

The La'o Hamutuk Bulletin

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Oecusse Community Activation Program

The Oecusse Community Activation Program (OCAP) is funded by the European Commission (EC) and the United Nations Development Program (UNDP), and implemented by the United Nations Office for Project Services (UNOPS) in collaboration with the Government of Timor-Leste — the Ministry of Agriculture and Fisheries (MAF), Ministry of Economy and Development (MED) and the District Administration of Oecusse. OCAP's objective is to reduce poverty in rural areas, and it is an integral part of the European Commission Rural Development Program in Timor-Leste, which also funds several other projects (see *La'o Hamutuk Bulletin Vol.6 No.5*).

In implementing OCAP, UNDP partners with the government of Timor-Leste to decide national and district level policies, but UNDP and UNOPS make decisions about allocation of the program's funding. On 20 May 2002, the government of Timor-Leste officially signed the agreement with UNDP. OCAP's program hopes to empower local communities, so that the people can lead the development process. So far, OCAP has partially achieved this goal, but activities remain to be done.

This five-year program aims to reduce poverty in the country, as envisioned in the National Development Plan, by providing a sustainable food supply for the people of Oecusse. To help attain this objective, it aims to empower local people to identify their needs and to plan and implement developmental activities, while helping them expand their capacity and knowledge in relation to food supply and income generation.

This article discusses OCAP as a long-term assistance program from the EC to reduce poverty and develop a sustainable food supply in rural areas of Oecusse. The data for this article was collected from the EC, UNDP, UNOPS, and the Timor-Leste Ministries of Development and Agriculture. *La'o Hamutuk* visited Oecusse for two four-day periods in March and October 2007, interviewing local community people in areas where OCAP is active.

In March we went to eight villages, and in October we visited the same places again, plus five more villages, bringing the total to thirteen visited villages: Costa, Nipani, Lifau, Cunha, Bobokase, Bobometo, Lalisuk, Naimeko, Taiboco, Suni Ufe, Abani, Usitacae and Usitaqueno.

The information in this article comes largely from these meetings, with additional information kindly provided by many people and organizations, including Jose Reinaldo Soares da Silva, OCAP National Program Manager; Koen Toonen, OCAP Program Coordinator; Merita Marques,

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An example of OCAP activities; seedlings at Naimeco village have died. October 2007.

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OCAP's goals and implementation

The concept of this program was first discussed in 2001 in a workshop organized by UNDP, which included several Oecusse civil society and community leaders. The meeting was seen as a public consultation to define goals of local development, their procedures and programs to implement them. Based on this workshop, UNDP designed OCAP and lobbied donor countries to provide funding for the program. In 2003, UNDP and the European Commission signed a cooperation agreement, and UNDP, in collaboration with the National University of Timor-Leste's Center for National Research, presented the program to the Government of Timor-Leste in order to get feedback from relevant ministries.

Before the program was implemented, a series of information campaigns told people in all 18 villages of Oecusse about the goals, programs and procedures of OCAP. Our UNDP informant said that this campaign included officials from the Ministry of Agriculture, Forestry and Fisheries, the Oecusse district administrator and other stakeholders. The orientation for the implementation of the program was carried out in April 2005, and the program was socialized that November. Local government officials and community organizers took part in the socialization phase.

In November 2004, OCAP recruited its staff and trained them in the program's mission and objectives and how to administer it. The new staff members interned for four days with the Ainaro-Manatuto Community Activation Program (AMCAP, which is similar to OCAP), and the National Program Manager interned for a week. In addition, program staff and facilitators went to India in 2004, to learn the concept of Self-Help Groups (SHG), including training and awareness camps, from MYRADA. MYRADA is a Non-Governmental Organization managing rural development programs in three states of South India, which provides ongoing support, including sending its staff to program in six other states. It also promotes the Self-Help Group strategy in Cambodia, Burma and Bangladesh.

In May 2005, UNDP began to carry out the five-year OCAP program, which will continue until May 2009. In the first year, five villages — Naimeko, Malelat, Cunha, Beneufe and Oemolo — were selected as pilot projects to assess the needs of the local people, their priorities, and plans for rural development. The next step was to form Self-Help Groups in those villages to improve food production and income generation. By the end of 2006, OCAP

activities were being implemented in all 18 villages in Oecusse.

The OCAP program has four components:

1. Community activation

The program helps empower community members understand and prioritize their needs, and to further plan and implement them to benefit their rural community. It has four main sub-components:

- √ Formation and mobilization of Self-Help Groups (SHGs)
- √ Support to women's empowerment
- √ Community-owned savings and credit scheme
- √ Community development fund (CDF)

The first sub-component is a mechanism to implement the other sub-components, as a way to develop strategies for local programs. Each SHG consists of 15-20 rural poor people, with a common interest in saving and/or borrowing money and social participation.

2. Agriculture Development

This component enables local farmers to improve the quality of their livestock and their agriculture, including irrigation management. It has two sub-components:

- √ Cattle quality improvement (which includes cattle fattening as well as forage/fodder improvement for other livestock)
- √ Upland and lowland agriculture improvement (vegetable production, food/rice production, seed multiplication, drip irrigation, rain and tap water harvesting in plastic ponds, community tree nurseries, compost making, Integrated Pest Management, and sloping agricultural land technology)

3. Technical and Feasibility Studies

This component identifies economic and social development opportunities by improving cross-border trade and defining markets. Feasibility studies about economic and social development can help people understand their situation so that they can improve their incomes, as well as identifying accessible, community-level infrastructure and social services.

4. Support for local government capacity building

The capacity building for local governance is aimed at district administration, the Ministry of Agriculture, Forestry and Fisheries staff in Oecusse, and program staff. This component is designed to equip the local government to be involved in OCAP, and to encourage support from community leaders, district OCAP staff and other concerned parties.

Formation and activation of Self-Help Groups

According to OCAP Program Coordinator Koen W. Toonen, 241 Self-Help Groups have been formed, including 65 groups of women, 70 groups of men and 106 groups

with both men and women, coming to a total of 1670 men and 1945 women. During 2007, OCAP began evaluating and grading the SHGs according to their accomplishments. In 2008 they will establish a federation of SHGs as an umbrella for those organizations.

However, after visiting groups in thirteen villages, *La'o Hamutuk* found that only groups involved in saving and credit activities are still active. Other groups no longer function; some of them exist in name only because some of their members are involved in different kinds of work. In Lalisuk village, for example, three groups were formed to raise chickens, two groups for savings and credit only, and another four to grow green vegetables. At this time only the savings and credit groups are still active, and the chicken and vegetables groups have folded. They have not raised livestock or grown vegetables since 2006. One of the reasons the savings and credit groups are still active is that the members want to get loans from the groups' savings. The same thing happened in Naimeko village where there are four hamlets (*aldeia*), with twelve groups established. However, one group dissolved, and others still exist but only to do saving and credit. We found similar situations in other villages. However some groups continue their activities. In Suco Abani, for example, groups are growing vegetables because they have enough water.

La'o Hamutuk believes that OCAP should not have set up so many ineffective groups, and that the programs should reflect sustainability and variety, so that the groups can learn from each other.

Community Development Fund

According to UNDP, OCAP has allocated funds to community groups for:

- √ Basic services including clean water and sanitation facilities, road and bridge access at the hamlet level, reconstruction and rehabilitation of schools, reconstruction and rehabilitation of health centers, and irrigation.
- √ Trainings including short-term trainings in agriculture, community savings, gender related issues, etc.



October 2007. Chicken pen in Naimeco. It has not been in use since March.

The Community Development Fund (CDF) makes grants for village-level activity, with Community Development Facilitators in each village to work with the community to form a community group to design plans and proposals to be funded by the CDF. Community proposals are evaluated by the district-level Program Working Committee (PWC). After the PWC makes a recommendation, the decision to fund a CDF proposal is made by UNOPS and UNDP. In additions, proposals that require \$US 30,000 or more must be approved by the UNOPS office in Bangkok, Thailand.



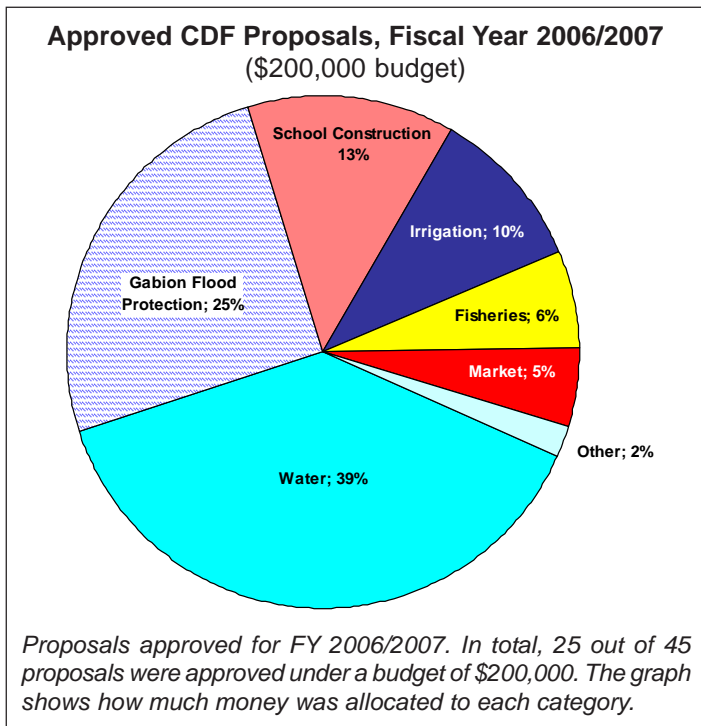
October 2007. Livestock pen in Lifau. It has not been in use since March.

UNDP says it takes about one week after a proposal is submitted for the money to be available. When a physical community project, such as irrigation or schools, requires technical skills for construction, OCAP usually submits the bid to contractors for an open bidding process, and also requires the community to contribute at least 10% of the cost in money, materials and/or labor.

The October 2006 PWC meeting approved the guidelines for CDF activities, and 45 community development proposals were submitted for CDF funding. Twenty five of these met the guidelines and were consequently approved for implementation. The PWC approved a work plan and a \$200,000 budget for CDF for fiscal year 2006/2007 (See graph on next page).

However, the *chefes do suku* (village chiefs) of Nipani and Bobokase told us that they submitted proposals for clean water provision to OCAP in 2005, but had not received any response by October 2007. They went to OCAP's office in Oecusse, but were asked just to wait and be patient. OCAP CDF coordinator Merita Marques told *La'o Hamutuk* that the water source is deep underground and it would take major funding to do construct a clean water installation, so they are still trying to resolve this issue.

The *chefe do suku* of Nipani told us that none of the village's three proposals were implemented. Most recently, OCAP told them that the clean water proposal was sent to the Red Cross of Timor-Leste for implementation. The



Red Cross coordinator, Domingos Tapen, confirmed that they had received the proposal already, but they are only able to provide technical support, not funding, because they have other priorities.

Another reason that community proposals are delayed is that CDF often gives little guidance, as their guidelines were only approved in October 2006.

La'o Hamutuk believes that the OCAP funding system bureaucracy may obstruct fulfilling some fundamental needs before the program ends. If the CDF fund is to effectively assist the community's basic needs, OCAP should approve proposals faster and be more effective at keeping the community informed about the process.

Empowering Women

This program is particularly designed to help develop women's knowledge and skills so that they will be able to improve their occupation and income. Through the Self-Help Groups, it provides training in bookkeeping, financial management, community savings and loans, and leadership. Besides receiving training, women organize themselves into groups to do gardening, raise livestock, and manage savings and loans. The SHGs have increased the number of women engaged in income generation and implementing saving and credit programs.

When *La'o Hamutuk* tried to visit these groups in thirteen villages, none of them were still active. Gardening and livestock-raising had stopped in November 2006. They were unable to plant vegetables during the rainy season, and livestock died from disease. The advent of the dry season exacerbated the water situation, so it was not available for gardening. Although OCAP facilitated a water tank and reservoir, it did not help very much in the dry season.

Women who had been in the groups were generally positive about OCAP programs. However, they only attained limited knowledge and skills from the trainings, and we recommend that those trainings be improved based on the needs of the community and with topics relevant to their lives, such as health, education and gender.

La'o Hamutuk suggests that OCAP prepare alternate activities to keep the groups functioning if they are unable to carry out their original activity. In addition, preventive actions could anticipate such obstacles, so that the groups will not suffer financial losses and activities will not stop.

Community-Owned Saving and Credit Scheme

OCAP also established saving and credit schemes to facilitate micro-credit loans at the community level and to provide relevant trainings and standard guidelines appropriate to the local context. The groups involved meet every month to discuss their saving and loan and other activities. Each group has a chairperson, treasurer and secretary. Each group can decide how much money to lend each individual, according to his or her income and needs. The group can also establish criteria, such as that only participating members are entitled to borrow money, or that borrowers should pay interest every month.

The interest rate and repayment schedules are decided by the group, because the money is owned by the group. Borrowers have to pay back a certain percentage of their loan every month, so that the fund continues to have money to loan to others. If a member wants to withdraw from the group, s/he can only get back 50% of their existing savings, and the other half belongs to the group.

The SHG members appreciate the benefit from these activities, saving their own money and using it themselves, without needing to borrow money from other people. However, some groups told *La'o Hamutuk* that they were confused about how to use the money, because their number of members is increasing.

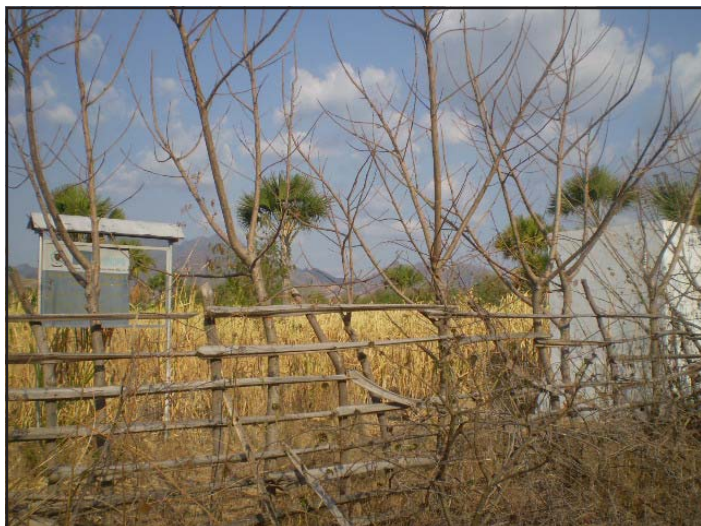
La'o Hamutuk believes that this is the most successful OCAP activity; in fact, it may be the only one which is working well. In this respect, OCAP provided only the facility and training in bookkeeping and management, while the process of loans and savings is entrusted to each group. Data from the UNDP showed that during 2006/7, the total savings of all functioning groups is \$36,820, and the total amount of loans reached \$23,820, with members paying interest of \$2,331.

In February 2007, OCAP, together with the Business Development Centre and Skills Training for Gainful Employment (STAGE) in Oecusse conducted a joint assessment and business training for 13 Self-Help Groups in Malelat, Abani, Naimeko, Bobokase, Usitaqueno and Bobometo sucos. OCAP also cooperates with BNU and the Moris Rasik microfinance program in Oecusse to help SHGs manage their saving and credit programs.

For the continuity of the program, *La'o Hamutuk* thinks that mechanisms to safeguard the loans and savings and to strengthen trust within the groups, should be seriously taken into consideration. These saving and credit activities are very positive for the community, besides the procedures are simple and the minimal costs are within the communities' capabilities. *La'o Hamutuk* supports the establishment of a federation of all SHGs, which would help make the savings and credit operations more sustainable and permanent after OCAP ends.

Livestock Quality Improvement

Through the livestock quality improvement program, cattle owners can establish Cattle Owners Associations or COAs. OCAP brings in UN Volunteer (UNV) specialists on cattle production to train COA members on basic skills and techniques on cattle-raising, to improve their quality and weight. The COAs build stalls and grow king-grass for the cattle, while OCAP provides the owners with king-grass seeds, water facilities and cattle weighing devices. For a period of three months, the cattle have to be in their stalls, with their food and water controlled by the COAs. Each cattle owner can sell his or her cattle and keep the money.



October 2007. King grass planted in Oemolo has died, only the OCAP sign remains.

When *La'o Hamutuk* visited a pilot cattle fattening project in Oemolo village in March 2007, we found the stalls empty and it looked unattended. King-grass plants had died, and the water tanks for the watering the king-grass were all empty. A signboard saying "OCAP" stood alone in the middle of a field. Seven months later, the situation had not changed.

Cows were originally put in a purpose-built community stables but nowadays people use their own, to make it easier to look after them, and they grow their own grass near their homes.

The situation was different in Nipane village. The king-grass is growing very well, but unfortunately the local cattle owners do not use it to feed their cattle, preferring to use



October 2007. King grass planted in Nipane is not being used although it is growing quite well.

turi leaves and other feed stocks they are familiar with, rather than king-grass about which they have not received information and which is available in limited quantities. When we re-visited in October, the king-grass was dried out, because of water shortage and a lack of maintenance (according to the members OCAP had promised to buy their grass, which never happened), and the group members had decided to replant some grass closer to home and keep their cattle at their own houses.

The local villagers who grew king-grass complain that OCAP doesn't appreciate the result of their labor, as they feel they have given money, time and resources to grow this grass, without results.

Based on our observations, *La'o Hamutuk* is uncertain about the effectiveness of this program. Furthermore, unclear OCAP control mechanisms reduce local people's initiatives and creativity, making the program unsustainable.

Upland and lowland agriculture

These OCAP programs are intended to improve food production, income and nutritional status of the people of Oecusse. They include:

1. Introduction and promotion of suitable varieties and cultural practices of crop production and soil and water conservation.

By introducing new varieties and technologies, this project aims to improve the productivity of maize, upland rice, lowland rice and beans. Under the Participatory Variety Selection (PVS) program, many new crop varieties are planted by farmers to compare with their own existing varieties, so the farmers can select the varieties most suitable to their circumstances. The selected varieties are then planted in bigger areas under the Participatory Block Demonstration (PBD) program, and the performance is further verified. If a variety is found to be appropriate for the particular agro-climatic conditions, it is promoted for wider-scale cultivation through seed multiplication and extension programs.

Similarly, various technologies for soil fertility improvement (e.g. compost making, sloping agricultural land technology, mix-cropping with leguminous crops) and soil-water conservation (e.g. water harvesting, slash and mulch, watershed management) are being implemented for increased food production, with the expectation that food security will be achieved gradually.

2. Promote horticultural commodities (vegetables and fruits) and community tree nurseries.

This program improves technologies of vegetable production (drip irrigation, plastic ponds construction, compost making), trains farmers, selects suitable species/varieties of vegetable crops for commercial cultivation, and produces seedlings of forest, fodder and fruit crops in community tree nurseries.

In addition, OCAP provided seeds to local farmers for upland agriculture, such as cashew, mango and pine trees. The seedlings were cultivated by the SHGs, and OCAP promised to buy the grown trees. *La'o Hamutuk* visited a seedling place in Naimeko village in March, where we found out that the seedlings were becoming trees, but none of the trees were used by OCAP or the local people. The SHG group members who cared for the seedlings were disappointed with OCAP whom they felt had manipulated them. They had expressed their grievances through dialogues with OCAP, but no solution has been found.

However, UNDP says that OCAP never promised to buy seedlings from the nursery and never promised to be involved in marketing, and that this message was made clear to the group from the very first day of the program, although OCAP bought some seedlings from Sloping Agriculture Land Technologies (SALT) and other watershed management programs

In our last visit in October, *La'o Hamutuk* found the condition very worrisome. The seedlings were not there, as the group had stopped growing seedlings and returned their savings to each member of the group. Currently they focus on upland agriculture activities. The same condition occurred in Suco Usitacae - Sifin. Seedlings which had been planted in October 2006 were abandoned because there was no water for watering, and the group members were disappointed because OCAP did not carry out their promises to buy the seedlings.

According to UNDP, the OCAP support to nurseries was for just one time, and the Ministry of Agriculture (MAF) was supposed to support the groups to continue the activities if they found buyers for the seedlings. Currently, the nursery groups are receiving requests from MAF, and it is likely that they will be able to sell their seedlings to MAF and other organizations. MAF told *La'o Hamutuk* that they plan to buy three types of seeds as well as coconut, cashew fruit and candlenut seedlings, but not other types, and that MAF has its own groups which are doing seeding.

3. Train communities on the nutritional value of vegetables and encourage consumption

OCAP encourages vegetable group members to consume vegetables as much as possible. The communities have agreed to eat some of the vegetables they grow, and sell the rest in the market.

In several villages *La'o Hamutuk* visited, community activities such as growing vegetables and seeding encounter difficulties because lack of water. *La'o Hamutuk* suggests that OCAP facilitate providing water before implementing its other activities, as water is a fundamental need.

La'o Hamutuk thinks that OCAP should review this program if they do not want to lose the confidence of local people who feel they receive no benefits from it.

Support for the capacity building programs

According to UNDP, this program is designed to develop the ability of program staff, community and other people involved in the program, such as district administration and MAFF-Oecusse. The goal is to increase their capacity to prepare work plans, design operational programs and implement them.

Community Activation Facilitators (CAFs) received training in community organizing, SHGs, agriculture research and development, participatory rural appraisal and other techniques of agriculture and income generation. Each village has one CAF, so there are 18 CAFs throughout Oecusse.

However, when *La'o Hamutuk* visited some villages, we learned that some of the CAFs live in Oecusse town, which limits the effectiveness of their accompaniment of self-help groups in the villages. The CAF visits the village only when they have a meeting there, so it takes time to resolve problems faced by the group.

One facilitator acknowledged that sometimes they cannot resolve problems within the group because they have no decision-making authority, but are only responsible to facilitate the OCAP process, which sometimes makes them feel uneasy in the group. We also learned that people outside of OCAP (such as the district administrator and MAFF) were only invited to take part in workshops about OCAP programs. Trainings on more substantive issues were only available to groups formed by OCAP.

La'o Hamutuk believes that the capacity building program should be prioritized for the community, so that they are not dependent on field facilitators and the program can continue even after OCAP closes. In addition, the subject matter of the trainings should be based on the needs and aspirations of local people, rather than OCAP's organizational priorities.

Funding and its allocation

The total amount of money budgeted for the OCAP program over five years is €3,359,257 or US\$4,116,736 (figures given by OCAP assume a \$1.225 conversion rate from

OCAP Expenditures	2004-2005	2005-2006	2006-2007
Human Resources (Salary, administration and per diem)	\$ 67,713	\$ 453,118	\$479,506
Equipment and Supplies (Computers, motorcycles, furniture, vehicles, tools)		\$ 98,300	\$ 1,689
Local Office/action cost (office rent, office supplies, electricity, maintenance)		\$ 192,841	\$ 40,107
Other Cost, service (survey, evaluation, report, monitoring, etc.)		\$ 227,740	\$228,538
Other			\$ 4,363
Administration Cost (Maximum 7%)	\$ 4,740	\$ 68,040	\$ 52,794
Total	\$ 72,453	\$1,040,039	\$806,996
OCAP Actual expenditures. US dollar values calculated from Euro.			Source: UNDP

Euro to U.S. dollars), including a 7% administrative fee charged by UNDP to implement the program. The European Commission provided about \$3,752,000 for the program, and UNDP itself contributed \$364,000 for the community's capacity building purposes such as trainings, meetings and plot demonstrations. Within this total budget, annual and program allocations are decided based on the Annual Work Plan prepared by UNOPS, which considers the needs of the community and the mandate of the program.

Fiscal Year	Budget
2004	\$ 3,361
2005	\$ 693,322
2006	\$ 1,279,300
2007	\$ 1,005,134
2008	\$ 772,474
2009	\$ 363,145
Total	\$ 4,116,736
UNDP Budget Planning	

The table at the top of this page -- based on the UNDP Annual Allocation for the OCAP program, September 2007, and provided by the European Commission -- includes all OCAP expenditures during these years. It indicates that nearly all the money went to administrative, salaries and supervisory activities, with very little for actually carrying out OCAP projects.

The structure of OCAP

1. Programme Steering Committee (PSC), national level

Members:

1. Ministry of Agriculture and Fisheries (Chair)
2. Ministry of Economy and Development (Vice-Chair)
3. Ministry of State Administration and Territorial Planning
4. District Administration of Oecusse
5. UNDP
6. UNOPS
7. OCAP national program manager
8. EC Representative in Timor-Leste
9. Ministry of Infrastructure; Ex-Officio
10. Ministry of Finance; Ex-Officio
11. Ministry of Foreign; Ex-Officio
12. Minister of Tourism, Trade and Industry; Ex-Officio

Responsibilities: Provide central policy level coordination and overall guidance to OCAP, approve program policies, receive and review the program quarterly reports and resolve policy questions raised by the district-level PWC.

2. Programme Working Committee (PWC), district level

Members:

1. District Administrator (Chair)
2. Agriculture Coordinator (MAF) (Vice-Chair)
3. Sub-District OCAP Coordinators
4. OCAP Sub-District CDOs
5. Line ministry officers at district level
6. Community/civil society representatives; Ex-officio
7. Programme Implementation Unit (PIU); Secretariat

Responsibilities: Monitor the activities and work plan of OCAP, discuss issues arising from day-to-day operation of the program, review periodic progress report of OCAP, submit policy related proposals and feedback to the national PSC.

3. Program Implementation Unit Secretariat

Responsibilities: Manage and implement the OCAP program. In carrying out its program, the PIU cooperates closely with the District Administrator who advises on the political and technical procedures from the Program Steering Committee, also with specialist line agencies and the Program Steering Committee.

Other observations

La'o Hamutuk's research into OCAP identified some other problems to be considered:

1. Getting agricultural products to market

One of the concrete obstacles facing the people of Oecusse is how to sell the harvest of their agriculture. Remote locations and bad road conditions make district markets difficult for most farmers to reach. At present, they mostly sell in their local markets, rather than the important Pante Makassar and Tono markets in the district capital. This

means that most of their harvest is used for their own and their neighbors' needs, and they don't receive significant cash income or economic benefit.

In late 2006, UNDP told *La' o Hamutuk* that a special Oecusse technical team (consisting of the Secretary of State, District Administrator, Chief of Cabinet, Senior Advisor to the Secretary of State, OCAP Agriculture Coordinator and two local businessmen) visited several Indonesian cities in West Timor, including Wini, Kefamenanu and Kupang, to discuss improving trade between Oecusse and West Timor. At that time OCAP was actively designing a policy to regulate cross-border trade. A relationship has now been established with the relevant authorities of Indonesia, and a process to facilitate marketing of Oecusse products in West Timor markets is expected to start soon.

La' o Hamutuk supports these efforts by OCAP and the Timor-Leste government, but we believe that they should first empower the local people in diverse and sustainable agriculture before formally opening international trade. If the farmers are not prepared to compete in cross-border trade, this will not help solve their problems.

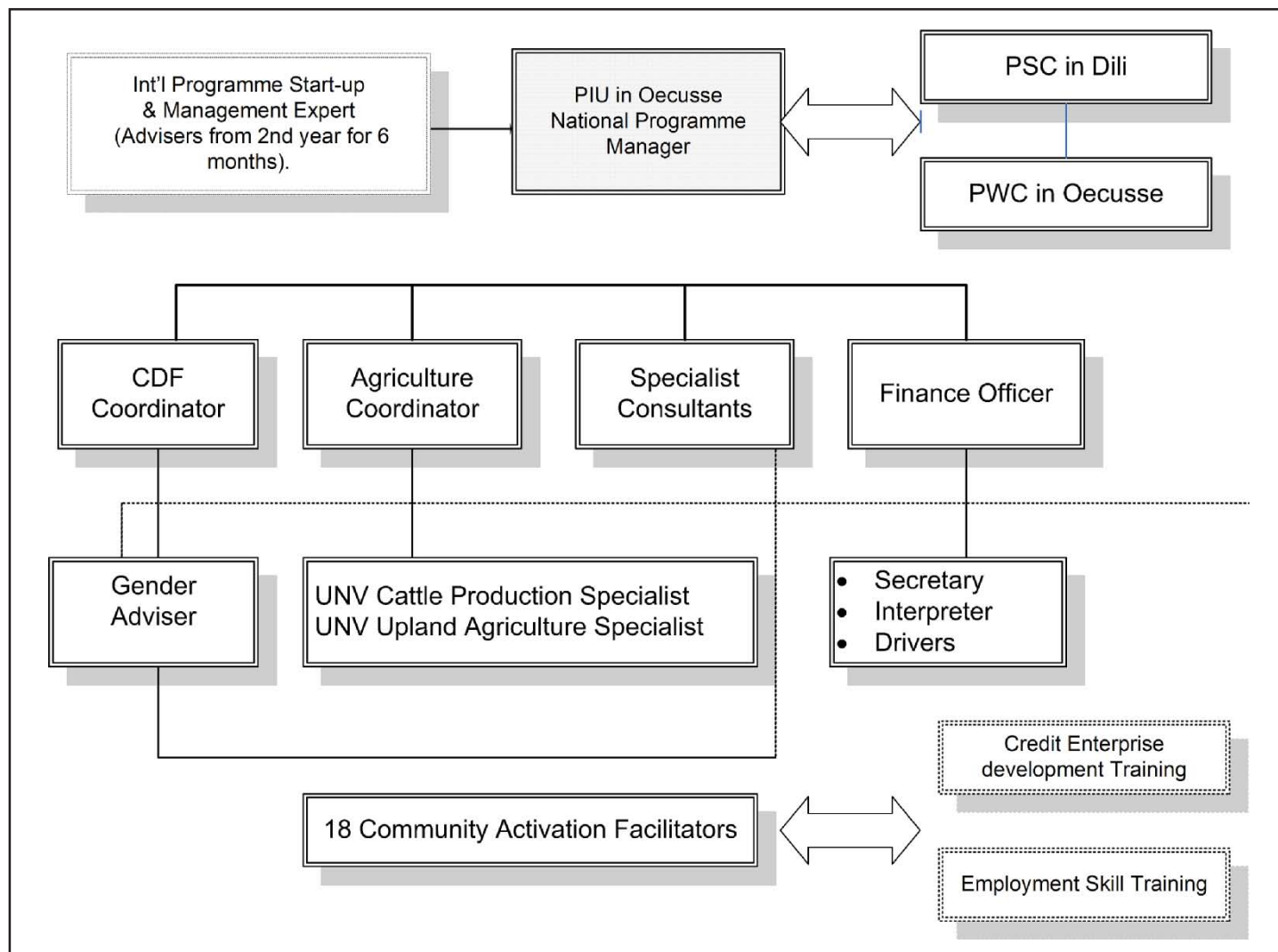
2. Lack of government participation in the execution of OCAP programs

Though the Timor-Leste government is a partner in OCAP, only a few government officials are involved in its implementation. Government officials are members of both the

PSC and PWC, but the reality is that many officials in the Ministries of Agriculture and Development do not know very much about OCAP. Based on our interviews with officials in both ministries, government's participation in OCAP is solely to receive reports about its implementation from UNDP. The Ministry of Agriculture (MAF) in Oecusse also has little knowledge about OCAP; although it is frequently invited to attend workshops organized by the program. Although MAF and Water and Sanitation Services are part of the program implementation, OCAP sends information and reports only to UNDP and PSC in Dili, and the MAF district office does not receive them.

The Oecusse District Administrator, who also sits on the PWC, told us that his role is limited to consultation and recommendation, with UNOPS and UNDP making all OCAP decisions. Meanwhile, Merita Marques of OCAP has told us that the PWC takes decisions on CDF proposals from the communities according to priority, and showed proof of signatures of PWC members for each accepted proposal. Although this is the case, from the above we can see that responsibilities of the PWC are limited to giving advice and recommendations on proposals.

Since the OCAP program is to support Timor-Leste's National Development Plan, *La' o Hamutuk* believes that the Government must be much more engaged. Any parties involved in the program such as MAF, should actively play their roles and coordinate among themselves for suc-



successful implementation of OCAP. In addition, UNDP and UNOPS should make it easier for all stakeholders to participate actively, rather than claiming such participation whether or not it exists.

3. Lack of coordination with local government officials and community leaders

Only one of the thirteen villages *La'ó Hamutuk* visited has both a village chief and a hamlet chief involved in OCAP programs. Other local leaders were not well updated about the developments of OCAP in their villages because there has been little coordination between OCAP structure and local leaders since the socialization of the program in 2001 and 2005. OCAP facilitators in each village normally are only directly in contact with SHGs.

La'ó Hamutuk believes that OCAP, through their field facilitators, should maintain effective contact with local and traditional leaders in each village because they know their communities best. Active participation by local leaders would also motivate community members to be more involved, and can be an effective way to monitor the activities of SHGs.

4. Empowerment of rural women

Empowering rural women should be a priority. Given that Timorese rural society is still strongly patriarchal, women are marginalized in many aspects of development. OCAP's program to build the capacity of local women is a very positive endeavor. *La'ó Hamutuk* thinks that this capacity building should provide better education and training that cover many aspects of women's lives, enhancing their ability to engage in making important decisions.

Many rural populations are really isolated, making rural development an important priority and making this program's goals appropriate to help rural communities improve their living conditions. We believe that this is an important program which could benefit many people in rural areas. Nevertheless, its operating systems and the problems facing the programs are similar to those of other existing programs.

5. Redundant groups are established within many communities

In addition to the Self-Help Groups created by OCAP, other groups have been established by MAF, Caritas, Oxfam, FFSO, Timor-Leste Red Cross, and some local NGOs in Oecusse.



CDF project in Abani village. This community meeting building was finished in August but has not been in use since because construction workers have not been paid and are withholding the keys.

All these groups create confusion and envy within the community because some of them have the same activities, although they have different funders. Therefore, when one group has a problem, some of the members move to another group.

La'ó Hamutuk thinks that organizations working in rural areas should do a joint evaluation of the groups they establish, so that they can strengthen the quality and effectiveness of each group, rather than proliferating many groups. *La'ó Hamutuk* suggests that groups working in the same sectors in the same village share training and information so that they have similar skills, to avoid jealousy and competitiveness.

General Recommendations

After viewing various aspects of the program, *La'ó Hamutuk* doubts the sustainability of the OCAP program, and wonders if any of its benefits will last. If UNDP and UNOPS do not immediately review and fix the existing problems, it will be obvious that the program is not effectively benefiting local communities.

La'ó Hamutuk asks UNDP, UNOPS and representatives of the Timor-Leste Government involved in the program to re-evaluate this program so that four million dollars is not wasted without concrete, lasting results. ❖

Listen to *La'ó Hamutuk's* "Iguualidade" Radio Program

Every Sunday at 13:00 on Radio Timor-Leste

Every Thursday at 19:00 on Atoni Oecusse Community Radio

Interviews and commentary on the issues we investigate -- and more!

In Tetum and Bahasa Indonesia

Publish What You Pay

Consolidating the Asia-Pacific Movement

The Publish What You Pay (PWYP) coalition is a global civil society campaign for transparency in oil, gas and mining revenues. It has 300 coalition members from 50 countries who work on international development, human rights, environmental protection, media and other issues. PWYP was launched in 2002 by Global Witness, CAFOD, Save the Children, Transparency International and the Open Society Institute. PWYP calls for laws requiring companies and governments to disclose payments and revenues related to exploitation of mineral resources. PWYP's objectives are to get companies to report on all types of payments, to every level of government and in every country where the companies operate, and to get Government to report on all revenues from resources extraction, broken down by company and type of revenues (such as taxes, royalties, bonuses, revenue sharing agreements).

This article discusses the issues around transparency in non-renewable extractive resources, which were discussed in a five-day conference in Bali.

The Publish What You Pay Coalition, together with the Revenue Watch Institute, organized the first Asia Pacific Regional Workshop from 6-11 August 2007 in Denpasar, Bali, bringing together more than sixty civil society participants from Asia-Pacific countries which are rich in non-renewable resources. Participants came from Australia, Papua New Guinea, the Solomon Islands, Fiji, Philippines, Burma, Cambodia, China, Malaysia, Vietnam, Indonesia and Timor-Leste, as well as civil society members from Mongolia, Kazakhstan and Ghana.

The thirteen participants from Timor-Leste were selected by the workshop organizing committee, based on their organizations' field of work. They were mainly from the Core Group on Transparency which monitors the national budget including petroleum revenue management, as well as media representatives. Those participants were: Georinha Bianco from Mata Dalan Institute, Julino da Silva Ximenes from the HAK Association, Carlos Florindo from ETADep, Maria Dias Ximenes from Rede Feto (a member of the Petroleum Fund Consultative Council), Jose Alves of NGO Forum, Jose da Costa Alves from Luta Hamutuk, Guteriano Nicolau from La'õ Hamutuk, Mario de Araújo from Oxfam Australia, Rosalina Pires from the office of the Ombudsman for Human Rights and Justice, Jose Sarito from Timor-Post and Antonio Febu da Silva from Radio Timor-Leste. The Timor-Leste participation was coordinated by Santina Soares of La'õ Hamutuk and Thomas Freitas of Luta Hamutuk, who also serves on the Petroleum Fund Consultative Council.

The Asia-Pacific workshop brought together civil society groups who work on transparency in the petroleum and mining sector, as well as those who have engaged with Publish What You Pay campaign for Extractive Industries

Transparency. Furthermore, the workshop helped enhance activists' ability to campaign more effectively in their countries, as well as expanding outreach and raising awareness.

Non-renewable natural resource deposits, the most valuable of which are oil, diamonds, gold, and uranium, can cause people to dream, hoping that the revenues they will provide for government can bring jobs, money and services to the communities, and that their extraction can serve as an engine to develop the local economy. However, the experiences of many countries rich in these resources have shown that this natural wealth often pushes them into the "resource curse," with rising prices, increased imports, and a neglect of agriculture and other sectors. Countries which depend on oil, gas and mining revenues are the most at risk, and they often experience corruption, conflict, instability environmental destruction and increased poverty.

Transparency in revenue management is an important means to help prevent the resource curse, and Publish What You Pay is campaigning for it. If citizens have access to adequate information, they have one tool to hold their government accountable in managing resource revenues. Transparency in revenue management in extractive industries is critical to ensure that natural resources revenues are managed properly, to benefit citizens by creating jobs, developing the economy and improving public services.

The following are some of the issues discussed in the workshop:

EITI and PWYP

The Extractive Industries Transparency Initiative (EITI) is a global effort to improve transparency and accountability in management of revenues from oil, gas and mining. EITI is a multi-stakeholder initiative established in September 2002 by the United Kingdom Government. Currently, 24 countries have endorsed, 15 more are candidates. Nine other countries, including Timor-Leste, are collecting further information. A number of oil and mining companies have expressed their willingness to use EITI as an international standard, although most say that they will implement it only when governments of resource-producing countries require them to do so.

Publish What You Pay is an international movement which campaigns to establish EITI as a mechanism to enforce people's right to information by passing laws requiring governments and companies to implement a limited degree of transparency. The secretariat of Publish What You Pay is based in the United Kingdom, and it is administered by an International Coordinator and a Communications Officer. The PWYP Strategic Advisory Group (SAG) provides strategic direction for the campaign, explores opportunities for PWYP to advance its advocacy, reviews



progress on agreed goals and actions, mediates conflicts within its coalition, and supports members who have been threatened. Rizki Wibowo of Transparency International Indonesia and Santana Soares of *La'o Hamutuk* are the two Asia-Pacific representatives on the SAG, which had its first meeting in Oslo on 23-27 September 2007.

EITI and PWYP both call for transparency, but the difference between EITI and PWYP is that EITI is voluntary at the global level and depends on the participation of the governments, while PWYP grows from civil society and advocates a wider and deeper transparency. PWYP lobbies both governments and companies to establish mechanisms for public reporting of all types of payment activities, for each country and each government, breaking down the information by country, company and type of payment. In essence, PWYP advocates for more transparency than is currently established with EITI.

EITI is just a first step

The workshop discussed EITI as a mechanism that can help reduce the resource curse, and participants exchanged experiences in challenges, weaknesses, difficulties, and lessons learned from countries that already implement EITI measures. In the Asia-Pacific region, Timor-Leste's Government endorsed EITI principles in 2003 and is now in the process of implementing them. Because we are further along than other countries in the region, workshop participants from Papua New Guinea, Solomon Islands, Fiji, and Indonesia are interested to learn from Timor-Leste's experiences, to help them use EITI to improve transparency and increase natural resource benefits to their own people.

During this workshop, participants and resource people raised many issues, indicating that EITI is still being developed. We agreed that EITI alone is not enough to avoid the resource curse. This is because EITI only covers governments' management of money from extraction activities, but does not include actual management of the physical resources by either government or companies, which is called resource management. This important difference often confuses people in both civil society and government. Transparency in revenue management alone does not ensure a fair and just use of non-renewable resources, and transparency alone does not guarantee that the many problems faced by the citizens of a country, such as violations of community and human rights, environmental protection, and attention to vulnerable groups such as women and children are properly addressed.

Willy H. Olsen, who has worked in the Norwegian oil industry for many years, gave a presentation on the first day of the workshop. He said "natural resources [are] often seen as a symbol of wealth but they are merely a symbol." The sentence expresses a very significant message to resource rich countries: that having minerals and oil does not automatically mean that everybody is wealthy. People in these countries often have expectations which are far from reality; many of their people do not benefit significantly from such resources, and continue to live in poverty. For this reason, many organizations advocate that governments and companies stop exploring and exploiting non-renewable resources. They feel that this exploitation often harms local people, while enriching and empowering a small elite. That is why one Filipino participant argued that supporting EITI only gives permission to companies to extract more oil and minerals.

EITI is influenced by many

International Financial Institutions (IFIs) like the World Bank and IMF are deeply involved in extractive industries, and their roles are cause for concern. For example, the World Bank administers the EITI Multi-Donor Trust Fund, which finances technical assistance for EITI implementation. The IFIs have great power, and use their loans and financial leverage to pressure governments, companies and private investors. This is problematic because citizens, governments and IFIs sometimes have different views, such as whether resources should be exploited by public or private companies. Therefore, the IFIs' technical advice to government is sometimes inappropriate for the situation of the country.

EITI originated as a voluntary initiative based on the good will of the host governments and companies. Nevertheless, although EITI itself is not a legally binding mechanism, advocates can demand that governments enact legal requirements that information be published. For example, Nigeria has implemented EITI, strengthened with legal guarantees. This is a difficult process, and the workshop had lively discussions on whether the PWYP advocacy campaign should be broadened, as participants saw that the limitations of EITI are serious weaknesses.

However, many participants agreed that the PWYP campaign should remain focused on revenue management, and leave the broader natural resource-related issues to other organizations with more capacity. Around the world, many other organizations and networks efficiently advocate on human rights, local community rights, and land rights. For example, *La' o Hamutuk* described our experience linking with the Oilwatch network, an international movement strongest in South America and Africa, which works to prevent the damage caused by petroleum development. In the end, participants in the workshop agreed to establish a team to explore how to integrate the PWYP's mission with the other issues discussed in the workshop. This team will report to the PWYP international strategic planning process in 2008 for a thorough discussion.

Lessons from the workshop

All the delegations were very enthusiastic, actively discussing these issues and how to strengthen the network

nationally, regionally and internationally. Its advocacy is important to influence social change in the Asia-Pacific region, which is rich in natural resources but inexperienced in transparency. Unfortunately, oil and minerals combined with corrupt governments and greedy companies often leads to suffering, poverty and underdevelopment. The participants from Pacific countries such as Papua New Guinea, Solomon Islands and Fiji are interested in learning more about how to engage their governments to adopt EITI.

They can learn from the experiences of Nigeria and Ghana in Africa, which have long suffered from poverty and other social injustices and are only now beginning to get back on their feet as they search for ways to control their governments. In West and Central Asia, Mongolia, Kazakhstan and Azerbaijan are also implementing EITI. Timor-Leste, a young country trying not to repeat the unhappy experiences of others, is developing laws and regulations to promote transparency in revenue management, including implementing EITI. The Timor-Leste delegation emphasized that "transparency requires the government and companies' goodwill in implementation." However, Timor-Leste still has a long way to go to guarantee that government is transparent, to hold the companies accountable, and to ensure that both follow through on their promises.

In conclusion, all participants agreed that international support is essential to strengthen each of our advocacy in our own countries, and that the international PWYP coalition should support its members' local campaigns.

Next Steps for Timor-Leste

At the end of the workshop, the participants from each country presented their national plan. The Timor-Leste participants plan for the Core Group for Transparency to continue to advocate for transparency in revenue management and other related issues and to serve as PWYP contact in Timor-Leste. The Mata Dalan Institute will facilitate the Core Group meetings. The Core Group will soon receive training from an experienced specialist on budget monitoring and other issues. We also hope to expand this campaign and invite those interested in joining or supporting it to contact Georginha Bianco of Mata Dalan Institute or Mario de Araujo of Oxfam Australia. ❖



Introduction: EITI Working Group in Timor-Leste

In 2003 the Government of Timor-Leste was one of the first developing countries in the world to promise that it would live by the transparency principles of the Extractive Industry Transparency Initiative (EITI). EITI is a global initiative that is supported by the major developed nations and a number of developing nations to promote openness in the payment and receipt of money between the extractive (oil, gas and mining) industries and host governments. They have funded a Secretariat to manage the program, to help developing countries understand EITI and to give recognition to them when they have shown that they live by the transparency principles.

To be recognized around the world as a country that lives by the EITI principles is a very good thing for Timor-Leste as it will help promote the country as a good place to invest and as a country that does not want to see any corruption in its extractive industries. Timor-Leste establishing its Petroleum Fund

was a significant step forward in showing the world that it wants to manage its petroleum money sensibly, transparently and to invest for future generations. Being recognized as living to EITI principles is harmonious to the aims of the Petroleum Fund.

Setting up all of the arrangements to show the world that Timor-Leste lives by the EITI principles requires quite a lot of work and commitment by the Government, industry and civil society. To do this Timor-Leste has set up a national working group for EITI which has agreed a Terms of Reference about how it will operate and also set out a Work Plan, to guide what it will need to do over the The following documents are the Terms of Reference and the Work Plan, published in both this *Bulletin* and in a variety of other places, so that the public can see what the National EITI Working group is doing and know who to talk to if they wish to ask questions or to learn more about EITI.

Timor-Leste EITI Working Group: Terms of Reference

Preamble

The Government of Timor-Leste was one of the first to state its commitment to the Principles and Criteria of the Extractive Industries Transparency Initiative (EITI) on the occasion of the first international conference on EITI in London in June 2003. Adherence to EITI is aligned with the country's pursuit, from the outset, of transparency in the petroleum and mining sectors. Petroleum sector revenues are in the public sector domain (via quarterly reports on the status of Timor-Leste's Petroleum Fund) as are production sharing contracts. Measures of transparency are codified in the country's petroleum sector legislation. Mining sector activities have not yet started and laws are currently under preparation.

To guide the full implementation of EITI in Timor-Leste, a tripartite EITI Working Group—comprised of representatives of relevant government ministries/agencies, extractive industry companies, and civil society—is established.

Objectives

The objectives of TL's EITI Working Group include:

- √ Develop a public and financially sustainable EITI work plan (endorsed by the Working Group following public review and commentary on the draft work plan).

- √ Monitor implementation of the EITI work plan, reviewing and updating it periodically as necessary.
- √ Determine and agree the scope of EITI audits/reports in Timor-Leste, develop EITI reporting templates to be used by companies and government that are easily comprehensible, determine terms of reference for and select an independent auditor to reconcile revenue and payment data, and ensure that EITI reports are published and disseminated.
- √ Determine and agree the level of aggregation/disaggregation to be included in the reports that appropriately protects commercially sensitive information without compromising the public's right to information on both extractive industry payments and government receipts. The group will determine the frequency/cycle for EITI reports in Timor-Leste.
- √ Help address weaknesses and capacity constraints in extractive industries transparency in Timor-Leste and raise public awareness (including civil society and NGO) of EITI and petroleum sector transparency.
- √ Facilitate the design, monitoring, and evaluation of the EITI validation process in Timor-Leste.
- √ Establish a program of work to include the mining industry under the EITI framework when the mining sector is established.

Membership

The EITI Working Group shall include the following members:

- ◆ Secretary of State, Natural Resources/Public Servant EITI Focal Point (Chairperson)
- ◆ Two senior representatives of the Ministry of Finance/the Tax Authorities.
- ◆ Senior representative of the Banking and Payments Authority.
- ◆ Two senior representatives of the Ministry of National Resources/Regulating Authorities.
- ◆ Three representatives of civil society as determined/selected by a forum of civil society organizations involved in transparency and civil society oversight of extractive industries.
- ◆ Three representatives of petroleum companies selected on the basis of largest share/interest of those companies currently operating in Timor-Leste associated areas: (i) the Timor-Leste exclusive petroleum development area, (ii) the Joint Petroleum Development Area, and (iii) future operators in JPDA as well as Timor-Leste associated areas.

Each member will name an Alternate who would attend Working Group meetings in case the primary member is unable to attend. Each member shall consult with and fairly represent interests of others within their stakeholder pillar.

The World Bank, IMF, NORAD petroleum sector advisers to the government are invited to participate as observers. The Working Group may invite other observers as it sees fit in accordance with the Decision Making / Voting provisions of this Terms of Reference. Observers will not be eligible to vote or take decisions on issues under consideration by the the Working Group. Observers will be subject to the same rules of conduct as full working group members.

Term of Membership

Members shall be appointed for an initial two year term and can be reappointed for a second two year term. While the tripartite nature of the group must be maintained (i.e., government, extractive industry companies, and civil society must always be represented), the group may agree at any time to change, add, or reduce number of members.

Meetings

The Working Group shall meet at a minimum once per month or as otherwise agreed until such time as

work plan is released for public review and validation is achieved. Frequency of meetings shall be reviewed by the group after publication of the final work plan and validation is achieved to ensure full implementation of the work plan.

The Chairperson will call and set the agenda for meetings. The meeting announcement, agenda, and any background documents shall be circulated to Working Group members a minimum of one week before the meeting date. The Chairperson and Working Group shall be supported by a Secretariat. The Secretariat shall conduct all coordination and administrative functions necessary, including transport and communication, to support the Working Group and ensure the fulfillment of its specific responsibilities.

The Chatham House Rule will apply to meetings and to the minutes of meeting discussions to be kept by the EITI Coordinator. Minutes of meetings (respecting the Chatham House Rule) will be circulated to the Working Group and will be made publicly available after agreement among the Members. Members and observers should respect that differences of opinion may arise during the development of a final work plan and should refrain from engaging in public discourse which would be disruptive to the development of a draft Work Plan prior to release for public review and commentary.

All Working Group Members and Observers shall respect and not discuss outside of the Working Group meetings any commercially sensitive information that may become available at any point during the development and implementation of the Timor-Leste EITI Program. Violation of this trust would be reviewed by the Working Group and may result in dismissal from any further participation in Working Group meetings.

If there are any necessary or urgent issues which need to be discussed and decided, the Chairperson will call to have extraordinary meeting.

Decision Making/Voting

A quorum of the Working Group shall constitute majority (50 percent) attendance of members which must include at least one representative of each stakeholder pillar (i.e. the Government, Industry and Civil Society). The Working Group shall strive to decide all matters through consensus of all members present and representing a quorum. However, where consensus is not possible, then final decisions of the Working Group shall be taken by vote representing 60% of the quorum, including at least one member of each stakeholder pillar.

Summary of Timor-Leste EITI Work Plan 2007-2009

The Government of Timor-Leste was one of the first to state its commitment to the Principles and Criteria of the Extractive Industries Transparency Initiative (EITI) on the occasion of the first international conference on EITI in London in June 2003. Adherence to EITI is aligned with the country's pursuit, from the outset, of transparency in the petroleum and mining sectors. Petroleum sector revenues are in the public sector domain (via quarterly reports on the status of Timor-Leste's Petroleum Fund) as are production sharing contracts. Measures of transparency are codified in the country's petroleum sector legislation. Mining sector activities have not yet started and laws are currently under preparation.

To guide the full implementation of EITI in Timor-Leste, a tripartite EITI Working Group—comprised of representatives of relevant government ministries/agencies, extractive industry companies, and civil society—is established.

The following is a summary of the Work Plan of the EITI Working Group.

Objective One: Establish Commitment to Implement EITI

1a. Unequivocal public statement of intention to implement EITI.

- ✓ Government announces its commitment to EITI.

1b. Appointment of EITI focal point / coordinator in government.

- ✓ Government announces/appoints an EITI coordinator.

1c. Government commits to work with all stakeholders (e.g., civil society, companies) on EITI.

- ✓ Government statement at November 2006 petroleum revenue management workshop expressed commitment to work with civil society and companies on EITI.
- ✓ Establishment of EITI multi-stakeholder working group also demonstrates government's commitment.
- ✓ Identification of wider stakeholders can be undertaken as part of the EITI Working Group's agenda.

Objective Two: Establish an EITI Working Group, Develop and Publish an EITI Workplan

2a. Establishment of an EITI Multi-stakeholder Working Group.

- ✓ Following on January 2007 invitation from government to stakeholder constituents (e.g., government agencies, petroleum companies and operators and civil society representatives).

- ✓ Convene EITI Working Group to review obligations under EITI and establish terms of reference (TOR).

2b. Develop and publish an EITI work plan and implementation schedule.

- ✓ Develop a publicly available EITI work plan that outlines activities for EITI implementation.
- ✓ Work plan is dynamic and will be updated as necessary.
- ✓ There will be a press release on the launch of EITI Work plan.

2c. Identify sustainable sources of financing for EITI implementation

- ✓ Secure government budget and/or EITI Multi-Donor Trust Fund (MDTF) financing and investigate other sources of financing to support EITI implementation.
- ✓ Prepare budget justifications and/or MDTF grant agreement proposal for submission.

2d. Establish local EITI Secretariat

- ✓ Agree TORs for Secretariat staff person and recruit and appoint staff person to support EITI Working Group.

Objective Three: Remove Obstacles to Implementation of EITI/Capacity Building and Outreach

3a. Review of legal framework to identify potential obstacles to EITI implementation

- ✓ Review legal framework to identify any possible obstacles to EITI implementation.
- ✓ Determine procedures to promote EITI compliance.

3b. Capacity building/training for civil society (including media) on EITI and petroleum sector issues

- ✓ Workshops and training sessions in Dili and the Districts on specific issues of interest, informational sessions, Model PSC explanation, Petroleum Regime, Petroleum Fund etc.
- ✓ Assist Civil Society to identify specialist training courses and possible sources of funding to participate.
- ✓ Recruit international specialists to deliver focus groups and training sessions on extracting industries related issues.

3c. Capacity building/training for and from industry on EITI and petroleum sector issues.

- ✓ Workshops and training sessions in Dili (University and High School) on specific issues of interest, informational sessions, etc.
- ✓ Information and discussion among industry in relation to EITI.

3d. Capacity building/training for government on EITI and petroleum sector issues

- √ Lectures, workshops and training sessions for Civil Servants, Members of Parliament etc.

3e. Outreach/informational activities

- √ Seminars, TV and radio talk show, and press release/newspaper articles, web site, mailing list, etc., workshops and film showing around the Districts.
- √ Possible establishment of a publicly accessible Petroleum Resource Center.

3f. Build capacity to monitor the Estimated Sustainable Income (ESI)

- √ As production projections already are available in the budget papers, the WG will consider the extent to which more detailed technical calculations can be available for relevant stakeholders.
- √ Consider a review of accessibility of information provided to the Parliament.

Objective Four: Complete and Disseminate EITI Report

4a. Develop a reporting template for the EITI report

- √ EITI Working Group to discuss and agree on the design of the reporting template for the EITI report, with a view to ensuring that it is simple and easily comprehensible, while at the same time capturing all the necessary information.
- √ The group shall determine the data collection and reporting mechanisms by the government and companies to ensure that the independent consultant will receive the information needed.
- √ Government and company information should be based on audited accounts to international standards.

4b. Determine and agree the level of aggregation / disaggregation

- √ The EITI Working Group will discuss and agree the level of aggregation/disaggregation to be included in the reports that appropriately protects commercially sensitive information without compromising the public's right to information on both extractive industry payments and government receipts.

4c. Decide terms of reference and recruit a consultant to determine whether the process and scope of preparing the Petroleum Fund Annual Report is consistent with the reporting template, ref. activity 4a.

- √ The EITI Working Group will determine the terms of reference for the independent EITI consultant, who shall be credible, technically capable, cost efficient and trustworthy.

4d. EITI compliance report completed by consultant and agreed (or rejected) by EITI Working Group

- √ Consultant collects and analyzes processes, payment and revenue data for Timor-Leste associated areas as defined by the Terms of Reference of the Working Group.
- √ The consultant submits the compliance report to the EITI Working Group for review; the EITI Working Group reviews the report and goes back to the consultant for any clarifications and, where necessary amends reporting format to meet requirements.
- √ EITI Working Group formally accepts (or rejects) report.

4e. Publish and disseminate EITI compliance report and submit it to Government

- √ EITI report posted on government, EITI, and other web sites; EITI report highlighted widely in local media.
- √ EITI Working Group also to develop a wider dissemination strategy for the EITI report.
- √ Stakeholders should be given the opportunity to discuss, evaluate, and interpret the results.

Objective Five: Validation of EITI Implementation

5a. EITI Validation

- √ EITI Working Group to select validator from approved list provided by the international EITI Secretariat in Oslo.
- √ Validator undertakes validation of EITI implementation in Timor-Leste in accordance with the EITI Validation Guide, and submits validation report to the EITI Working Group, government, and EITI Board for approval (or rejection).

5b. Publish and disseminate EITI validation report

- √ EITI validation report posted on government, EITI, and other web sites; EITI validation report highlighted widely in local media.
- √ EITI Working Group to develop a dissemination strategy for the EITI validation report.



Validation report available in Tetum on www.eitransparency.org

Job Announcement

Lao Hamutuk - Walking Together

The Timor-Leste Institute for Reconstruction and Development Monitoring and Analysis

La'o Hamutuk is a joint Timorese-international organization that monitors, analyzes and reports on international institutions involved in reconstruction and development of Timor-Leste. La'o Hamutuk believes that the people of Timor-Leste must be the ultimate arbiters of the reconstruction and development process in their country, and that the process must be democratic, participatory and transparent. La'o Hamutuk works to improve communication between international organizations, Timorese government, and Timorese society, and also provides information on alternative development models, experiences, and practices.

La'o Hamutuk works in five broad thematic areas: Natural Resources, especially oil and gas; Agriculture; Governance and Democracy; Economics and Trade; and Service Delivery.

More information about La'o Hamutuk and its publications, including our *Bulletin*, statement and Annual Reports, can be obtained at www.laohamutuk.org and on the back page of this *Bulletin*.

We are currently looking for qualified people, to be based in Dili with regular duties in the districts, to complement the following teams:

1. **Researcher within Natural Resources team (national)**
2. **Researcher within Economics and Trade team (national)**
3. **Researcher within Governance and Democracy team (international)**

Job Description

Each researcher is required to take part in researching and reporting on the activities of the national government, foreign governments and national and international institutions operating in these areas in Timor-Leste. La'o Hamutuk is a non-hierarchical organization where staff members share responsibility and coordination for all activities, and all decisions regarding the organization are made by consensus. Therefore, researchers will also be required to carry out other activities within the organization, including working collaboratively with other staff and advisory bodies to develop and implement the organization's work plan.

We need:

- Experience in international development work and/or policy research, with the ability to clearly present information from investigations in written and oral form
- Strong commitment to making the development process in East Timor more democratic, participatory and transparent
- Experience as a political activist and/or human rights advocate
- Experience and knowledge of areas of monitoring cited above (Natural Resources, Economics or Governance)
- Fluency in written and spoken English. Tetum, Indonesian or Portuguese highly desirable
- Strong organizational and computer skills
- Ability to work cooperatively and creatively in a multi-cultural setting
- Commitment to share skills and help build other people's capacity
- Knowledge and understanding of the history and politics of Timor-Leste
- Experience living and working in a developing country; interest and capacity to live simply
- Sound physical and psychological health
- Willingness to commit to work with Lao Hamutuk for at least two years

We offer:

La'o Hamutuk is a small but vibrant organization with dedicated people who respect each other. La'o Hamutuk's local and international staff enjoy equal responsibilities and compensation, including a salary of US\$400/month, with health insurance and housing allowances if needed. For international staff, travel to and from Timor-Leste and a readjustment allowance are also provided.

Contact:

Applications may be submitted at any time but must include the following:

- Cover letter indicating for which position you would like to apply and why you would be a good candidate
- CV detailing educational background and professional and volunteering experience
- Sample of your writing, two-five pages long
- Contact details of at least two references

Applications can be sent to La'o Hamutuk's office in Dili, Timor-Leste, or to info@laohamutuk.org

In Brief: The Government's Program on Agriculture

On 19 December 2007, *La'ó Hamutuk* organized its monthly Public Meeting, focussing on the Government's Agriculture Program. The objective of this Public Meeting was to communicate to the public information about this new Government's agricultural plans and facilitate a discussion between Government, civil society and academia on what could be done by the various parties.

Valentino Varela, Secretary of State for the Livestock Sector, represented the Government. The new Government, according to Mr. Varela, has a mission to transform this ministry to be the farmers' ministry that will serve the interests of all farmers and can guarantee food security in TL. Arsenio Pereira, coordinator of the HASATIL Sustainable Agriculture Network appreciated the effort to guarantee food security as a positive part of the Government's overall program but strongly recommended not to depend only on food imported from other countries. The government must try its best to realize food sovereignty by improving Timor-Leste's own food production based on three pillars: Sustainable Economy, Sustain-

able Ecology and Sustainable Socio-Culture. On the academia side, Mateus da Cruz, Dean of the Agriculture Faculty of the National University, commented on the importance of improving food production quantity, for example through the supply of appropriate tools, but pointed out that the quality of production should not be neglected because quantity without quality makes market competition difficult.

During the question and answer session, participants from civil society questioned the very small national budget allocated to the Ministry of Agriculture and Fisheries in 2008, especially when comparing it to the fact that more than 80% of Timorese people live from agriculture. In reply, Mr. Varela said that for this year the government needs to focus on the problems related to the recent crisis. Many of the civil society members at this meeting also questioned the policy of "giving" rice to public servants as they are concerned that the policy could negatively impact on traders, and especially Timorese farmers, who will not be able to sell their local rice in the market. ❖

Editorial: World Bank Recommends Neo-Liberal Pathway, Again

(Continued from page 20)

enue effectively. The IFIs observe that budget execution capacity was very weak in the previous Government. This weak capacity has shown itself in project design, procurement contract tendering and bidding processes, as well as heavily centralized fiscal management. This has contributed to stagnation of general economic development and an underdeveloped non-oil private sector. To improve on these, the IFIs recommend several steps to execute the budget more effectively, such as decentralization of fiscal management, including the tendering process, and building of capacity in project design and management.

Oil revenues could fuel public spending

Although revenues from the petroleum sector increase faster than anticipated, other sectors are stagnating. This is a big problem because most Timorese work outside the oil sector, and the lack of growth in them has increased unemployment. Therefore, the IFIs have reconsidered their previous distaste for government spending and recommend short-term increased public sector spending to provide jobs and services. For example, the Bank recommends developing a social safety net to provide immediate support for poor and vulnerable people. According to the report, this can be done through low-wage public works jobs, cash transfers to the disabled, as well as school feeding and cash transfers to families with children, and a "modest universal cash transfer program to share a fraction of the petroleum revenue gains with the population."

This is not because the IFIs agree with public spending, but because they believe that, given the present circumstances of social fragility, non-oil private investment alone

cannot lead to economic growth. However, for the medium- and long-term the IFIs still believe that foreign investment and private business will drive the economy, and they encourage the government to cut import and income taxes to make Timor-Leste more inviting to entrepreneurs.

Revenue management alone is not enough

Although the report underlines several important issues, including the lack of non-oil economic growth, *La'ó Hamutuk* thinks it ignores the wider implications of petroleum dependency. With the limited revenue from non-oil sectors, the IFIs still consider current petroleum revenue as a surplus as it is higher than anticipated. The IFI emphasis on petroleum transparency in Timor-Leste reflects a narrow perspective on the resource curse, focusing only on revenue management. Although lack in transparency is one element of this curse, *La'ó Hamutuk* has written of many other elements: greedy and unscrupulous oil companies, environmental destruction, ineffective regulation, neglect of non-oil sectors, undemocratic decision-making, dependence on imports, little local involvement in the oil industry, failure to plan for population growth, etc.

This limited view, reflected in the past Government's emphasis on revenue management, fails to see the above-mentioned wider implications and cannot provide a comprehensive policy which can cope with them and save Timor-Leste from the resource curse. Although most of the recommendations from the report should be taken into account by the current Government of Timor-Leste, it needs to do more than the Petroleum Fund, both in terms of practice and establishing legal protections.

Private Sector Development in Timor-Leste

Another important issue covered by the report is Private Sector Development in Timor-Leste. This section was written by the International Finance Corporation (IFC), which began activities in Timor-Leste in 2006 and has as goal the assisting Timor-Leste in supporting the private sector and increasing foreign direct investment. Before the arrival of the IFC the World Bank took responsibility for promoting Private Sector Development here.

The Bank believes that private sector development is very important for economic growth. The government role is just to regulate, while the private sector carries out the development. The belief based on the neo-liberal and market-oriented policy thought that the private sector is more efficient, more effective, less corrupt, and more qualified than the public sector.

The World Bank, IMF and ADB have long advocated for measures to encourage the private sector in Timor-Leste. Last year the World Bank published a working paper (*Enterprises, Workers and Skills in Urban Timor-Leste*) on private sector development in Timor-Leste, based on finding from the 2004 *Urban Enterprise Survey* and the 2006 *Doing Business Report*. This last report ranked the ease of doing private business as part of an annual worldwide study, finding Timor-Leste the second worst country in the world. The ranking was based on several factors, such as Land Registry, Infrastructure, Judiciary, bureaucratic procedures and political security. The previous Government under Prime Minister Jose Ramos-Horta used the report to advocate for radical tax reform. In the 2008 *Doing Business Report*, Timor-Leste has moved up to 168th out of 178 economies, a slight improvement.

Recommendations of the IFIs

Within the Economic and Social Development Brief, the IFC recognizes that in the context, it's not realistic to rely on the private sector development in the short-term. So, the public sector should play more roles. However, for the long-term development, the IFC and Bank believe that the private sector should play more important roles in economic development in Timor-Leste. At the same time they see as negatively influencing factors the high monetary and time cost of contract enforcement, the time and cost of business start-up, and a restrictive labor regulation. Therefore, Bank and IFC recommend for the Government to take immediate measures to create a healthy environment for private sector development. One recommendation in the Economic and Social Development Brief states:

“In light of the comfortable fiscal position and prospects (*due to oil income - editor*), reducing and simplifying import tariffs and income taxes for the non-oil economy (but not user and utility charges) may be warranted as part of an overall effort to improve the attractiveness of Timor-Leste as a destination for private investment.” Simply said, businesses should be paying lower taxes for importing goods and running their business. Furthermore, the Bank recommends approval of the Land Law as well as amendments of the Commercial Societies Act, the Commercial Registry Code and various investment laws. The Bank sees the current system of two separate investment laws, one for domestic investment and one for foreign investment, as too complex and recommends simplifying them and merging them becoming one. It also finds that more support needs to be given to microfinance initiatives, but only on commercial terms and by established bank and microfinance institutions.

Recommendations will hurt local business in the long-term

We agree with the Bank and IFC that high unemployment, weak budget execution capacity, and absence of the important legal frameworks are serious problems in Timor-Leste, contributing to the crisis last year. However, we have some reservations about the Bank's recommendations, which are too narrowly focused on making it cheaper to do business. Timor-Leste's business community is largely made up of small family firms and some medium-sized foreign businesses. *La'ó Hamutuk* thinks that the current set of recommendations is aimed at increasing foreign investment more than domestic investment, and foreign investment in general has only small local content.

Although lower taxes would benefit both foreign and domestic investment, it is foreign businesses that would be able to make most use of such a system. Around the world, many studies have been conducted on the impact of foreign investment on local economic development and the general conclusion is that in countries with very low economic development, such as Timor-Leste, the increase in number of foreign businesses can result in local businesses being “crowded out”. Especially in countries that are considered risky for business, foreign investors tend to keep tight control and be ready to leave quickly. This reflects in their way of doing business, which uses temporary workers at low positions and with most money channeled out of the country. Therefore, the danger lies in creating an environment that sees very little money trickle down to the local environment. ❖

Who is La'ó Hamutuk?

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In August 2007, while Timor-Leste was forming its new government, the World Bank, International Financial Corporation and Asian Development Bank, published an "Economic and Social Development Brief" for Timor-Leste. The 62-page report of these International Financing Institutions (IFIs) reviews various aspects of the country's development, and provides some recommendations for the new Government. According to Catherine Anderson, Operations Analyst (governance) from the World Bank, the Banks intend the report to underline current problems and encourage the new Government to deal with them. The facts discussed in this report are not new; the report compiles and summarizes issues discussed in previous Bank and ADB documents.

The report has been widely circulated within the Government, among diplomats stationed in Timor-Leste, and to the public. Although the new Government led by Xanana Gusmão has not yet given a formal response to the report, the new Government is apparently adopting some of its recommendations, which are reflected in the Government's general policy for the next five years. The issues and recommendations discussed in this report, as well as in the World Bank Policy Research Working Paper titled *Enterprises, Workers and Skills in Urban Timor-Leste*, could have a huge impact on the development direction of our tiny country. *La'ó Hamutuk*, as a civil society organization in Timor-Leste, would like to share our views on two important areas of these documents: Petroleum Development and Private Sector Development.

Petroleum Revenue Management

Petroleum revenues cover more than 90% of annual Government budget. Timor-Leste's first government tried to avoid the problems experienced by many countries rich in natural resources, especially wasteful spending and widespread corruption. Norway has managed to avoid these problems by depositing oil and gas revenues into a Petroleum Fund, and Timor-Leste, notwithstanding major historical, economic and political differences with Norway, passed the Petroleum Fund Act in 2005 (*La'ó Hamutuk Bulletin*, Vol. 8, No.1, March 2007).

Regarding Petroleum revenue transparency and accountability, the Petroleum Fund Act's establishment is seen as an "international best practice model" and its management arrangement "designed to maintain transparency and accountability." Furthermore the report states that the adoption of the Petroleum Fund Law, Model Production Sharing Contract (PSC), and Petroleum Tax Law complete the legal framework governing the exploration and development of petroleum resources in Timor-Leste and these also are "in line with international good practice", as is the Government commitment to the Extractive Industries Transparency Initiative (EITI, see article on page 10) and the establishment of an EITI Working Group.

Still, in the opinion of *La'ó Hamutuk*, several important laws and implementation tools such as the Petroleum Act, Production Sharing Contract (*See LH Bulletin* Vol. 6 No.4 November 2005) and various draft regulations to restructure the petroleum sector are still lacking in transparency and accountability (*See LH Bulletin*, Vol. 8 No. 3 September 2007 and Vol. 8 No. 2 June 2007). Furthermore, the transparency in Timor-Leste should not only focus on Petroleum revenue *management*, but cover the entire process of petroleum exploitation. For example, Production Sharing Contracts between Timor-Leste and oil companies should not forbid companies from releasing information voluntarily, a provision of the current model contract that contradicts the principles of the Extractive Industries Transparency Initiative. Therefore, the Petroleum Fund and its implementation mechanism cannot be considered an overall solution to transparency and accountability.

The report appreciates the Petroleum Fund and its principle of saving for the future, especially because all Timor-Leste's oil and gas reserves will eventually be used up. But on the other side, the Government must spend the rev-

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What is La'ó Hamutuk?

La'ó 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-Leste as they relate to the physical, economic, and social reconstruction and development of the country. *La'ó Hamutuk* believes that the people of Timor-Leste must be the ultimate decision-makers in this process and that this process should be democratic and transparent. *La'ó Hamutuk* is an independent organization and works to facilitate effective Timorese participation. In addition, *La'ó Hamutuk* works to improve communication between the international community and Timor-Leste society. *La'ó Hamutuk's* Timorese and international staff have equal responsibilities, and receive equal pay. Finally, *La'ó Hamutuk* is a resource center, providing literature on development models, experiences, and practices, as well as facilitating solidarity links between Timorese groups and groups abroad with the aim of creating alternative development models.

La'ó 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'ó Hamutuk* would like you to contact us if you have documents and/or information that should be brought to the attention of the Timorese people and the international community.