

# The Current Situation in Timor-Leste

**By Charles Scheiner and Juvinal Dias**

**Timor-Leste Institute for Development Monitoring and Analysis**

**La'ó Hamutuk**

**Presented to Development and Peace**

**26 February 2010**



# Topics

---

- ❖ **La'o Hamutuk**
- ❖ **Timor-Leste in historical context**
- ❖ **Justice and reconciliation**
- ❖ **Petroleum dependency and “resource curse”**
- ❖ **Food sovereignty**

# La'o Hamutuk

---

- × LH started in 2000
- × Initiative of civil society and international solidarity movement to improve communication with and information about international institutions here
- × Main research and advocacy topics:
  - + Non-renewable resources/oil dependency
  - + Agriculture/food sovereignty/land rights
  - + Democracy/governance/justice

# History in one slide

---

- × People have lived here for perhaps 5,000 years.
- × Portuguese came nearly 500 years ago.
  - + With religion but very little development or education
- × Australia, then Japan, invaded in 1941-45
  - + 40,000-60,000 Timorese killed
- × Portugal began decolonization in 1974
  - + After Carnation Revolution ended dictatorship
  - + TL declared independence 28 November 1975
- × Indonesia invaded 7 December 1975
  - + 100,000-200,000 killed in 24 years of occupation
- × Referendum in 1999, then 2-1/2 years of UN rule
- × Independent since May 2002
- × 2006 “crisis” led UN and ISF to re-engage

# Challenges from the past (1)

---

- Post-colonial

- Language controversy
- Land ownership in chaos
- Illiteracy
- Underdevelopment
- People never lived under rule of law
  - Never had power to make decisions for themselves
  - “To Resist is to Win” – lobbying and persuasion alien
- Internalized Portuguese and Indonesian mindsets
  - Bureaucracy, corruption, “entitlement,” *dwi fungsi*
- Incorporating returned exiles, collaborators
- Public officials all just learning their jobs
  - Skilled people gone: education, health, governance
- Getting neighboring countries to respect sovereignty

# Challenges from the past (2)

---

## ■ Post-conflict

- Pandemic Post-Traumatic Stress Disorder
- Infrastructure and property destroyed
- No experience of predictability or long-term planning
- Poverty
- High birth rate
- Domestic violence
- Respecting veterans; dealing with collaborators
- Police and military come from different sides.
- Leading in peacetime requires a different skill set.
- Differences of opinion are personalized. Loyalty and betrayal paramount; long memories

# Justice and reconciliation

---

- Many mechanisms, little success.
- ¾ of those indicted by SCU safe in Indonesia
- 99% of crimes before 1999 never investigated
- Gap between leaders and population
- “Transitional justice” doesn’t touch perpetrators
- Continuing impunity has lasting consequences
- Long work to achieve an international tribunal

# Santa Cruz Cemetery, September 13, 2001

This cross at the site of the 12 November 1991 massacre recalls victims of the occupation whose bodies were never found. IN 2001, hundreds of Timorese people brought flowers there to respect those killed in the World Trade Center.





# In front of the Indonesian Embassy in Dili

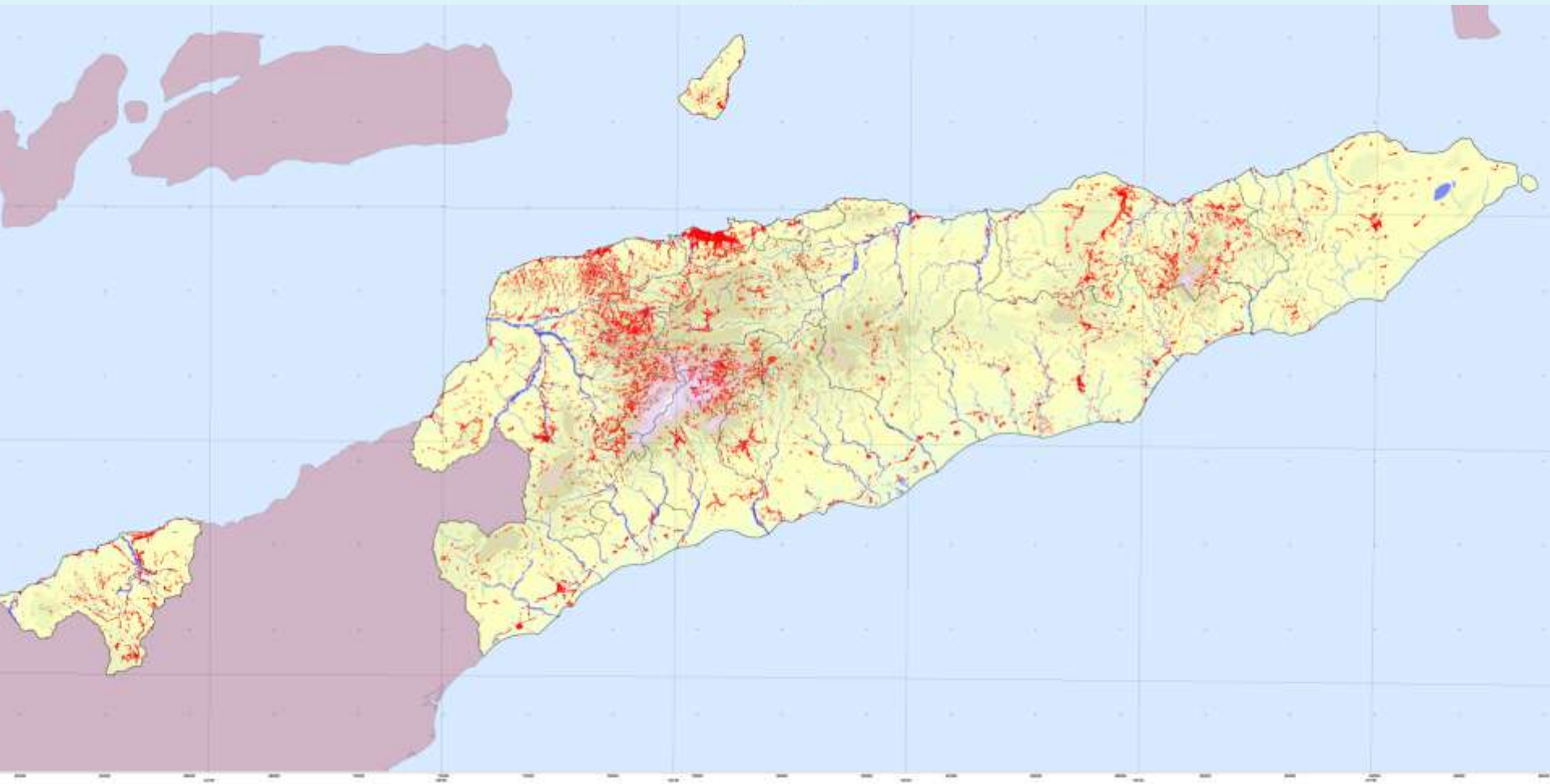
People protested on the 10th anniversary of the Suai Church massacre because alleged perpetrator Maternus Bere was being sheltered inside.







# Most people live in rural areas by subsistence agriculture.



Features :

**Census Information**

- Household Populations
- Subsistence Agriculture
- Interstate Territory

**Elevation**

- 0-100m
- 100-200m
- 200-300m
- 300-400m
- 400-500m
- 500-600m
- 600-700m
- 700-800m
- 800-900m
- 900-1000m
- 1000-1100m
- 1100-1200m
- 1200-1300m
- 1300-1400m
- 1400-1500m
- 1500-1600m
- 1600-1700m
- 1700-1800m
- 1800-1900m
- 1900-2000m
- 2000-2100m
- 2100-2200m
- 2200-2300m
- 2300-2400m
- 2400-2500m
- 2500-2600m
- 2600-2700m
- 2700-2800m
- 2800-2900m
- 2900-3000m
- 3000-3100m
- 3100-3200m
- 3200-3300m
- 3300-3400m
- 3400-3500m
- 3500-3600m
- 3600-3700m
- 3700-3800m
- 3800-3900m
- 3900-4000m
- 4000-4100m
- 4100-4200m
- 4200-4300m
- 4300-4400m
- 4400-4500m
- 4500-4600m
- 4600-4700m
- 4700-4800m
- 4800-4900m
- 4900-5000m
- 5000-5100m
- 5100-5200m
- 5200-5300m
- 5300-5400m
- 5400-5500m
- 5500-5600m
- 5600-5700m
- 5700-5800m
- 5800-5900m
- 5900-6000m
- 6000-6100m
- 6100-6200m
- 6200-6300m
- 6300-6400m
- 6400-6500m
- 6500-6600m
- 6600-6700m
- 6700-6800m
- 6800-6900m
- 6900-7000m
- 7000-7100m
- 7100-7200m
- 7200-7300m
- 7300-7400m
- 7400-7500m
- 7500-7600m
- 7600-7700m
- 7700-7800m
- 7800-7900m
- 7900-8000m
- 8000-8100m
- 8100-8200m
- 8200-8300m
- 8300-8400m
- 8400-8500m
- 8500-8600m
- 8600-8700m
- 8700-8800m
- 8800-8900m
- 8900-9000m
- 9000-9100m
- 9100-9200m
- 9200-9300m
- 9300-9400m
- 9400-9500m
- 9500-9600m
- 9600-9700m
- 9700-9800m
- 9800-9900m
- 9900-10000m



Scale 1 : 300,000



This product is derived from the 2004 Census of Timor-Leste. It is a map of the household distribution by subsistence agriculture. The map is based on the 2004 Census of Timor-Leste. The map is a map of the household distribution by subsistence agriculture. The map is based on the 2004 Census of Timor-Leste. The map is a map of the household distribution by subsistence agriculture. The map is based on the 2004 Census of Timor-Leste.

Projection: UTM zone  
Datum: WGS84  
Central meridian: 13  
Scale factor: 0.9996  
False easting: 500000  
False northing: 10000000

# Basic Statistics

---

- × 50% of the people live below the World Bank poverty line of 88c/person/day, and that number is increasing.
- × 80% of the people live in rural areas, largely by subsistence farming.
- × More children die of diarrhea than malaria.
- × In 2009, TL exported \$8.6 million (coffee).
- × In 2009, TL imported \$283 million (everything).
- × Extracting oil supplies 98% of state revenues, more than 80% of GNI. They will stop in 2023.

# Basic Statistics

**By 2024, 400,000 babies will have been born, and the only producing oil and gas field will be used up.**

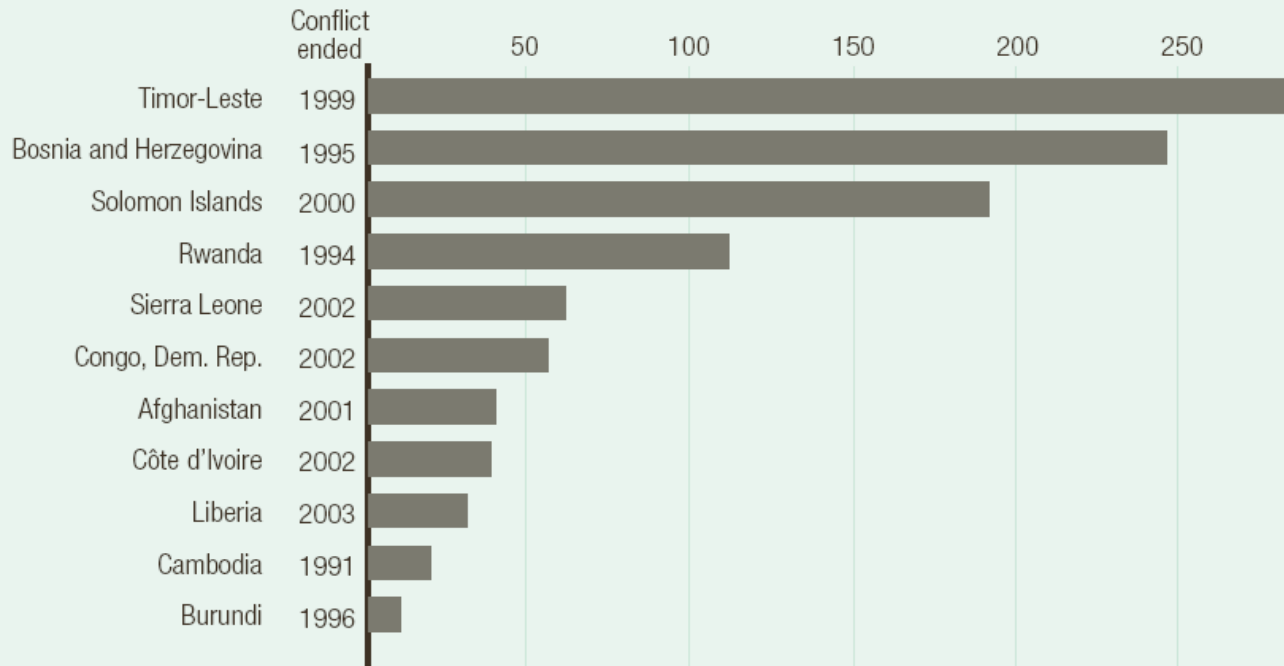
**How will they survive?**

# Timor-Leste is the world's second newest country and the poorest country in Asia.

Figure 5.4

Aid for post-conflict reconstruction—politics over need

Average annual ODA per capita, three years post-conflict (US\$)



*Note:* Data refer to three-year averages beginning the year conflict ended, except for Democratic Republic of the Congo, Côte d'Ivoire and Sierra Leone, for which data refer to two-year averages, and Liberia, for which data refer to a single year.


Since 1999, it has been allocated USD \$5.4 billion in “aid”, ten times its Gross Domestic Product. About 10% of this was put into the local economy.

# Table 1. Assistance allocated to Timor-Leste, July 1999 – June 2009

In most cases, the amount spent or received is listed, rather than what was promised or budgeted.  
All dollar amounts in millions of U.S. dollars-of-the-day, without adjusting for inflation.

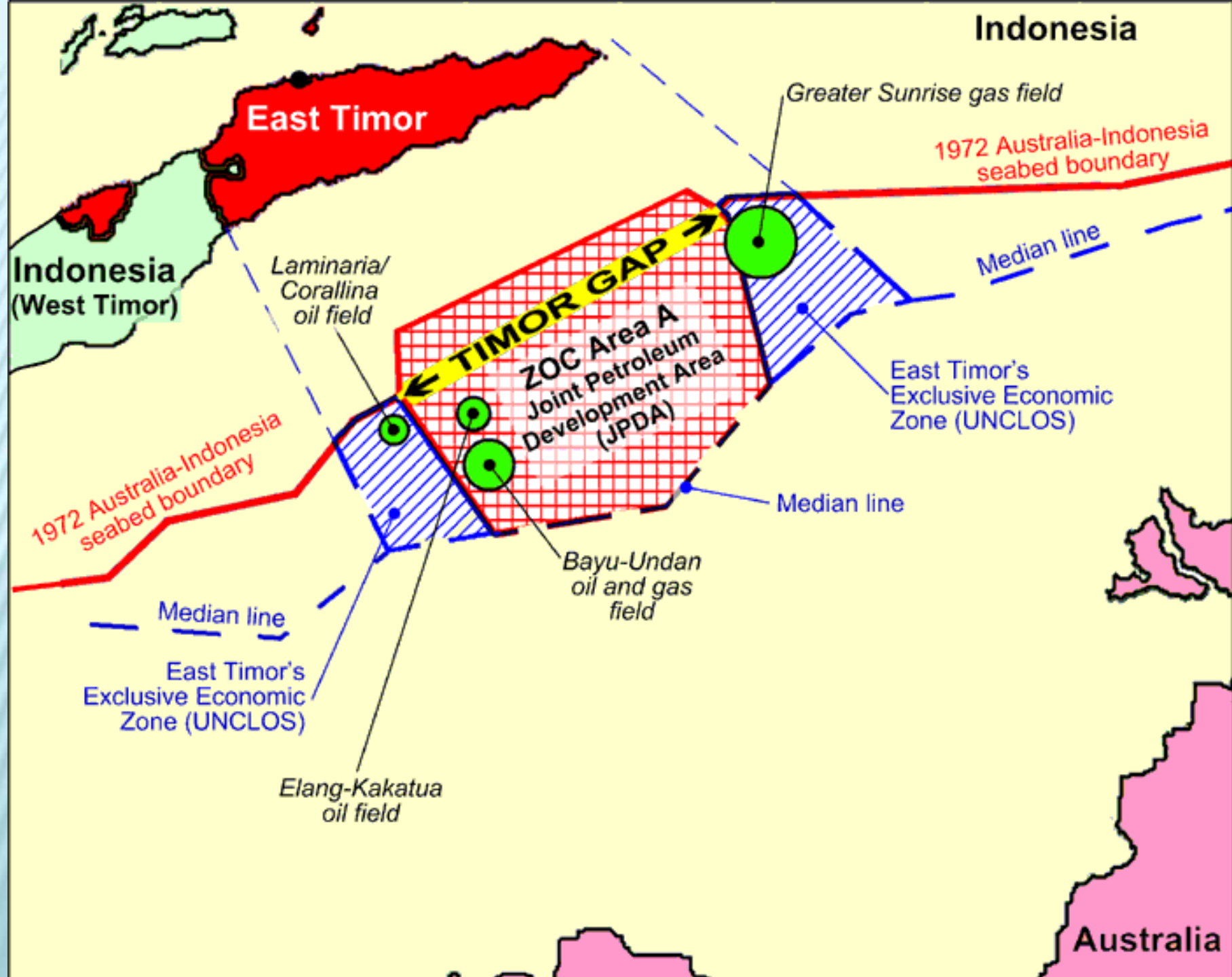
Form of assistance	Year	Amount	Entered TL economy	
<b>United Nations Missions</b> (mostly for PKF soldiers, international staff, logistics, etc.)	<b>1999-2009</b>	<b>\$2,353</b>	<b>6.4%</b>	<b>\$151</b>
UNAMET	1999	\$92	5.0%	\$5
UNTAET	1999-2002	\$1,430	5.4%	\$77
UNMISSET	2002-2005	\$302	5.4%	\$16
UNOTIL	2005-2006	\$22	10.0%	\$2
UNMIT	2006-2009	\$507	10.0%	\$51
<b>International military forces</b> (Not including UN PKF, which is listed above)		<b>\$750</b>	<b>0.7%</b>	<b>\$5</b>
Interfet (paid by contributing countries and Japan)	1999-2000	\$250		
International Stabilisation Force (ISF, mostly paid by Australia)*	2006-2009	\$500		
<b>TFET (Trust Fund for East Timor)</b> (Donor money managed by World Bank and ADB)	2000-2005	<b>\$170</b>	<b>20%</b>	<b>\$34</b>
<b>Donor budgetary support</b> (Donor direct grants to TL government budget)	See Table 2	<b>\$204</b>	<b>50%</b>	<b>\$102</b>
<b>Bilateral and multilateral donor projects</b>	See Table 2	<b>\$1,730</b>	<b>15%</b>	<b>\$260</b>
<b>Grand total</b>		<b>\$5,207</b>	<b>10.6%</b>	<b>\$552</b>

\* Australia values its ISF costs higher. We have tried to estimate the additional cost of deploying these soldiers to Timor-Leste rather than keeping them in Australia and New Zealand

A photograph showing two men inside a vehicle. The man on the left is wearing a dark cap and a light-colored shirt, looking out the window. The man on the right is wearing an orange hard hat and a white shirt, looking towards the camera. A white sign with red handwritten text is taped to the window. The sign reads: "People don't want to depend to foreigners".

People don't want  
to depend to  
foreigners





# Signs of the “resource curse”

---

- × Spending without thinking
- × Lack of long-term planning
- × Import dependency leading to inflation
- × Borrowing, to repay later
- × Neglecting non-oil economic development
- × Belittling other revenue sources
- × Ignoring that oil will run out
- × Wealth goes to urban power elite
- × “Povo” doesn’t benefit now, suffers later.

The maritime boundary debate has been difficult and publicized. By negotiating from 2002-2006, TL has increased its share of revenue from its oilfields – and increased its petroleum dependency.

DON'T PRETEND  
YOU DON'T  
WANT TO  
STEAL  
MY OIL.

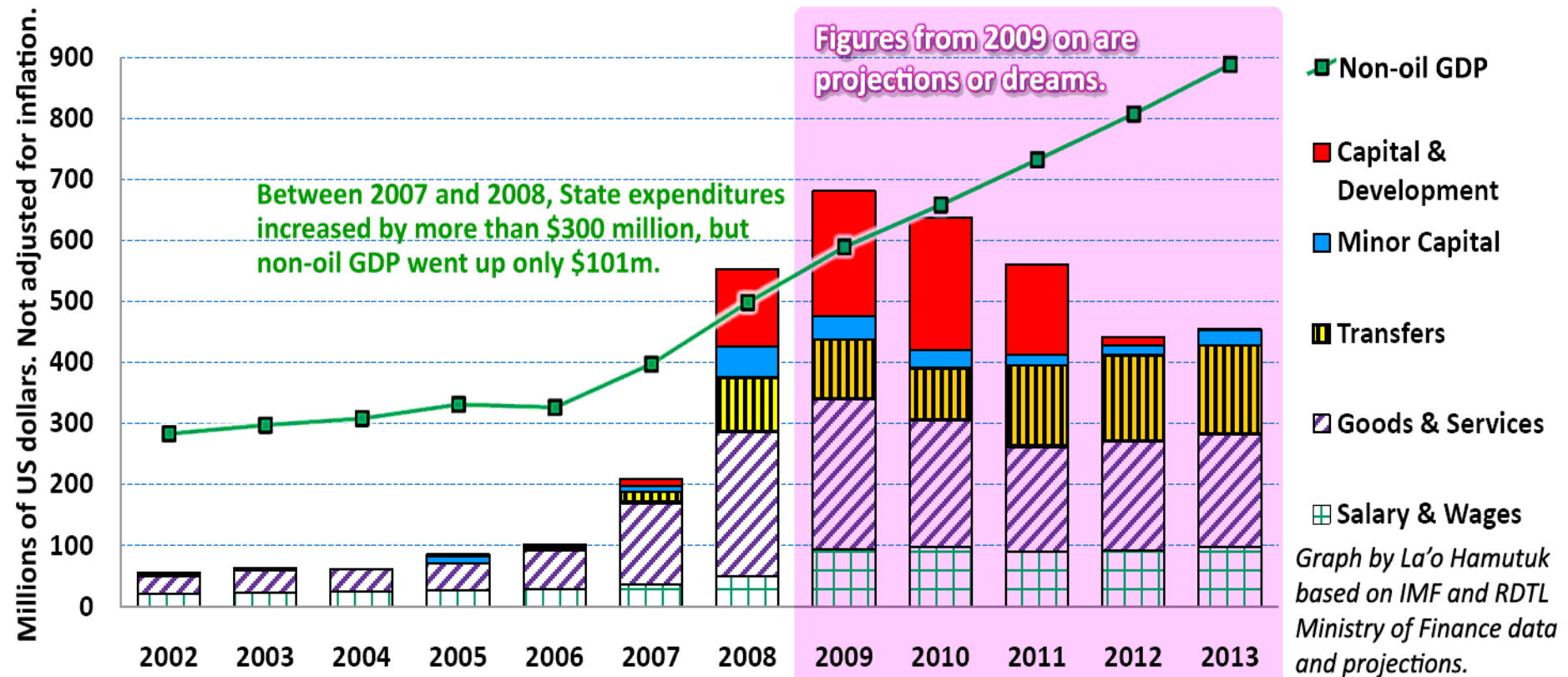


AUSTRALIAN EMBASSY

J'NON H  
EAST T  
HATE

# Government spending increases, economy doesn't

State Expenditures over time (including autonomous agencies)



**Table 2. Annual assistance, state budget and economy overview  
July 1999 – June 2009**

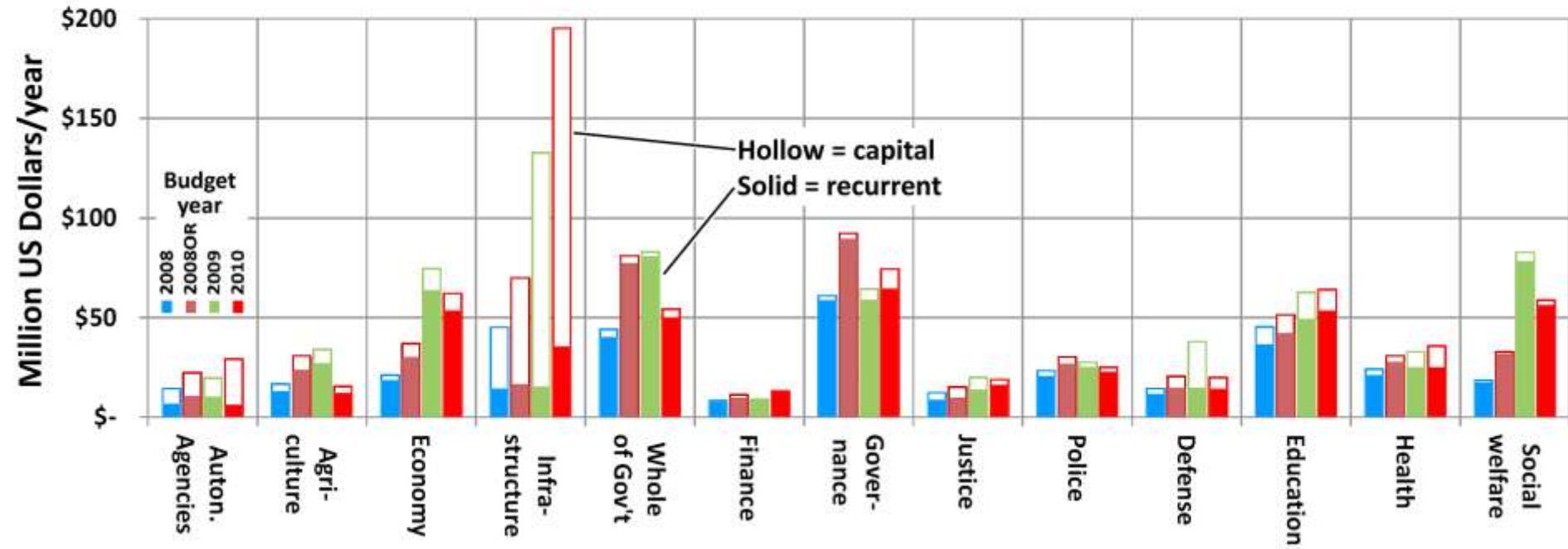
Year*	Donor projects	Budget support	State expenditures	Non-oil domestic revenue#	Oil revenue spent	Oil revenue saved	Non-oil GDP+	Imports	Exports
1999	82	26	n.a.	2	0	0	126+	n.a.	n.a.
2000	152	32	n.a.	14	14	0	288	n.a.	n.a.
2001	197	23	n.a.	20	11	0	335	n.a.	n.a.
2002	202	33	69	19	29	0	313	n.a.	n.a.
2003	199	35	67	29	41	0	306	n.a.	n.a.
2004	189	34	71	34	64	205	309	114	7
2005	105	10	93	37	85	366	332	102	8
2006	150 (est.)	11	137	41	260	733	321	88	9
2007 (6 mo)*	99	0	56	20	40	633	398	199	8
2008	223	0	480	45	396	2004	499	258	13
2009 (6 mo)‡	132 (proj.)	0	181	43	200	817	295+	164	2
<b>Total</b>	<b>\$1,730</b>	<b>\$204</b>	<b>\$1,154</b>	<b>\$304</b>	<b>\$1,140</b>	<b>\$4,758</b>	<b>\$3,523</b>	<b>\$925</b>	<b>\$46</b>

\* From 1999-2001, UNTAET and then from 2002-2007 Timor-Leste used a July-June fiscal year. Beginning in 2008, Timor-Leste budgets on a calendar year basis, with 2007 as a transitional half-year.

‡ This table covers the ten years from July 1999 through June 2009. Petroleum revenue, state expenditures and trade data for 2009 is actual for the first half of the year; other 2009 figures are estimates for that period. Data compiled by *La'o Hamutuk* from many sources, including UN General Assembly reports; OECD online database; RDTL budgets, execution reports, and papers for Development Partners' Conferences (RDTL Ministry of Finance); Petroleum Fund Quarterly Reports (BPA), *Review of Development Cooperation in Timor Leste* (NORAD, 2007), *Economic Impact of Peacekeeping* (Carnahan et. al., Peace Dividend Trust, 2005), *Independent Analysis of UN Contributions to Timor-Leste's Economy* (Peace Dividend Trust, 2007).

# Spending 2007-2010

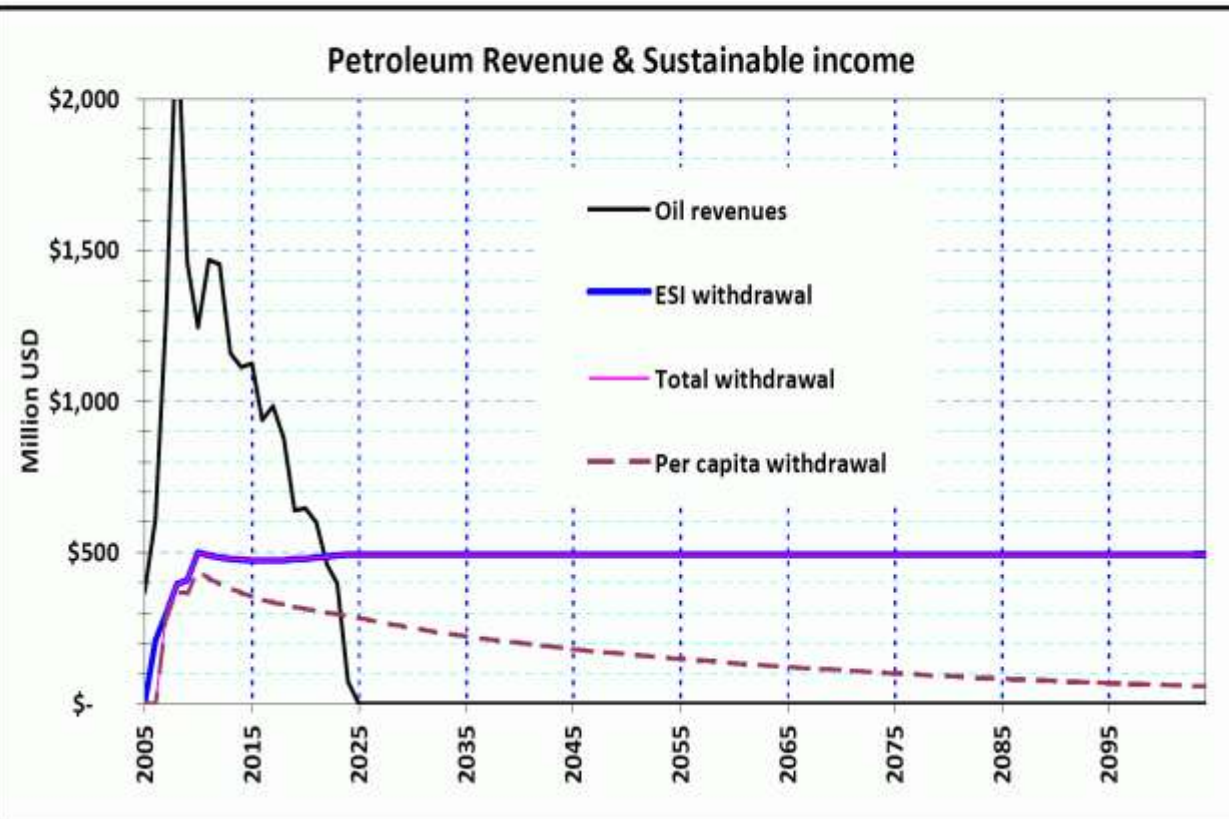
Appropriations by state function, over the past four budgets



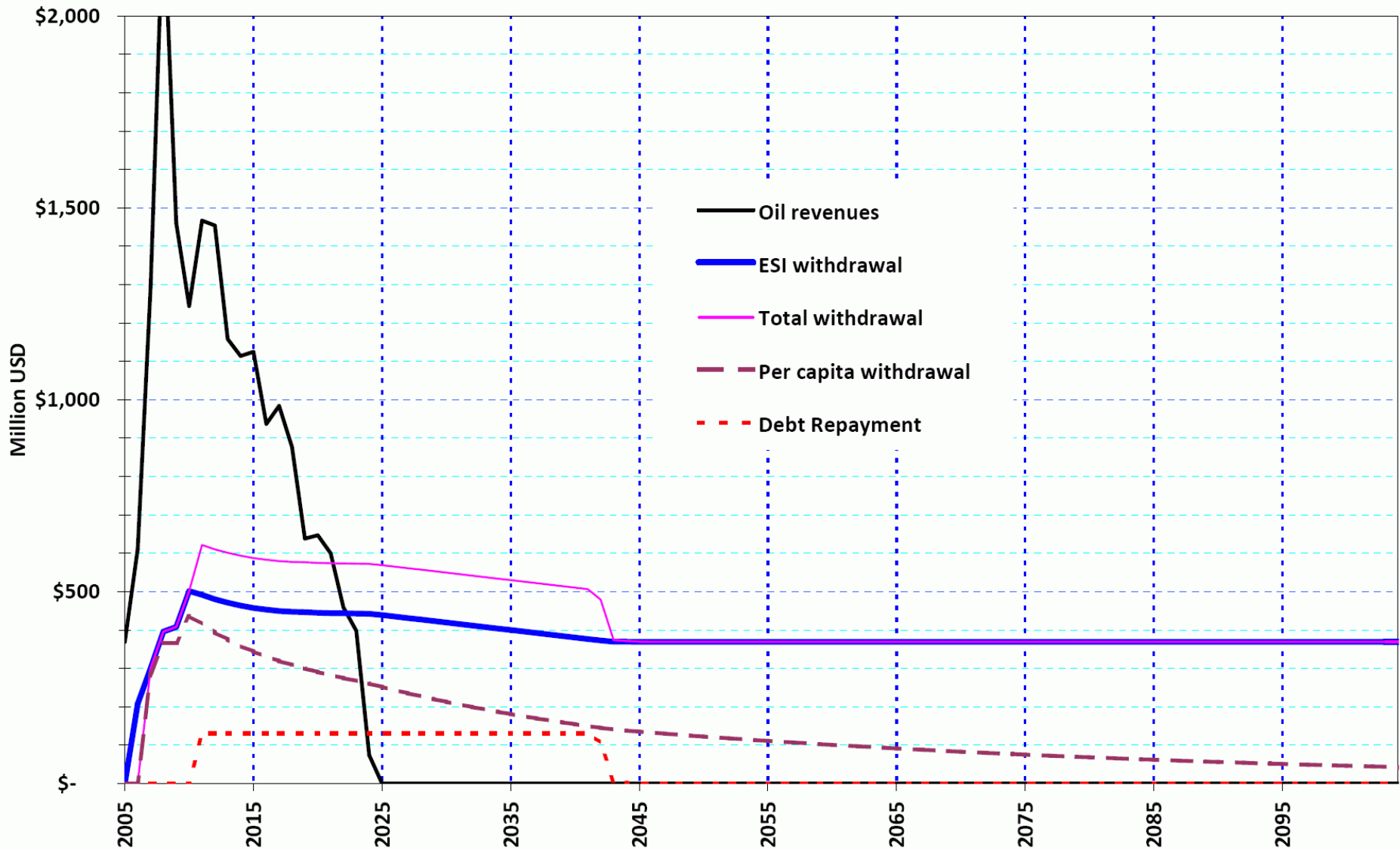
# Is the “sustainable income” really sustainable?

La'o Hamutuk ESI model

Assumptions	Value	Unit	Base case
Interest	3.0%	above inflation	3.0%
Oil Price	\$ 60	dollar/barrel	\$ 60
Discount rate	2.6%		2.6%
ESI	3.0%		3.0%
Spend beyond ESI	\$ -	MMS/yr tot. withdrwl	\$ -
Years over ESI	0	yrs excess withdrwl	0
Includes Kitan?	0	1=yes, 0=no	0
Borrowed	\$ -	token	0
Dent interest	0.0%	pct/year	0
Years to repay	30	years	0
Repayment from ESI?	0	1=yes, 0=no	0
<b>Results:</b>			
Petroleum wealth	\$ 16,719	billion (calc. 1/10)	\$ 16,718
ESI in 2009	\$ 502	million USD / year	\$ 502
ESI in 2105	\$ 494	million USD / year	\$ 494
Total withdrawal	\$ 47,833	million USD	\$ 47,833
Total disc. withdrawal	\$ 18,743	million USD	\$ 18,743
Total debt repayment	\$ -	million USD	\$ -



# If TL borrows \$3 billion..



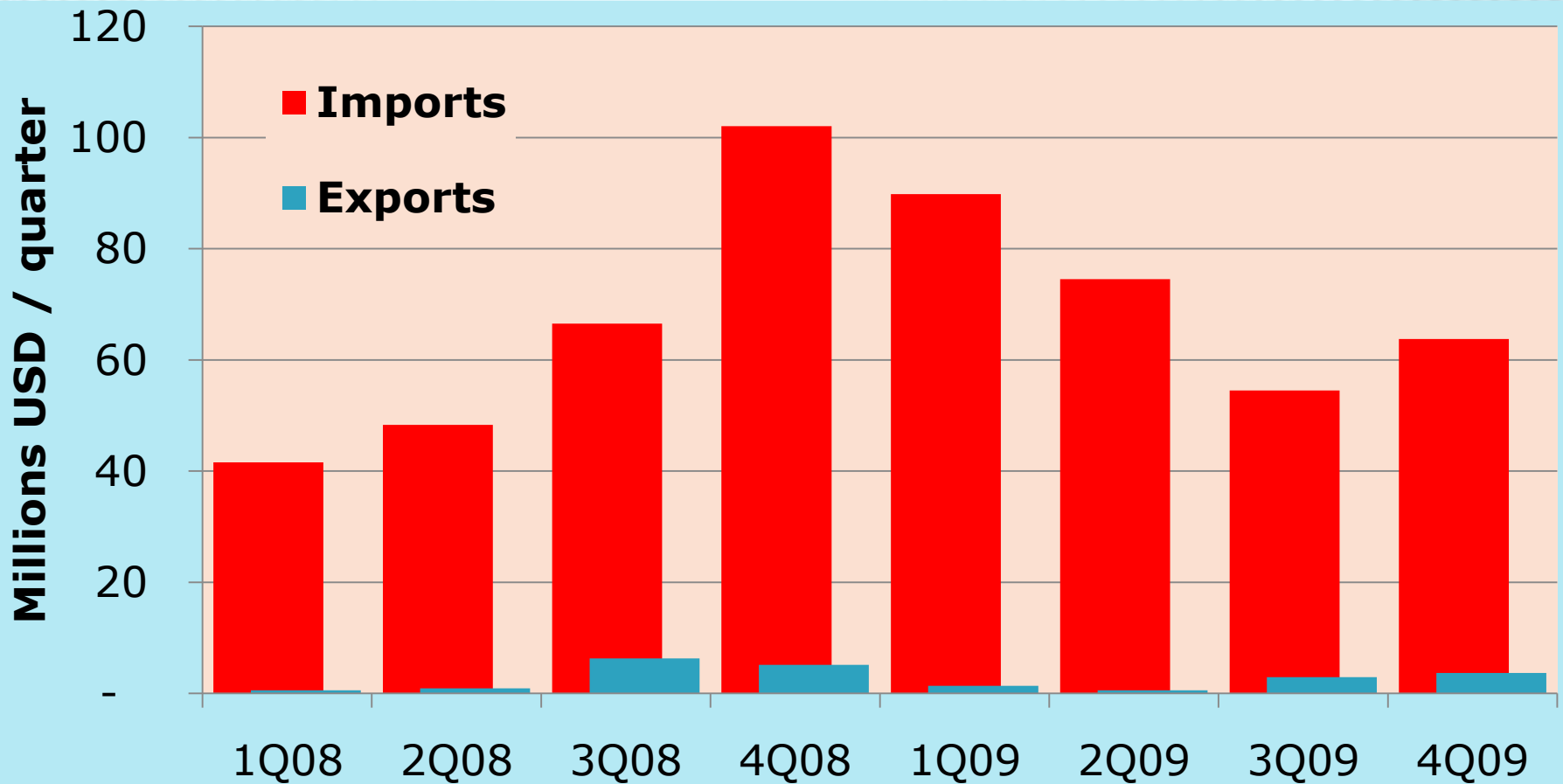


# Food security and sovereignty

---

- × 80% live by subsistence agriculture
- × Poor infrastructure, transport, irrigation
- × Little value-added processing
- × Produce is largely organic, seasonal, eaten locally
- × Gov't imports and subsidizes rice
- × Internalized colonial attitudes
  - + Frozen Brazilian chickens, white Vietnamese rice
- × IFIs and donors push export products, “free” trade
- × Agrofuels exports take up arable land

# Timor-Leste's balance of trade



Imports rose in 3Q08 - 2Q09 when the gov't imported and subsidized rice.

Exports are 98% coffee, which is seasonal and dropped in 2009.

**Ships bringing thousands of tons of imported rice wait to unload at Dili Port, November 2008.**





**Timorese agriculture products**



**Most people live by subsistence agriculture.  
Rice growing in Viqueque.**

# Obrigado barak.

---

For more information, see our website:

<http://www.laohamutuk.org>

For recent updates, see our blog:

<http://laohamutuk.blogspot.com/>

Or contact us at:

email: [info@laohamutuk.org](mailto:info@laohamutuk.org)

landline +670-332-5013