one of the main priorities of economic development, and it also represents the backbone of the investment climate. Ballendra proposed that IDA loans not only be given to the government, but the private sector also be able to access such loans. Mr. Jannes Hutagalung from Indonesia, the Deputy Minister for International Economic Cooperation Matters, did not agree with the proposal that the private sector be allowed to borrow money from the IDA and other International Financial Institutions. His reasoning was that if the private sector borrowed money from the IDA or other international financial institutions, then who would they be accountable to for those loans? To the parliament? Or to the people?

According to Hutagalung, only governments have the right to borrow money from international financial institutions, including the IDA. The World Bank did not give clear explanations and the donors recommended that governments give wider opportunities to the private sector as partners in development, in

particular for infrastructure. Although some of the participants did not agree with these comments, the majority of participants present were from the World Bank instead of donors and members of donor nations, and they agreed that the development of the private sector must become a main government priority where donors can also play a role.

This theme also discussed the fact that IDA borrowing countries have some differing perceptions on Small and Medium Enterprises (SMEs). There were some who were of the opinion that SME's should receive the support of Concessional funds, that is money borrowed from the IDA at low interest, and there were others that hoped that the SMEs could utilise Non-Concessional Sources or local banks, rather than use Concessional Funds. Transferring Incentives to the private sector could also contain the possibility of subsidies, but the success of the implementation of SMEs must consider and examine program and project documents.

Partnership at the State Level

As part of this theme, the representative from La'o Hamutuk was asked to present a paper on how donors might work more effectively with governments, the private sector and civil society at various levels. La'o Hamutuk was asked to convey its perspective, because Timor-Leste is seen as one nation that has an intimate relationship with its donor countries. In the World Bank's perspective, Timor-Leste is seen as an example of effective participative mechanisms for discussion and exchange of ideas between government's, donors, and civil society organizations (NGO).

The Lao Hamutuk presentation stressed that the most important factor for a cooperative relationship between donors, the government, civil society and the private sector is mutual respect. Respect for the sovereignty of a country commands the greatest respect for a nation, so that that nation can freely decide its own fate. The final decision about all policies in a country must rest in the hands of the people of that country, not in the hands of donor countries or in the hands of international institutions.

In order to achieve what is meant by mutual respect, there must be participation in decision-making processes at all levels. But in reality, supporting participation is not a practice encouraged by the International Financial Institutions (IFIs). The concept of participation that is favoured by the IFIs is to limit mass popular participation. This reality can be seen in the practices elaborated in the Poverty Reduction Strategy Papers in various countries who have borrowed from the World Bank, where the consultation process has been a matter of a series of questions worded in sophisticated language. This practise is highly questionable. Another example is Timor-Leste itself, in the Transition Support Program, managed by the RDTL government and designed by the World Bank. The method used by the World Bank to

prepare the TSP Action Matrix is similar to the method used to prepare PRSP's: where the influence of the foreign consultant is very strong, and the consultation process itself is limited to a 2-3 hour meeting with some NGO's, with a requirement that the final document be agreed by the World Bank board.

In its presentation La'o Hamutuk underlined the need for Governments and civil society to discuss alternative mechanisms for democratic participation and to promote truth participation, where the people can participate directly, not represented by only a couple of groups or organizations.

Strategic Development

Some of the participants viewed a government commitment to create policy incentives as very important. Participants also were of the opinion that economic growth is very much needed, in order to achieve a reduction in poverty. The benefits and gains of economic growth must be able to be felt by the poor. Government must be pressured to more intensely examine strategies for fair growth.

In the discussion the participants underlined that the market is the main motor for growth promotion, but export development and opening of markets is not an easy thing. As such, donor support is very much hoped for. Although La'o Hamutuk does not agree, the majority of participants were of the opinion that PRSPs and PRCS (Poverty Reduction Credit Support) have been instrumental in designs to promote the reformation of policies in order to stimulate growth.

Knowledge capital in the development process was also discussed and criticised. It was suggested that greater availability of data would assist in project planning, implementation and monitoring. As such, donors have the

potential to play an important role in growth by providing analysis support.

Participants also decided that humanitarian development is very important for growth, and that human development through education, training and empowerment is a long process. Asia has an abundance of labourers with a strong inclination for hard work, and a strong desire for education. Humanitarian development must be a motor for community growth in Asia, as in many other developing countries.

Conclusion

In La'o Hamutuk's opinion, this meeting was not an effective mechanism to consider input from participants of the conference, but only a mechanism to strengthen IDA political policies. The conference participants did not represent NGO's from their respective governments. The donors who were supposed to be attending the conference were actually agents of the World Bank working in various countries, thus it is difficult for La'o Hamutuk to accept the imbalance of the participants, the majority of whom were World Bank members. The fourteen speakers invited should have been representing NGO's, the private sector and the government from their countries, so that the information conveyed was not from one source only. In La'o Hamutuk's opinion, if this consultation model continues to be repeated, then the term 'poverty reduction' will change to become 'poverty reproduction' and the problems rife in the third world will never be solved. And for meetings such as this, where the future of poor people is discussed, it would be more effective to also include poor people's organisations or syndicates. Lastly, it would be better if the meetings were not held in luxurious hotels like the Melia, but in the areas where the poor actually live.

Editorial : The Truth Behind the International Development Association and its Poverty Reduction Policy *(continued from back page)*

(UNCTAD) concluded in the 2004 "Least Developed Countries Report", on the subject of trade liberalization that "[Timor Leste has] very weak internal transport and communication infrastructure, weak levels of domestic market integration and with a high level of subsistence-oriented production. In these circumstances many poor people and poor regions are being left out of the growth process [...]"

Most of the East Timorese population live in rural areas involved in the informal economy. Production and economic activity is centered on agricultural production, mostly for subsistence consumption. Linkages between the informal, rural economy and formal, urban economy are minimal. Timor-Leste has no national industrial sector. Most of the infrastructure still needs to be rebuilt. Wages are amongst the highest in the region (due to a dollarized economy imposed by the IMF in the first period of the reconstruction, and

inflation caused by the influx of large numbers of international personnel). Considering all these policies bent on encouraging foreign investors and export led growth, risks are created of exploitation and the spectre of special economic zones, where taxes are nil and labour protection regimes do not exist.

Timor Leste needs and wants growth. But the focus must be on equitable growth strategies that benefit the East Timorese people, not strategies that exploit their situation. Efforts to develop trade in East Timor must be designed to benefit national trade, especially community based initiatives. The East Timorese government should be allowed to exercise a sensible and practical trade policy and be able to exercise combinations of trade tariffs and taxation regimes to protect nascent industries and local production. Neoliberal policies implemented in Timor-Leste will not benefit the country or its poorest population.**

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Editorial : The Truth Behind the International Development Association and its Poverty Reduction Policy

The World Bank lends money through the International Development Association (IDA) and the International Bank for Reconstruction and Development IBRD. According to the World Bank, it formed the IDA specifically to “help the earth’s poorest countries reduce poverty by providing interest-free loans and grants.” The IBRD would remain the lending option of rich countries. It sounds beautiful, doesn’t it? Almost too good too be true?

In fact, it is. Third World countries needed interest free loans and grants which were not available through the IBRD. Therefore, they pushed for a new funding source. The “Sunfed”, the “Special UN Fund for Economic Development” would be controlled by the UN General Assembly, with its majority of Third World countries, and could give loans based on development needs. Northern countries which control the World Bank did not like the idea. Led by the United States, they pushed for another funding source which would still be part of the World Bank. This resulted in the IDA. According to Eugene R. Black, the World Bank’s President at the time, “the International Development Association was really an idea to offset the urge for Sunfed.” The IDA was created so the major shareholders of the World Bank could continue to control the funds available to poor countries.

In spite of the new progressive discourse of the World Bank, full of “poverty reductions”, “pro-poor” and “country ownerships”, in practice it pursues the same neo liberal policies it always has. These policies force developing countries to liberalize their economies and to privatize infrastructure and service provision. The IDA only gives out money if the countries agree with such policies. Therefore, the IDA right at the beginning restricts any development alternatives or ideas that are not in line with the World Bank and IMF thinking.

The World Bank board has to check that all IDA funds are used in the way they want them to be used. To access IDA funds all countries need a Poverty Reduction Strategy Paper which is a plan showing how the money will be spent.

Although the World Bank claims that PRSPs are produced by individual countries, the truth is different. World Bank consultants are frequently involved in the creation of PRSPs, if not writing them entirely themselves. Even if international consultants are not involved, governments know what the World Bank wants to read. Draft PRSPs are frequently available in English only, restricting access to its contents. Civil society organizations are often used more to legitimate PRSPs rather than as genuine participants of the process as any input has to be acceptable to the World Bank. Most importantly, all PRSPs need to be vetted by the governing boards of the World Bank and the International Monetary Fund, that send PRSPs back and indicate areas where they want changes. Governments are forced to comply with PRSPs which are aligned with World Bank priorities. This is what the World Bank calls “country ownership.”

Although Timor Leste does not have a PRSP yet, since it hasn’t borrowed any money from the World Bank, the Transitional Support Program (TSP), direct budget support from a number of donors amounting to approximately 30 million a year, administered by the World Bank, follows the same process. As the TSP includes IDA funds the World Bank board needs to check how they are spent. Therefore the TSP action matrix, the plan of actions funded by the TSP, which are to be monitored, are checked by the World Bank board. The World Bank essentially controls how all of the donors money is spent. (let’s remember the TSP is money donated to the people of East Timor).

The big question here is: how do these policies serve poor countries? Do they really alleviate poverty? There are enough examples that indicate that economic growth achieved through neo-liberal policies do not address poverty or inequality, but on the contrary, increase the rich/poor divide and often pushes some sectors deeper into poverty.

United Nations Conference on Trade and Development

(Continued on page 19)

What is La’o Hamutuk?

La’o Hamutuk (Walking Together in English) is an East Timorese non-governmental 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 this 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 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. 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.

La’o Hamutuk welcomes reprinting articles or graphics from our *Bulletin* without charge, but we would like to be notified and given credit for our work.

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.