

FORUM ONG TIMOR LESTE THE EAST TIMOR NGO FORUM



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Civil Society Statement to the 2012 Timor-Leste and Development Partners Meeting 15-16 May 2012

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The NGO Forum of Timor-Leste, on behalf of civil society organizations working to improve people’s lives in Timor-Leste, appreciates this opportunity to share our perspectives with Development Partners, Government officials and the people of our country. In particular, we thank the organizers of this conference for inviting our independent observations, and we share their faith that a diversity of views and opinions will help Timor-Leste move forward.

We offer these comments in a constructive spirit -- not to show dirty laundry in public, but to help everybody working in partnership to wash it to see what needs cleaning. We hope that you will receive them in the same light, even though some of our ideas may be different from those of the Government. We all have the same goal: improving the lives of Timor-Leste’s people.

Many Development Partners have been with Timor-Leste since 1999, and our four Constitutional Governments have worked hard over the past decade, with consistent support from the United Nations, Development Partners and international NGOs. We recognize the difficult challenges that we have confronted together, and celebrate the successes. Although Timor-Leste has not yet escaped the consequences of conflict or emerged from poverty, we rejoice in the space opened by democracy, stability and peace. This space will allow economic development to move ahead and enable a better-functioning state founded in the rule of law, transparency and accountability to its citizens.

Please understand our reality.

We would like to give a special welcome to you who have come from overseas, and hope that you appreciate the extraordinary expenditure and tremendous efforts by Government and contractors during the last two months to rehabilitate the “*estrada protokolu*” roads between the airport and the Palacio. The Government wants to show the best face of Timor-Leste to VIP visitors from Indonesia, Portugal, the United Nations and around the world who are coming for this meeting and for the restoration of Independence celebration on Sunday.

However, we encourage you to look beyond this Potemkin Village¹ to understand Timor-Leste's reality better. **Although crumbling roads, impoverished people, curbside markets and some unsightly houses have been removed from *estrada protokolu*, they are reality for the great majority of Timor-Leste's citizens.** As you work to help our State and people develop our country, please don't be fooled by this generous hospitality into believing that all Timorese people live on *estrada protokolu*.

Similarly, we hope that our Government's eagerness to improve our ranking in global scores does not mislead you into thinking that your help is no longer needed. Although press releases claim double-digit economic growth,² high school enrollment³ and reduced poverty,⁴ these are not reflected in most of our people's lives. Similarly, global indices which gauge support for sectors like education and health by comparing spending against GDP misrepresent Timor-Leste's reality – our 2012 state budget is double our GDP.⁵ The high expenditure rate masks a **shocking under-investment in sustainable development, which would address critical issues of poverty, malnutrition, and unemployment.**⁶ Although the Government's Transparency Pillars do not always fulfill their promises, Development Partners and civil society have enough access to information to understand the truth beneath the statistics.

We encourage you to "take context as the starting point," and to recognize that **Timor-Leste's people are still struggling with the legacies of colonialism, war, occupation, trauma, impunity, poverty and underdevelopment** which foreign occupiers and their supporters brought to our country during 490 of the last 500 years.

We wish that "goodbye conflict, welcome development" were as easy to implement as it is to say. But until the crimes and consequences of the past have been dealt with, they will continue to haunt our people and limit our ability to move forward. This is a deeper problem than conflict within Timor-Leste or with our former occupiers. We will be able to say goodbye to conflict only when individuals and nations are held responsible for the international crimes they have committed against us, and when the government of Indonesia and the member states of the United Nations accept their responsibility to end impunity. Development is of course welcome, but it will only happen when most of our citizens, assisted by Government and Development Partners, embrace the burden of planning and building a sovereign, equitable, achievable and sustainable economy.

¹ According to legend, in 1787 Russian War Minister Grigory Potemkin directed workers to construct fake villages along the Dnieper River to impress visiting Empress Catherine II, his former lover, misleading her to believe that recently conquered territory that he was responsible to develop, was vital and prosperous. The term "Potemkin Village" has come to mean a false front designed to mislead VIP visitors and conceal a sadder reality.

² Approximately 80% of Timor-Leste's GNI is from oil revenues. The Government estimates the non-oil GDP in 2011 as \$788 million. The State spent \$1,093 million in 2011, which is the source of most of the non-oil GDP (even though most State spending went abroad). In other words, GDP growth reflects even more rapid growth in State spending. Between 2008 and 2012, State expenditures increased from \$484 to \$1,674 million, an average increase of 36% per year, while nominal non-oil GDP growth averaged 14%/year. During the same period, population grew 2.4% annually, and inflation averaged 9%/year, so real GDP/capita grew about 2%/year, while real state spending/capita increased 22%/year.

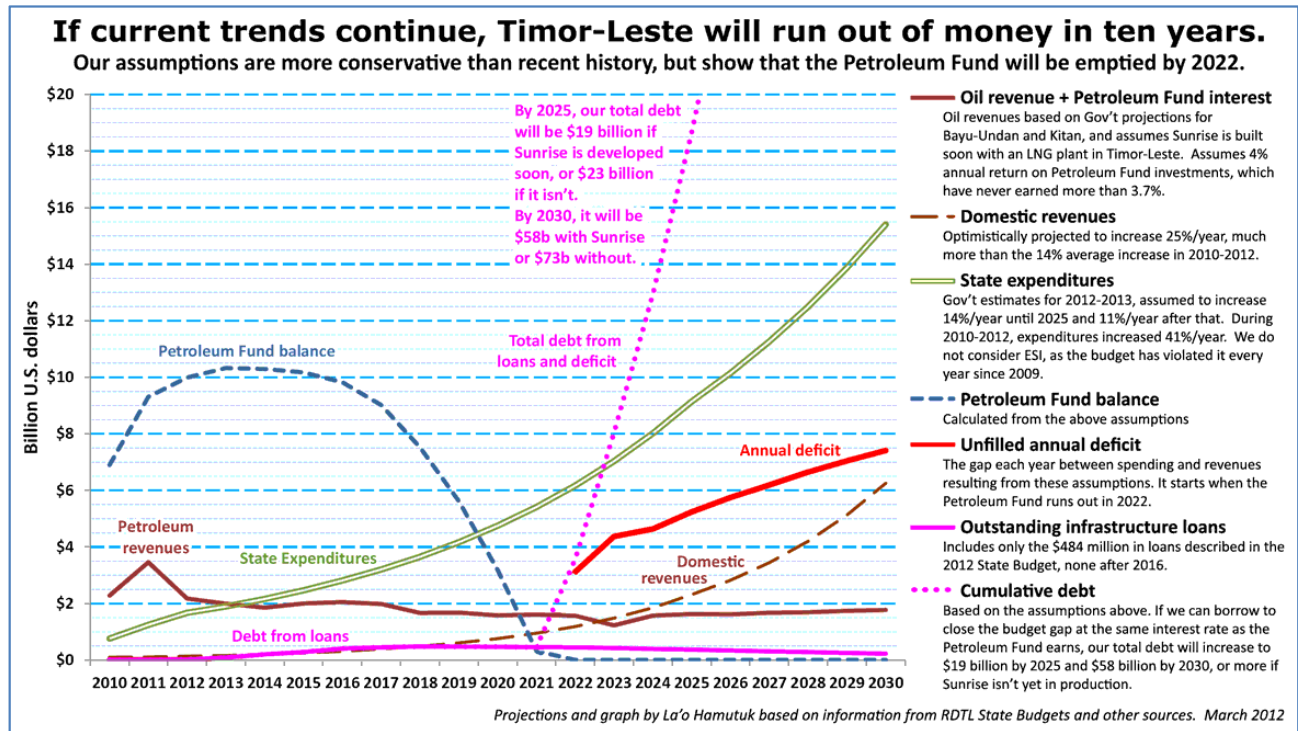
³ Counting the children enrolled in school does not reflect the hours and days of schooling, the quality of teachers and instructional materials, or the home environment. It does not measure how much children actually learn, which is critical to development. Similarly, areas are declared "free of illiteracy" when 4% of their adult population still cannot read and write.

⁴ There is no reliable data on poverty since 2007, but observations indicate that more than half of Timor-Leste's people still live below the poverty line, which surged upwards due to 15.4% inflation during 2011. Poverty is much worse outside Dili.

⁵ The ADB's Asian Development Outlook 2012 (page 263) lists Timor-Leste's 2011 expenditures as 185.5% of GDP. Tuvalu (97%) and Kiribati (90%) are the only other countries in Asia-Pacific whose government spends more than 65% of GDP. When agencies like WHO and the Millennium Challenge Corporation assess health spending as a percentage of GDP, they cannot see that Timor-Leste should allocate more resources to our deficient health care system.

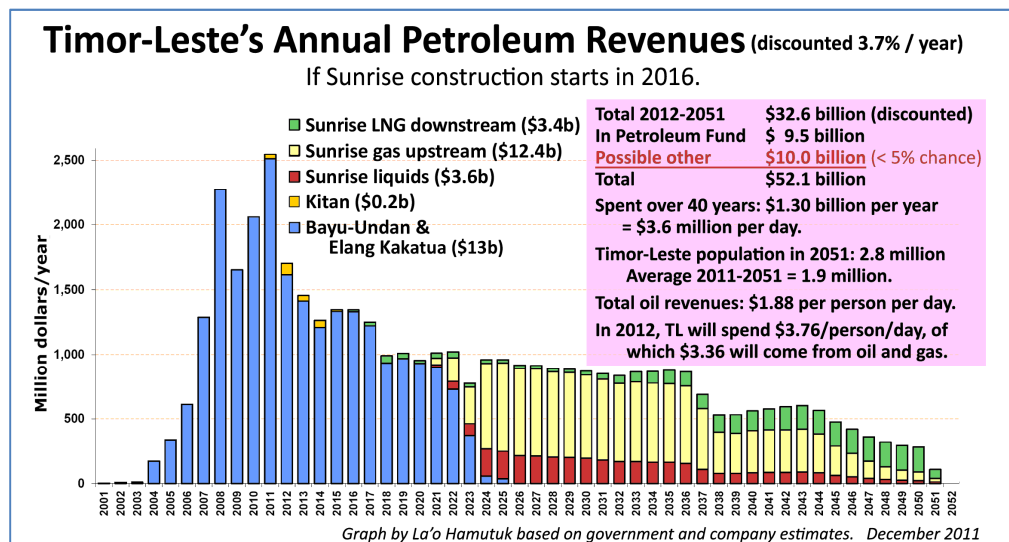
⁶ The UN Special Rapporteur on Extreme Poverty's report on Timor-Leste, to be released in a few weeks, will be an invaluable reference for addressing these conditions. Her preliminary observations highlighted the need for more investment in education, health and agriculture to develop a sustainable economy, as well as pending problems in relation to land rights and evictions and access to legal counsel.

This “fragile state” could shatter in a decade.



Some believe that Timor-Leste’s \$10 billion Petroleum Fund makes this a wealthy country. In truth, this money is a large portion of our nonrenewable resource wealth, already converted from oil and gas deposits into dollars. Current spending patterns will exhaust the entire Petroleum Fund in less than a decade, and the Bayu-Undan field will be dry a couple of years later. We are living the experience of the “resource curse.”

Even with the Greater Sunrise field, Timor-Leste’s Petroleum Fund and total oil and gas reserves are only enough to fund State spending at less than \$2 per citizen per day for the next 40 years. The 2012 State Budget will spend at twice that rate. In 2011, 97% of State Revenues came from exporting oil and gas and investing the Petroleum Fund.⁷



Timor-Leste remains one of the poorest countries in the world, but a greater peril will come ten years from now. Our oil and Petroleum Fund may have vanished, debt repayments will have escalated, and the post-war “baby boom” will be in their late teens. Twice as many young people will reach working

⁷ During 2011, Timor-Leste received \$3,240 million in oil and gas revenues, \$221 million from Petroleum Fund investments, and \$108 million in non-oil revenues (some of which was gross receipts of autonomous agencies which spent more than they took in, or from taxes paid by one State agency to another).

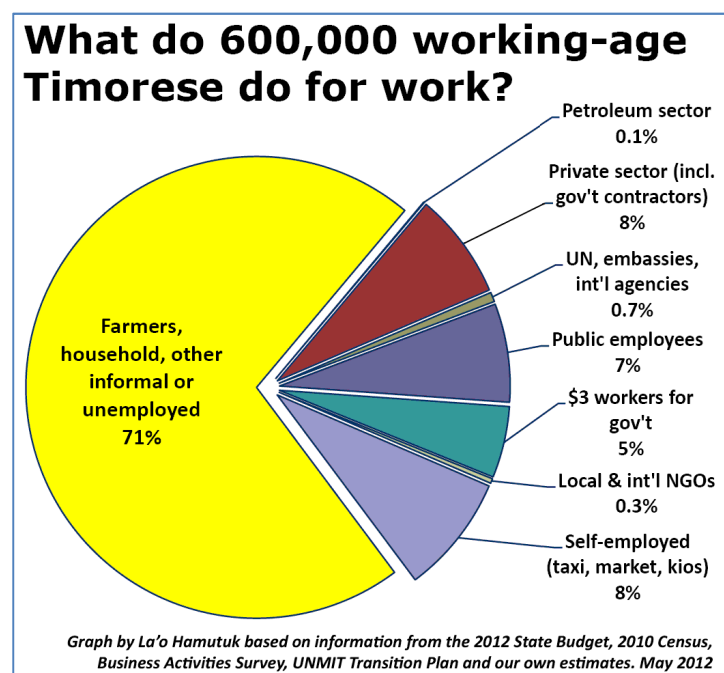
age every year as in 2012. **If we have not developed a strong, sustainable, productive, non-oil economy by then, able to grow our own food and provide for our daily needs, we will be unable to sustain our trade deficit, which is over a billion dollars each year. When people can no longer live from public transfers and money trickling down from public works projects, we will starve.**

We must escape from petroleum dependency to sustainable, equitable development.

With the Rio+20 conference coming up, sustainable development is in the spotlight. Timor-Leste's economy depends more on nonrenewable resource exports than any nation except South Sudan, and transforming it to be sustainable is a huge challenge. Today, we are an agricultural population⁸ which consumes imported food and gets basic necessities from overseas.⁹ We need to transform our economy so we can feed ourselves. Development Partners can help farmers be more productive, not by importing non-sustainable, environmentally dubious GMOs and chemicals, but through increased knowledge and sustainable technology appropriate to the local context.

As we strive to achieve food sovereignty, we must add value to our crops and produce basic items we import today, such as water, candles, noodles, cigarettes, clothing, juice, vegetables, coffee, fish and chicken. Our main competitive advantage is that Timorese producers are close to our own consumers, avoiding shipping costs and import duties. Light industry and agricultural processing for local consumption can improve the balance of trade and provide jobs, helping us to become economically as well as politically independent. At the same time, tourism and niche market exports can generate foreign exchange. We encourage Timor-Leste's Development Partners to help us produce for our domestic market, rather than struggling to compete against industrialized agriculture and sweatshop manufacturing with exports to other countries.

Timor-Leste's most important and most sustainable resource is our people. With improved investment in and management of education and health care, our growing youth population can assist development, not hinder it. Instead of exporting workers to Korea and Britain while importing them from China and Indonesia, we can aim for "labor sovereignty." Instead of squandering our non-renewable resource wealth to send a few students overseas,¹⁰ we could strengthen our own educational systems.¹¹ Instead of sending a few well-connected people to foreign hospitals or paying for special health care for a "petroleum elite" while rural people die from avoidable conditions, we could



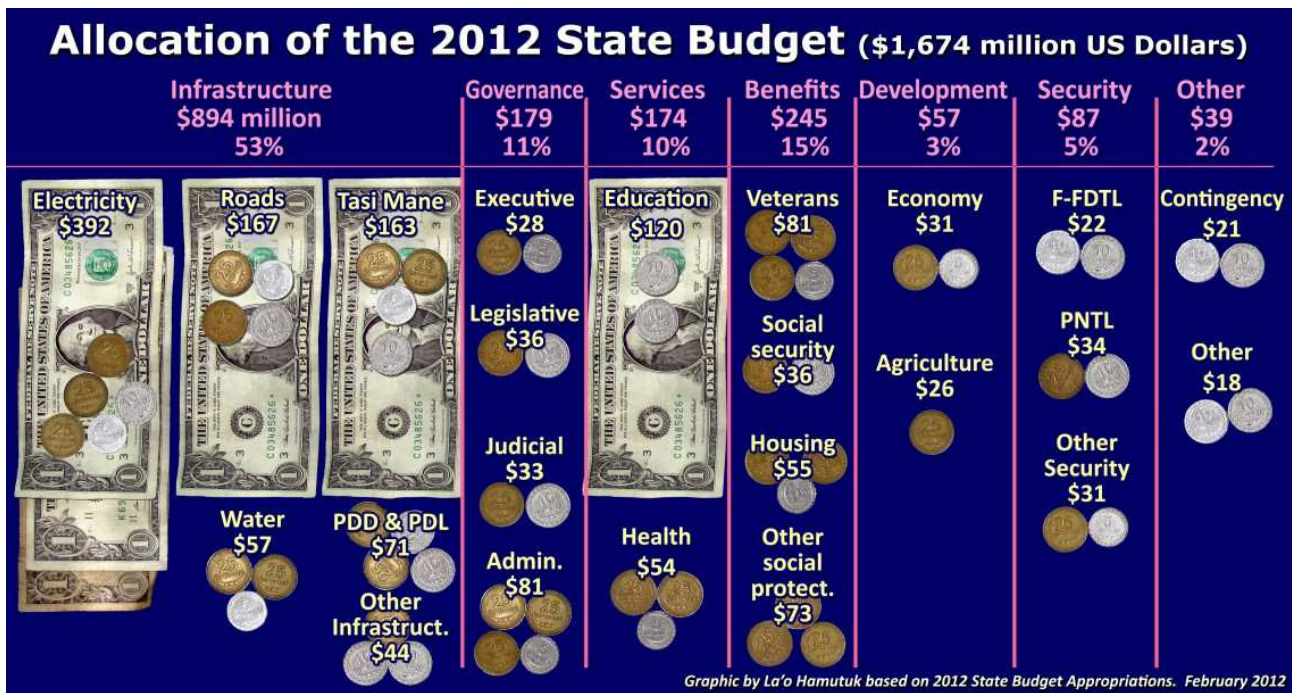
⁸ More than 70% of Timor-Leste's people live from agriculture, yet agriculture receives less than 1.6% of the 2012 State Budget.

⁹ Timor-Leste's non-oil goods and services trade deficit was nearly a billion dollars in 2010 and has increased since then, although more recent statistics are unavailable. See <http://www.laohamutuk.org/econ/OGE12/TradeBalance2010En900.gif>.

¹⁰ The overseas scholarship program also needs better supervision, as evidenced by recent revelations about Timorese students marooned in India through an arrangement with a sham university.

¹¹ During 2011, Timor-Leste's government spent \$71 million dollars (about 6.5% of the State Budget) on education, or about \$210 per school-age child. Indonesia spends more than twice as much, while countries which value their human resources more highly -- Singapore, Japan, Thailand, Australia, South Korea -- spend 10-30 times as much on each child's education.

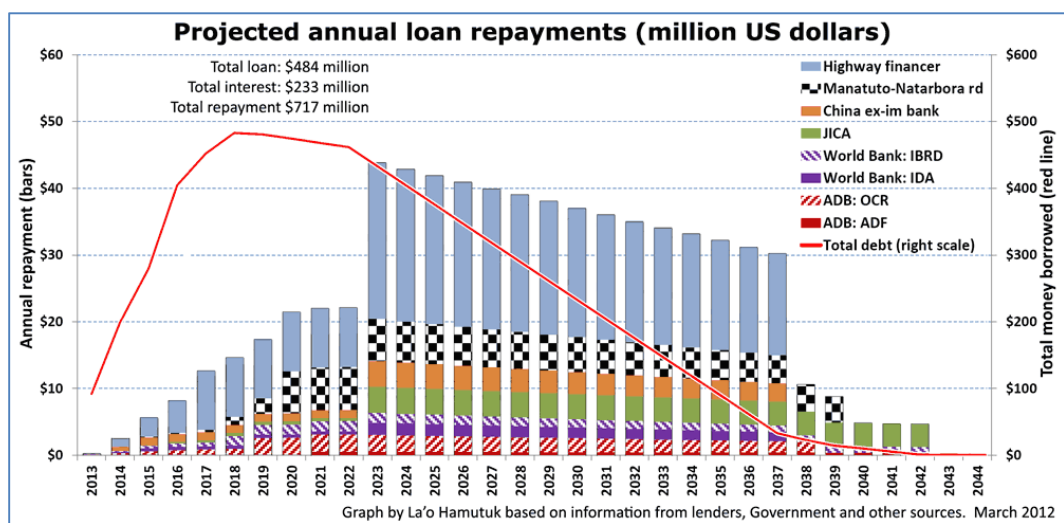
prioritize basic health, nutrition, water and sanitation for all.¹² We urge Development Partners to look beyond the Strategic Development Plan and its infatuation with oil infrastructure to identify and support what our people really need.



Development Partners can help Timor-Leste prevent the disaster looming in a decade, but you need to be smarter, more strategic and more independent than you have been during the past ten years, with wider perspectives and more readiness to deal with complexities. When you think the Government is mistaken or short-sighted, say so. When you see incorrect information being distributed by official sources, tell the truth. When you see a critical need being neglected or falling between the cracks, help fill the gap. **Timor-Leste's people don't want only your dollars and your advice – we need your wisdom, honesty, courage and understanding. Governments come and go with their strategic plans and campaign promises, but we will still be here.**

External debt endangers Timor-Leste's next generation.

In its last few months in office, our Fourth Constitutional Government signed loan agreements for more than \$100 million with JICA and the ADB, accelerating current



spending while binding future generations to onerous repayments. These two loans, as well as the others shown in the graph, are the initial steps toward billions of dollars in borrowing required by the

¹² During 2011, 46% of all state expenditures were for electricity: 39% for infrastructure and 7% for operational costs.

Strategic Development Plan. The loans have grace periods, so the debt payments will surge in 2023, after Timor-Leste's oil reserves are used up.

We urge Development Partners not to encourage wasteful spending on ill-thought-out physical infrastructure, but to help us think strategically about what will generate a sustainable return. We also urge Timor-Leste's policy makers to consider the impact of unprofitable "investments" of their children's wealth. The question is not whether the loan interest rate¹³ is lower than the return on Petroleum Fund investment, but whether we can capably manage more projects and spending today than our own resources can finance. Although technical assistance may help, wise planning is essential.

Security is more than the "security sector."

The UNMIT Mission will close at the end of this year, reaffirming everyone's faith that Timor-Leste can keep peace without international peacekeepers. We hope that the Mission's departure will open up space for a more human-centered policy on security, moving beyond what soldiers and police officers can provide. **In recent years, about fifty times as many Timorese children under five years old have died from avoidable causes as the number people of all ages killed by homicide.**

In developed countries, citizens are secure when they no longer worry about hunger, homelessness, unemployment, poverty, disease and illiteracy. We believe that Timor-Leste's citizens have the same economic and social rights as people in rich countries, and ask our Development Partners to help us achieve them. If we fail, and economic polarization and large-scale alienation continue to increase while resources get scarcer, we worry that the "1%" could turn to militarized security to protect themselves against the impoverished "99%." Please help us choose a different path – eliminating structural poverty, rather than repressing poor people.

In recent months, Timorese leaders have suggested implementing the 2007 law on universal obligatory military service to reduce unemployment, make up for inadequate education and work experience, build infrastructure or carry out other public services. We believe that these are fundamental needs which should be addressed directly, rather than by training people to use weapons and participate in a system which relies on giving and taking orders. If thousands of our young people are trained as soldiers, what happens when we can no longer pay them?

Help ensure that the rule of law protects everyone's rights.

Timor-Leste is rightly proud that we are a free, democratic country, and citizens and media say what they think without fear of repression – a vast improvement over 13 years ago. But we still have a ways to go, as demonstrated by the arrest of 85 peacefully demonstrating students two weeks ago. We find it ironic that murderers and masterminds of massacres walk free while the police demand house arrest for peaceful protesters.¹⁴

Although public access to legal defense is already limited, it is made more difficult by the use of the Public Defender to represent people who could afford to hire their own counsel. In addition, the requirement for professional training of lawyers¹⁵ will come into force in July, by which time only

¹³ The \$63 million loan from Japan will be repaid in Yen, so a "concessional" interest rate depends on the U.S. dollar remaining strong for the next 30 years.

¹⁴ The police have incorrectly alleged that the demonstrators didn't have legally required permission. Law No. 1/2006 requires demonstration organizers to notify the police four days in advance (which they had done), but Article 4.1 unambiguously says that "Every citizen may exercise the right to assemble and demonstrate peacefully and unarmed, under the terms of this law and without a need for prior authorization," as is guaranteed by Section 42 of the RDTL Constitution.

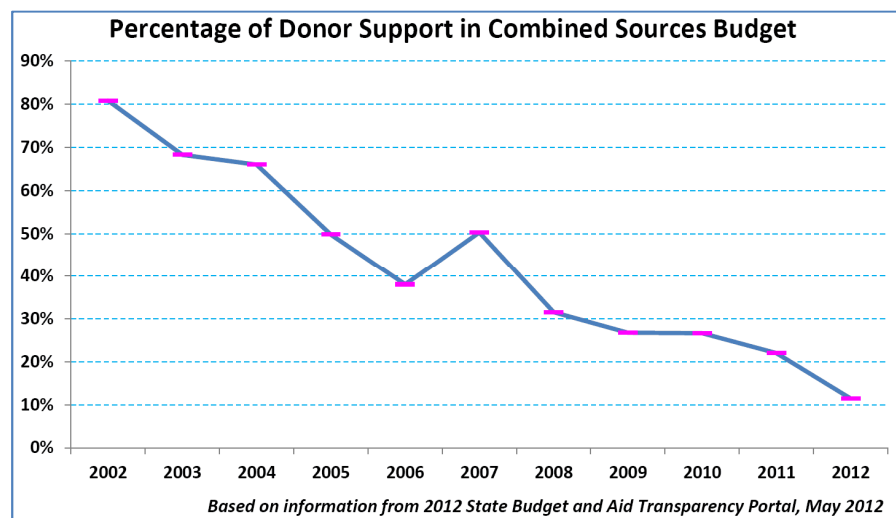
¹⁵ This transition period is specified by Law No.11/2008 Regulating the Private Practise of Law and the Training of Lawyers, and lawyers who have not yet completed the training will no longer be allowed to practice.

seven private lawyers will be qualified. Other lawyers will be banned from practicing, leaving many in the community without legal services. After centuries of colonization and occupation, land issues here are complex and sensitive. Evictions in the name of “development” are increasing, depriving people of their land, homes and livelihoods. Development Partners can help Government develop and implement policies, laws and practices which guarantee people’s access to land, especially for poor and vulnerable citizens.

Free, prior informed consent is necessary for fair, inclusive development. If people must be displaced, they should receive compensation and a new place to live, respecting their humanity, culture and traditions. Land is not merely a commodity, and we must work together to ensure that people’s rights are maintained, rather than allowing powerful entities (including the State) to disrupt people’s lives.

Timor-Leste, especially civil society, still needs your support.

During the last decade, support from Development partners to Timor-Leste has dropped from 80% to less than 15% of the Combined Sources Budget, and more donors have recently decided to discontinue working here. Although part of this decline is due to the rapid increase in the State Budget, Development Partner support is declining in real terms. Even worse, some Partners are shifting their “support” from grants to loans, increasing Timor-Leste’s future burden.



As in many countries, civil society here helps Government and international institutions socialize programs, deliver services and consult with local communities. NGOs provide essential input to discussions on aid effectiveness, fragile states, conflict prevention and human rights, and independently monitor programs implemented by Government and development partners. International, national and local NGOs carry out critical tasks, such as supporting victims of domestic violence, strengthening human capacity, and bridging the growing gap between the State and the people in both directions.

We hope you share our view that **a strong, independent, capable civil society is essential for Timor-Leste’s future. Like you, we are partners in developing this country. If donors believe that perspectives like those in this statement are valuable, please help us continue that work.** Don’t make us expend our limited human resources struggling to sustain our organizations, or to depend on funding from Government or other entities which may wish to constrain our independence.

Unfortunately, the donors who are leaving Timor-Leste have been among the most supportive of Timorese civil society organizations. Larger donors are often reluctant to consider our small requests, or they impose application and reporting requirements which are impossible for a small organization to meet. We encourage you to find ways to continue to sustain local and national NGOs, who are often closer the people than large or state institutions, and therefore more able to represent and serve local communities.

Thank you for considering our ideas, and we look forward to discussing them with you.