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The World Bank in East Timor

The World Bank is a major player in East Timor's reconstruction. The principal donors to East Timor have given the Bank approximately US\$166 million for a two and one-half year period to manage on their behalf. The Bank is charged with allocating these funds to help in the reconstruction of East Timor. The World Bank oversees the funding and design of nine projects for rebuilding the devastated country, and monitors their implementation.

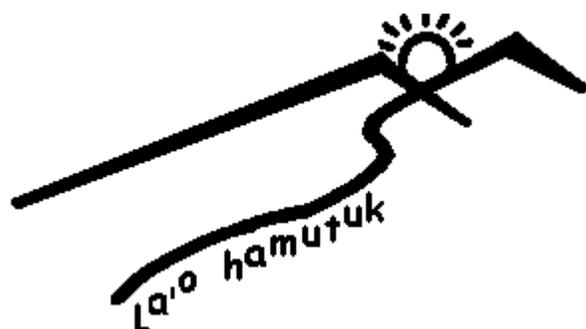
In some ways, the Bank's activities in the territory are unique. Because East Timor is not yet an independent country and therefore is not a member of the World Bank, it is not eligible to receive Bank funding directly. The Bank's charter, however, permits it to loan or provide grants to public international institutions. In this case, the formal recipient of the funds is the United Nations Transitional Administration in East Timor (UNTAET) as the legal, governing authority of the territory.

While the World Bank is known as a loan-providing institution, all funds provided by the Bank to East Timor are in the form of grants, not loans. In part, this is because the Bank serves as a conduit for funds first pledged at the International Donors Conference for East Timor in Tokyo in December 1999.

These pledges were confirmed and increased somewhat at the donor conference in Lisbon in June. Although international donors have given the funds to the Bank to administer in trust for the people of East Timor, the Bank plays a major role in designing and carrying out the projects financed by these funds.

Like any institution, the Bank is inherently conservative. In this regard, the Bank's beliefs and practices have been generally consistent during its more than 50-year existence. At the same time, however, like all institutions, the Bank is not monolithic, nor unchanging. Its activities vary in different times and places depending on the players involved. By drawing on experiences in other parts of the world, combined with the Bank's current activities in East Timor, we can assess some of the implications of World Bank projects.

In many ways, it is too early to assess the various World Bank initiatives in East Timor. Indeed, some of the projects have barely begun. That said, by evaluating two of the projects already under way, while considering World Bank practices elsewhere, we can begin to understand the potential impact of the Bank's presence in what will soon be the world's newest independent country. ❖



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What is the World Bank?

The “World Bank” is actually two closely linked institutions: the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). Given that their staffs are one and the same, what are officially two different organizations are more like two different programs within the same institution. The IBRD generally serves as the lender of last resort to developing countries, providing loans slightly below commercial rates. Approximately 75% of the US\$29 billion in new loans issued by the Bank in 1999 went through the IBRD, which raises its funds by selling bonds and securities.

The IDA, on the other hand, gives out interest-free loans (but with a 0.75% annual “service charge”) that recipients pay back over a long period of time. Because of inflation, the real value of a fixed sum of money declines over time. In the case of IDA loans, recipients typically pay back the loan over a 35-40 year period. Thus, a majority portion of the loan is effectively a grant as the recipient is paying back a sum of money the value of which is much less than it was when originally granted. Unlike the IBRD, the IDA receives its resources from donations from the world’s relatively wealthy countries. The IDA is the wing of the World Bank that is present in East Timor.

Along with the International Monetary Fund (IMF), the Bank was founded in 1944 at a conference at Bretton Woods, USA. The IMF and the World Bank are key components of the post-World War II international economic order and the most significant public institutions affecting economic development in the world.

The original focus of the Bank was to aid in the reconstruction of Europe and Japan in the aftermath of the Second World War. As it became clear, however, that the Bank could not compete with the massive resources of the United States as manifested by the U.S. government’s “Marshall Plan” for Europe, the Bank became involved in funding and guiding development projects in so-called third world countries.

The Bank’s stated purpose is to help “the poorest people and the poorest countries.” In addition, the Bank sees the expansion of the private sector, what it calls “the engine of long-term growth,” as a major goal. Traditionally, the Bank has focused on funding specific projects in developing countries such as the building of a hydroelectric dam or an irrigation system. Over time, however, the Bank’s emphasis on big infrastructure projects has declined. At the same time, the World

Bank has come to focus much more on broader issues such as human and social development, good governance, and institution-building. The Bank’s projects in East Timor reflect this diversity of activities.

The World Bank has come under frequent criticism over the years for insufficient transparency, for its funding of environmentally- and socially-destructive projects, and for its providing loans to repressive governments. At the same time, many human rights and environmental activists have accused the Bank of serving the interests of Western capital by encouraging a model of development that facilitates growing liberalization of economies and, thus, increasing reliance on export production and foreign investment in the domestic economy.

The World Bank’s relationship with Suharto’s Indonesia would seem to be an example. Over a 30-year period, the Bank provided about US\$25 billion to Suharto’s government. Indeed, Indonesia was one of the Bank’s largest recipients of funding, despite the Suharto regime’s horrific human rights record and its endemic corruption. The Bank admitted as much in 1999 in a critical, internal self-assessment undertaken in the aftermath of the “Asian crisis” that led to Suharto’s downfall. The report noted that Indonesia had been “widely perceived within the bank to be a miracle and a symbol of the bank’s success” despite the fact that Suharto’s “New Order” had severe problems of corruption and governance. The 1999 internal report called the Bank’s performance in Indonesia over the previous 30 years only “marginally satisfactory.”

Indonesian authorities took advantage of the Bank’s generosity to further their illegal occupation of East Timor. Last year, for example, local Indonesian government authorities diverted poverty alleviation project funds from the Bank for use in their “socialization” campaign in the U.N.-run referendum of 30 August 1999. In this manner, the Indonesian military used World Bank funds to finance its terror campaign to deter people from voting for independence.

At the same time, however, the Bank has certainly become more transparent and more responsive to the concerns of grassroots constituencies—in large part due to the criticisms by activists and social movements. These changes are reflected in the Bank’s rhetoric which is full of seemingly progressive terms such as “sustainable” and “people-centered” development. The question is how much these changes are reflected in its practices. ❖

Assessing the World Bank's Agriculture Rehabilitation and Development Project

The Bank's agriculture project is an emergency recovery project that aims to improve food security of selected poor households; to improve agricultural production in selected project areas, and to promote rural growth.

The three-year, US\$20.7 million project has four major components:

- √ To restore productive assets by providing 2,000 water buffalo and Bali cattle, 100,000 baby chicks, and 25,000-30,000 hand tools to the poor in rural areas.
- √ To repair and maintain irrigation and rural road systems.
- √ To establish five community-owned and commercially-run Pilot Agricultural Service Centers (PASCs) to provide farm inputs and services.
- √ To establish a "Project Management Unit" to oversee the project's implementation.

The first, or emergency phase of the project is worth US\$6.8 million. The design of the second phase of the project is scheduled to begin in early 2001.

Accomplishments include a vaccination campaign begun on October 23 in the districts of Aileu, Ainaro, Baucau, Bobonaro, Ermera, Mahufahi, Lautem, and Viqueque which had vaccinated over 85,500 cattle and buffalo as of December 12. Rehabilitation of the Comoro irrigation scheme is also more than half-completed, and 45.5 kilometers of rural roads have undergone rehabilitation. And reportedly, the Project Management Unit is in the process of contracting three non-governmental organizations (NGOs) to begin to distribute hand tools (up to 6,000 sets of five tools) in rural areas.

Inadequate consultation

While such accomplishments are certainly noteworthy, the Bank's agriculture rehabilitation project has been criticized from many quarters.

In terms of the design of the project, for example, the Bank's "Project Appraisal Document" states that it reflects the "broad participation of donors, NGOs and civil society, as well as beneficiaries [such as farmers] in the design of the project." But the rapidity of the project's design suggests otherwise. Major international NGOs active in agriculture, for example, have said they had no contact from the Bank.

A World Bank team of three persons arrived in East Timor in April to begin planning the project. The team spent two to three weeks in the territory, engaging in

"rapid rural appraisals" to evaluate local needs and wants, and meeting with NGO representatives at the beginning of their trip and at the end. As a result of the mission, the Bank wrote a first draft of the project assessment document that laid out the principal components of the project.

In mid-May, a World Bank team returned to East Timor for a little over a week to assess the proposed project. Out of this visit emerged the short-, medium-, and long-term priorities of the project.

On 21 June in Lisbon, UNTAET and World Bank officials signed the agreement for the initial grant of US\$6.8 million for the Agriculture Rehabilitation and Development Project. Jemad-ud-din Kassum, the Bank's Vice-President for the East Asia and Pacific Region, expressed his happiness on the day of the signing, noting that the agriculture project (along with the one for education) had been "successfully negotiated and signed within a record time."

The "record time" reflected the pressures on the Bank to complete the design of the project and to get the project agreement signed (by UNTAET) by the time of the June 21-23 donors meeting in Lisbon as such an agreement was deemed an important demonstration of progress. World Bank officials contend, however, that the pressures did not result in any sort of shortcutting of the consultative process, only a speeding up of the Bank's own internal mechanisms.

At the same time, Bank personnel state that the emergency nature of East Timor agricultural situation simply did not allow for as far-reaching a consultation process as they would have liked. Irrigation systems, for example, were in danger of collapsing after having remained in disrepair for 1.5 years. And many livestock had died because of the lack of vaccination services. (One Bank official said that a full consultation process would have taken one year or more. It is for this reason, the official explained, that the project allows for significant revisions in its design during implementation.)

Nevertheless, district-level UNTAET officials and international NGO representatives interviewed by *La'o Hamutuk* state that the consultation process that informed the design of the agriculture rehabilitation project was totally inadequate even given these limitations. When the World Bank team and the UNTAET agriculture division first presented the proposed project to a gathering of District Administrators (DAs) and district-level agricultural officers (DAOs), for exam-

ple, the plan met strong opposition. At least one DA publicly announced that s/he would not allow the project to be implemented in his/her district. Opposition to the plan was especially strong among the DAOs (at least two of whom stated privately that they were threatened with firing by the Division of Agricultural Affairs if they expressed any criticism of the project.) Similarly, many international NGOs were highly critical of the project's design, arguing that the Bank's plan was not sustainable.

District-level critics within UNTAET demanded that the Bank and UNTAET's Division of Agricultural Affairs incorporate into the project a safety net for those hurt by the commercialization embodied by the Pilot Agricultural Service Centers (PASCs). They also called for provisions to guarantee secure land tenure, subsidies for agricultural inputs, and for capacity building to enable the East Timorese to devise their own country-wide standards and practices. Finally, a number of DAs and DAOs argued that the project needs to make a clear distinction between domestic and foreign investors and ensure favoritism for domestic investors. The World Bank promised to rewrite the strategy and submit a second draft to the DAs for consideration, but this never happened. Instead, the Bank and the Division of Agricultural Affairs had no further contact with district officials regarding the design of the project.

Project aspects problematic

Many local UNTAET officials, as well as international and local NGOs, have criticized not only the process, but also specific aspects of the project. Many fear, for example, that the planned importation of buffalo and chicks is potentially dangerous due to the threat of disease. While the project provides for quarantine facilities to prevent such a problem, critics contend that the resources provided are insufficient. (The Bank points out that the allocation of monies for the different components of the project is flexible, allowing for increases for specific areas when needed.) Many have also suggested to the Bank and UNTAET that they help establish chick hatcheries—something far more sustainable—rather than import chicks from abroad.

These criticisms have given the World Bank and the UNTAET Division of Agricultural Affairs pause. They are now exploring the purchase of animals from local sources in addition to sources outside of East Timor. In some districts where there is a relative surplus of livestock—in Bobonaro, for example, and possibly in Oecussi—the purchase will be local. In areas where there is an overall shortage, it is likely that they will import the animals—possibly from Indonesia.

Local CNRT officials have expressed concern that

giving out animals could lead to social conflict. They reason that the process could increase rural inequality as the animals might only go to those farmers with experience in animal husbandry and who have the ability to maintain them. In response, the Bank and UNTAET are now reportedly allowing collectivities—such as local cooperatives or farmers groups—to be eligible to receive the free animals.

Pilot Agricultural Service Centers

The most controversial component of the project is the plan to establish the commercially-run Pilot Agricultural Service Centers. Local “stockholders” will own the PASCs (UNTAET will give “shares” to the poorest members of the community), and the centers will work along commercial principles. Thus, rather than receiving agricultural services and inputs at (lower) prices subsidized by the state, farmers will pay “free market” prices. This reflects the Bank's view that government should be a “facilitator,” rather than a “provider” of agricultural services. According to the Bank, the role of the government should be “to create and implement a policy framework that rewards hard work and innovation, and that offers employment opportunities for rural people through market-driven growth.”

While the Bank defends this approach by saying that, given the priorities of the East Timorese leadership, the country cannot afford to subsidize agriculture, others point out that it is standard World Bank practice to promote privatization and market mechanisms. The destruction of September 1999, the resulting intensification of rural socio-economic insecurity, and the very serious land tenure disputes as a result of the Indonesian occupation (see page 9), mean that it will be too expensive and risky for many East Timorese farmers to do business with the PASCs. In this regard, the establishment of the PASCs could actually help to worsen the state of many East Timorese farmers. Furthermore, the privatization of the PASCs will mean that the government will be insufficiently involved in the livelihood activities of the majority of East Timorese, resulting in a fragmented agricultural sector and potentially undermining national-level interests and development planning.

The Bank and UNTAET's agriculture department present the PASCs as an example of participatory democracy. Rather than the state or a single businessperson owning the agricultural centers, they argue, the community will control them. But at least one evaluation of the project has called this into question, contending that the proposed centers are too few in number and thus cover regions that are too big. It would be far better to have smaller, more numerous ones as a way

of ensuring democratic ownership and participation.

The Bank claims that the PASCs “will provide urgently needed inputs and services to the rural communities.” To ensure proper management of the PASCs, the project will provide technical assistance and training. Nevertheless, the Bank expects that “some of these PASCs will fail” but contends that this will not represent a failure of the PASCs as a whole as the PASC-component of the project will have “provided priority inputs to jump-start rural growth and entrepreneurship.”

On a more general level, some have called into question the spending of so much money for so little. On average, for example, each district will receive only 154 water buffalo and/or cattle. Administration costs (which include high salaries for foreign consultants) will eat up a significant portion of the project budget—a common problem with World Bank projects. If local communities were to have direct control over the funds, the benefits could be much greater (and realized far more quickly).

The ultimate goal of the Agriculture Rehabilitation and Development Project is to improve food security of the most vulnerable. In a public meeting at *La’o Hamutuk*, a World Bank official made a distinction between food security and food self-sufficiency, stating that the former is far more important and practical than the latter. He used the example of rice to argue his position, stating that it would be extremely difficult for East Timor to be self-sufficient in rice given the limitations of the land. In any case, he contended, places like Thailand can produce rice that is cheaper and better than that of East Timor. For this reason, he explained, East Timor should concentrate its resources on producing what it does best relative to other countries. Thus, it makes more sense for East Timor to expand its production and export of its high-quality, or-

ganic coffee. With the monies earned from this trade, East Timor could then afford to import its food needs. (Nevertheless, the Bank is supporting domestic rice production to a certain extent as demonstrated by the funding for irrigation rehabilitation.)

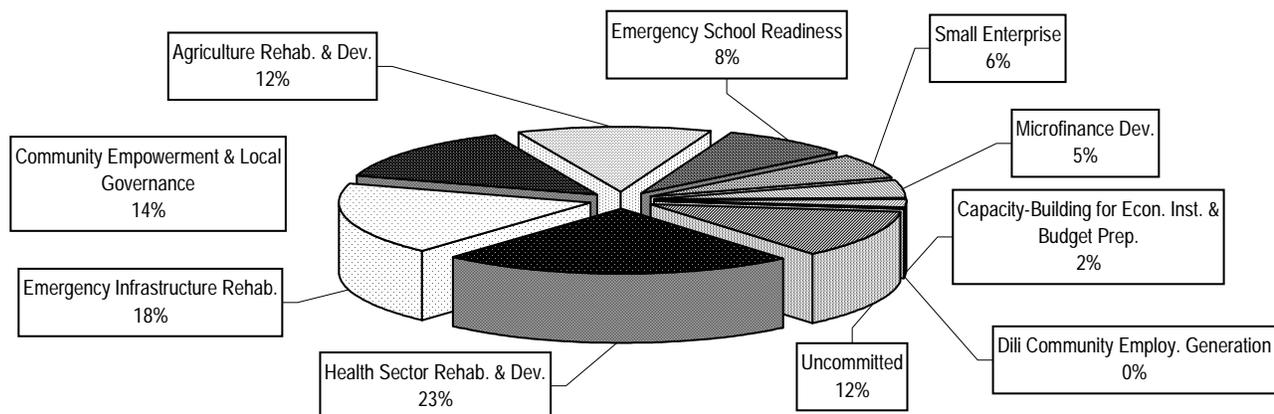
An obvious problem with emphasizing “competitive” crops for export is that it potentially detracts from production of food crops for domestic consumption. If, for example, East Timor is overly dependent on other countries for food, low coffee prices—a current problem (see “In Brief” on page 11)—will undermine its ability to import needed foodstuffs. Given that you cannot eat coffee, such a problem throws into question the wisdom of promoting an increase in coffee production for export at the expense of food production for local needs. (*La’o Hamutuk* will examine coffee production in a future issue of the *Bulletin*.)

The Bank responds

The World Bank is quick to point out that there is a lot of flexibility built into the project. Already, the Bank and UNTAET’s Division of Agricultural Affairs have adjusted the program on the basis of public input. For example, they sped up vaccination and community irrigation in response to community demand, while they slowed down the creation of the PASCs and the selection of beneficiaries (for livestock and tools) to allow for more time and greater community input.

Bank personnel will come to East Timor four times a year to supervise and evaluate the progress of the project and the assumptions behind it, and to consult with “stakeholders,” and to reshape the project accordingly. In this regard, there is considerable potential for East Timorese civil society to influence the Agriculture Rehabilitation and Development project, and—to a significant degree—East Timor’s agricultural sector, as it evolves. ❖

World Bank projects (as percent of US\$166 million)



Evaluating the World Bank's Community Empowerment Project

Administered jointly with the Asian Development Bank (ADB), the East Timor Community Empowerment and Local Governance Project (CEP) is a 30-month, US\$22.5 million project. Newly-created elected village and sub-district councils (with each village being represented by one woman and one man) receive block grants to fund community development and reconstruction projects of their choice. A small part of the funding supports cultural heritage projects (9%) and local non-governmental organizations (5%). The second phase of the CEP is scheduled to begin in late February, involving another round of grants, some of which will be awarded to widows, orphans, and other "vulnerable groups." It will also include a component focusing on the development of community radio.

The CEP's objective is to establish transparent, democratic, and accountable local structures in rural areas to make decisions about development projects in a decentralized fashion. The local CEP councils will allow communities to rehabilitate basic infrastructure and revive local economies. On a longer-term basis, the Bank presents the councils as a vehicle for expressing their development needs and desires, and for implementing projects. In this regard, they are a form of local governance and structures for a "bottom-up" approach to development.

The CEP would thus seem to be a good example of the Bank's new face. Jarat Chopra, the former UNTAET head of the Office of District Administration describes the CEP as "an introduction to local democracy, as well as a functioning form of self-determination in the reconstruction process."

According to the World Bank, the CEP has led to the formation of 417 village-level development councils, and 60 sub-district-level councils. The project has funded over 600 local projects.

The Bank reports that 43% of projects are for the construction of community meeting halls, 25% for small roads linking up to larger ones and for the repair of agricultural infrastructure, 15% for the restoration of household assets (such as pots, pans, plates, cups, and/or spoons shared by villagers) and productive equipment (such as communally-owned low-tech farm equipment, lathes, or saws) destroyed in the post-referendum violence, 10% for repair of water supply infrastructure, and 7% for schools or clinics.

Influential individuals within UNTAET strenuously opposed the project at the beginning, fearing that UNTAET would not have control over the significant amount of funds, and that CEP would set up decision-making bodies circumventing UNTAET's governance

structures. While UNTAET did finally agree to allow the CEP to go forward—in part due to pressure from the CNRT—its original opposition helped to give the CEP the look of a democratizing project. And, in this regard, it appears that the CEP has been rather successful. The program, for example, has helped to increase the number of women in leadership positions and women's participation in governance and community development planning on the local level, as well as their participation in public life more generally.

There have also been tensions between CEP structures and traditional decision-making mechanisms, however. It also appears that the CEP has unintentionally served to reinforce power relations in some areas as the relatively powerful have been best positioned to take advantage of the opportunities offered by the project. Because of insufficient communication within localities and between villages and the district levels, there is also a problem of CEP projects duplicating projects by NGOs, UNTAET, or UN agencies. Fortunately, UNTAET, in consultation with the Bank, is now setting up District Advisory Boards which will help link sub-district CEP councils with district administrations. Finally, members of local councils have complained about the lack of monetary compensation for their time working on CEP-related activities.

The World Bank, the Asian Development Bank, USAID, and AusAID released a report in November 2000 called the "Joint Donor Supervision of Community Development Sector" that acknowledged many of these concerns. The report found, for instance, that local communities and leaders generally accept the CEP councils as legitimate, but that there is often a weak understanding of what the councils actually do, including among council members, especially women "who still largely continue to operate within a culture of silence."

The report also stated that women are under-represented in terms of their participation and that CEP council elections have not always been democratic: over 30% of the elections took place through "acclamation" of candidates chosen by local leaders. In terms of payment, the project does not allow for council members to be paid. That said, the two village facilitators receive very modest compensation even though the facilitators "have not yet been trained and are barely active in most places." The report seems to oppose paying council members or increasing the compensation to facilitators for fear that it would encourage opportunism and engender jealousy given the poverty in most villages and the fact that many—such as

clandestine front leaders—have labored for the community without compensation for long periods of time.

In addition to suggesting greater support to women council members, the report expresses hope that the next annual round of CEP elections will be more democratic. It also calls for enhancing the capacity of local councils (something that is reportedly already underway) and to improve communication regarding development planning between district and sub-district levels so that the local CEP councils can make better-informed decisions.

That the World Bank has publicly acknowledged the shortcomings of the CEP bodes well for the future of a program that has already achieved a good deal of success. On 23 November, control of the project passed from Community Aid Abroad (Oxfam/Australia) to an East Timorese management team. It still remains to be seen, however, if the CEP structures are sustainable. As of now, the CEP is an economically-supported form of democracy. What will happen to the CEP structures if and when there is no more external funding? Would they become self-sustaining?

In many ways, the CEP councils are creations of the “international community”—albeit with the expressed support of the CNRT. In this regard, they are not as legitimate and vibrant as socio-political structures that have emerged out of local, long-term processes. As the “Joint Donor” report noted, “[A]t present the talent and energy at village level is more likely to be found around the *chefe* and the old clandestine structures than within the council.” It is such structures that the report contends “must be built upon if the country’s urgent rural development problems are to be solved.” What the report calls their “control mentality and gender bias,” however, run counter to international notions of democracy, as well as to the official positions of the CNRT. How the CEP will reconcile its praiseworthy principles with the need to respect indigenous beliefs, practices, and structures is an ongoing challenge. In this regard, working more closely with local and national organizations—such as East Timorese women’s groups, for example—might go a long way toward realizing many of the CEP’s goals.



Other World Bank Projects in East Timor

Health Sector Rehabilitation and Development. The biggest of the World Bank’s projects in East Timor, it is a three-year, US\$38 million project to create a national health system, complementing the work of UNTAET and the Division of Health Services. The project seeks to improve access to basic health services by accelerating immunization programs, strategies to combat tuberculosis, and efforts to promote health and nutrition. A major goal is also to strengthen East Timor’s health system in the medium and long terms by helping to develop health policies and systems. Finally, the project seeks to strengthen “local capacity” by training people to run the country’s health system, and by helping to establish management and administrative structures.

Small Enterprise. While the Bank’s Community Empowerment Project concentrates on rural areas, the primary beneficiar-

ies of this US\$10 million program are in relatively urbanized areas. The implementing agent of this loan is a commercial bank, the Portuguese Banco Nacional Ultramarino (BNU). Through this project, East Timorese business-people or groups “with viable business plans” can receive loans worth US\$500 to US\$50,000, repayable in equal monthly install-ments for up to 36 months. Repaid loans will provide the funds for additional loans, and will eventually go into a trust fund for a future Government of East Timor. The project is an attempt by the World Bank to energize the private sector. Thus, the Bank sees the possibility of people becoming accustomed to borrowing at commercial rates as a positive outcome. In this regard, the Bank states that “BNU has the potential of acquiring a customer base through the project.”

Microfinance Development is a US\$7.7 million project, which UNTAET and the World Bank signed on December 2. The project will facilitate community-based opportunities for income generation and creating sustainable employment with the overall goal of poverty reduction. The activities will include training in income-generating activities, rehabilitating and strengthening credit unions, and establishing a micro-finance bank to provide loans to the rural poor.

Capacity-Building for Economic Institutions and Support for Budget Preparation. Worth US\$2-3 million, this project aims to strengthen the capacity of the East Timorese for Ministry of Finance-type activities. The project funds the hiring of senior economic and procurement advisors for the evolving East Timor Administration for technical assistance and the training of East Timorese counterparts. The ADB co-manages the project.

Emergency School Readiness. The total dollar amount of this two-year project is not yet known, but it includes US\$13.9 million for the first year. Signed in June 2000, the project aims, in the short-term, to reconstruct East Timor's destroyed school buildings, providing resources for teaching and learning materials, as well as for training principals and school councils, and supporting the development of

education policy and curriculum. This project became controversial when procurement procedures made it virtually impossible for East Timorese manufacturers to supply school furniture.

Emergency Infrastructure Rehabilitation. The Asian Development Bank, which co-manages the Trust Fund, oversees this two-year, US\$29.8 million project. The project seeks to rehabilitate East

Timor's road network, as well as its ports and electricity supply, while developing a plan for long-term investment in infrastructure.

Dili Community Employment Generation. This is a 5-month project worth US\$0.5 million to provide income-generating employment for poor, "unskilled" East Timorese. The project is scheduled to cease operations in December 2000. ❖

East Timor's Housing Crisis

On December 4, just before the Brussels Donor Conference, the Centre on Housing Rights and Evictions (COHRE) released a comprehensive housing report that sharply criticizes the response by political institutions to East Timor's housing crisis. Tellingly, the joint World Bank-UNTAET "Background Paper" for the Brussels meeting did not mention the word "housing."

COHRE is "an independent international human rights organization committed to ensuring the full enjoyment of the human right to adequate housing." Its report, *Housing Rights in East Timor: Better Late Than Never*, warns that continued neglect of this issue threatens East Timor's future stability and long-term development. At the very least, the report should stimulate substantive discussions on East Timor's housing situation, and, ideally, help inform the creation of a robust housing policy. For this reason, the COHRE report is worthy of further review.

The report found the East Timorese people eager to rebuild. Many individuals and, in some cases, small groups are reconstructing houses. Yet communities and local NGOs remain frustrated by the lack of consultation on this issue by the UN.

Indonesia-backed militia forces destroyed over 70% of East Timor's housing stock in September 1999. More than one year later, COHRE housing experts maintain that the majority of East Timorese continue to live in housing that falls far short of internationally recognized standards of adequacy, calling the territory's overall housing conditions "nothing short of deplorable."

In rural areas, where houses are generally made from traditional building materials such as bamboo, wood, and thatch, the felling and use of trees for fuel and livelihood purposes have led to serious depletion of East Timor's primary forests. For this reason, the re-

port argues that "reforestation projects are clearly required in the country."

A very serious and widespread challenge faced by East Timor's authorities is the spontaneous occupation of "abandoned" homes (see sidebar, page 10). While it is understandable that people are squatting in these homes so they can have a place to live, serious tensions between returning owners and occupants will become increasingly common, the report cautions, unless mechanisms are established that help resolve conflicts through creative approaches such as through the provision of alternative housing, land, credit, and/or technical assistance. The report argues that in rural areas "the policy may require agricultural and livestock support as part of the alternative package for both parties." In the case of houses that go unclaimed or that were built and occupied by the Indonesian military, the report suggests one policy option of transferring ownership to the current occupants.

The COHRE report credits UNTAET for many accomplishments and recognizes the plethora of challenges facing East Timor. Yet, on the issue of housing, COHRE contends that UNTAET's response has been totally inadequate. The report reveals that UNTAET officials treated housing as an 'unbudgeted priority'—that is, significant, but not sufficiently important to justify the allocation of enough funds.

Certain branches of UNTAET and some United Nations agencies have given attention to housing issues. The United Nations High Commission on Refugees (UNHCR), for example, has overseen the distribution of about 25,000 shelter kits (the original estimated need was 85,000, but subsequent planning only included 35,000); there are also significant delivery and disbursement delays.

The report warns that unless current approaches to housing by those governing East Timor change, we will see a repeat of mistakes committed in Cambodia and Kosovo, resulting in long-term instability. As COHRE contends, “The lack of attention given by the United Nations Transitional Authority in Cambodia (UNTAC) to land and housing issues, for instance, is widely viewed as the key reason why these issues are the most contentious today, a full ten years after the transitional period.”

The report credits Xanana Gusmão and other CNRT leaders with giving vocal support to housing rights. At the same time, COHRE is very concerned about some of their proposed plans. One plan, for example, foresees a coordinated policy encouraging people to live together in hamlets, with their farmlands around the village, as opposed to the present practice of each family living on their own land. While such a policy might make the provision of services more effective and affordable, it would fundamentally restructure rural society. Moreover, it would likely remind some of the resettlement villages the Indonesians imposed on a large percentage of East Timor’s population. Finally, the report suggests, the implementation of such a plan could involve coercion and many forced evictions.

According to the report, the CNRT leadership may be contemplating the development of a “Master Plan” for Dili, ostensibly to ensure that slums do not surface and that everyone will eventually have access to decent housing. Yet, in cities outside East Timor with master plans, city inhabitants have not been active participants in their design and implementation, and indeed, many have been forcibly evicted from their housing.

The COHRE report makes seven recommendations to UNTAET:

1. champion rather than ignore, housing rights;
2. create a housing unit to implement housing rights;
3. establish loan programs for the poor to re-build their homes and for income-generating activities;
4. support the local production of affordable building materials;
5. if an international tribunal is approved for the destruction in September 1999, ensure that housing rights crimes such as total destruction of homes, theft of property from homes and forced evictions, be included in the list of punishable offenses;
6. sponsor housing rights training programs;
7. convene a National Housing Rights Summit to explore solutions to housing problems.

The report also found the CNRT is waiting to re-build permanent houses in Dili until after the elections, reasoning that if people are not provided with new houses, they might then go back to their villages. However, many people have migrated to Dili for economic reasons. They told COHRE investigators that if they were able to find an adequate job in their village, they would return. Perhaps, they might also be inclined to return if the CNRT were to undertake housing projects in their villages. In this regard, the report suggests that the authorities should study the lessons of failed housing policies elsewhere so that they are not repeated in East Timor.

The COHRE report urges the East Timorese political leadership to rethink the Hamlet Development Plan and the proposed Master Plan, deal creatively with urban growth (consult all of constituents, note how economics effect housing choices and promote jobs and services throughout East Timor), ensure that communities can participate in the reconstruction of their housing and infrastructure, and develop a housing policy responsive to peoples’ needs and wishes. Perhaps through mechanisms such as CEP, people could engage in developing an understanding of the housing situation, processes and options, then discuss and evaluate plans that meet the communities’ needs.

John Mills, UNTAET Public Works Director, is responsible for reconstructing government buildings, developing building and housing standards, and exploring the dimensions of “public” housing. He responded to the report, saying that “we haven’t done anything, but clearly something needs to be done” about the general condition of housing.

The East Timor Technical Assistance for Housing Assessment (ETTAHA), a project managed by the World Bank and funded by the Australian Consultants Technical Fund (ACTF), was supposed to begin an evaluation of the housing situation in late September. But it has not yet begun. (The donor countries to the World Bank-administered Trust Fund for East Timor are sending experts in various fields to East Timor; ACTF is Australia’s contribution.) Mills relayed that he has already secured funding for consultants to review the ETTAHA findings and make policy recommendations. He also said that there are funds for a long-term housing expert to work in East Timor for some part of next year. On 19 December, Mills learned that one such expert would be available to begin in April 2001.

Meanwhile, East Timor’s housing crisis continues.



Land and Property

Land and property ownership is one of the most controversial and difficult issues facing East Timor. UNTAET's Land and Property Unit has allocated and administered several hundred abandoned public properties, re-created the property registration system and proposed mechanisms (such as a national land and property commission) for the equitable resolution of land and property disputes. However, ETTA has not yet adopted these mechanisms, insisting that fundamental questions relating to the resolution of land claims be deferred to a future elected government. Should titles from before the 1975 invasion be valid if the former owner sold (perhaps under coercion) land during the Indonesian occupation? Should foreign nationals be allowed to own land (as they were during the Portuguese, but not the Indonesian period)? Many records were destroyed or lost, the Indonesian government trampled on people's property as well as human rights, basic questions of class interest and agricultural tenancy are at stake, and decisions will affect families' assets going back centuries.

In Brief:

On 14 November, in a letter addressed to the East Timor National NGO Forum, UNTAET's Cabinet Member for Political Affairs, Peter Galbraith, announced the **withdrawal of the Civic Education for Democracy in East Timor Project document**. UNTAET was responding to concerns expressed by the national (East Timorese) NGO community. UNTAET drafted the Project Document on Civic Education in September, and its release sparked two letters from the East Timor National NGO Forum to Galbraith's office calling for suspension of the project. The first letter of 9 October stated that there was inadequate consultation of East Timorese in the development of the project document, and that the process was neither transparent nor democratic. The letter also called into question the fact that the proposed project would cost over US\$8 million—more than 10% of the entire annual ETTA budget for East Timor—of which over 75% would go to international staff or UN Volunteers and only 2.2% to East Timorese staff. UNTAET's Political Affairs Unit is now establishing a steering committee on civic education that seeks to include all sectors of East Timorese society in drawing up a new project proposal.

The Japan Times (15 November) reported that **Tokyo is lobbying heavily for a high-level position in UNTAET for a Japanese government official**. As a senior Japanese Foreign Ministry official said, "We expect the U.N. to agree to grant Japan an influential post in charge of economic assistance projects. . . . We need to maintain a voice in the decision-making

process at UNTAET, at least concerning actual implementation of economic assistance projects." According to the report, Tokyo believes that such a position will strengthen its efforts to win a permanent seat on the United Nations Security Council. UNTAET is expected to agree to the Japanese government's wishes to ensure that Tokyo does not reduce its contribution to East Timor. (Japan is East Timor's largest bilateral donor.)

On 18 November, the **United Nation's Security Council Mission to East Timor and Indonesia** issued the report from its trip to East Timor and West Timor (12-13 Nov.), and to Jakarta (14-17 Nov.). While the mission "was impressed by the progress made in implementing the mandate given to UNTAET in little over one year," it wrote that "this progress has not always been smooth." The Mission noted, for example, that the UNTAET judicial sector is under-resourced. As a result, "the current system cannot process those suspects already in detention, some of whom have been held for almost a year." While much rehabilitation of major public buildings and utilities has taken place, "the overall state of East Timor's infrastructure remains devastated." And of "particular concern" to the mission was how little UNTAET has expended on reconstruction, "and the uneven rate of progress of the rest of the country compared with Dili, particularly with regard to road reconstruction, power supply and the reconstruction of buildings."

A report in *The Lancet*, a British medical journal, on 18 November summarized the results of a study carried out in all 13 districts of East Timor by the International Rehabilitation Council for Torture Victims (IRCT) in June and July 2000. **Ninety-seven percent of respondents stated that they had experienced at least one traumatic event during the Indonesian occupation.** The IRCT classified 34% of the respondents as suffering from post-traumatic stress disorder, 57% as having experienced torture, and 33% having suffered from physical beating or mauling and 5% from rape or sexual abuse. Twenty percent of the respondents felt that they would never recover from their experiences. Given the nature of East Timorese society, the IRCT argues that psychosocial and rehabilitation programs are likely to be most effective if they are family- and community-oriented. This study highlights the acute need for the international community to provide the necessary resources to build a national mental health system, something now lacking. (See *The La'o Hamutuk Bulletin*, Vol. 1, No. 3.)

The **Third Donors Meeting on East Timor** took place in Brussels, Belgium on 5-6 December. Among ten “high priority, unfunded projects” identified by UNTAET and the World Bank were the capital funding and five-year operational budget to procure and subsidize ferry service between the Oecussi enclave and Atauro island and Dili to reduce their isolation. Although a couple of donors reportedly expressed interest in funding a link between Atauro and Dili, no money has come forth. And there were no promising signs of interest in funding for transportation for Oecussi. Reportedly, UNTAET will follow up with donors in the months to come to try to secure funding for Oecussi’s and Atauro’s transportation needs and other “unfunded priorities”—especially the writing of a national constitution and the holding of elections, and the development of an East Timorese civil service.

The *Sydney Morning Herald* (19 December) reported that **coffee prices on the world market have plummeted** by about 35% over the last several years. This is due to an oversupply of coffee internationally. These low prices will have a profoundly negative effect on East Timor as approximately 25% of the population, about 40,000 families, depend on coffee as their main source of income. LH has received reports that prices paid to coffee growers in East Timor have dropped more than 65% over the last three years.

The *Sydney Morning Herald* (20 December) reported **that the Australian government has withheld from United Nations investigators Indonesian communications** intercepted before and following the 1999 referendum. The hundreds of hours of intercepted messages implicate dozens of people, including General Wiranto, in gross human rights atrocities. According to Professor Desmond Ball, Australia is withholding documentation that would confirm rumored mass killings and dumping at sea of East Timorese students following the 30 August 1999 ballot. “The Australian intelligence agencies were able to provide the [Australian] Government with a ringside seat at the mass killings and forced deportations that began when the result of the ballot was announced on September 4,” Ball stated. Professor Ball obtained a copy of a 9 Sept. 1999 report by Australia’s Defence Intelligence Organisation that documented that Wiranto’s chain of command was very much intact during the post-ballot terror, thus exposing the false nature of official Australian statements claiming that “rogue elements” of the Indonesian military were responsible for the violence. Australia’s Defence Signal Directorate near Darwin intercepted many of the communications. Reportedly, the United States government, which operates an intelligence center near Alice Springs, Australia, provided Canberra with additional information.

LH comment: The U.S. government also knew exactly what was happening in East Timor and who was behind the crimes, despite similar statements ascribing responsibility to “rogue elements.”

In a memo issued on 29 December, the United Nations Transitional Administration in East Timor **“reminded” “all UNTAET personnel” that they “should not communicate** to any person outside the Mission any information known to them by reason of their service with the Mission ... or other matters affecting the host country or opinions they have formed about the political life of local inhabitants.” These obligations continue after one leaves UNTAET, and can only be waived by written authorization from top UNTAET officials.

La'o Hamutuk wonders why such secrecy is required, and hopes that the future East Timorese government will give more attention to freedom of information, transparency in decision-making, and the right to know. ❖



Sebastião Pedro da Silva

La' o Hamutuk News

In addition to producing this *Bulletin* in English and Tetum, *La' o Hamutuk* undertakes many other activities. Here are a few from the last two months:

- √ Produced the first two issues of *Surat Popular (Popular Page)*, a Tetum-language pamphlet with graphics, drawing on information from the *Bulletin*, which grassroots groups use as a popular education tool..
- √ Started a program on Radio UNTAET to further disseminate our findings.
- √ Organized bi-weekly meetings with resource people on topics including Oecussi's isolation, the Brussels donors' meeting, East Timor's education system, and the structure of the United Nations.
- √ Set up internet email service lists to facilitate communication among international and East Timorese NGOs operating in East Timor.
- √ Gave a presentation on monitoring the U.N. at the Fourth Asia-Pacific Coalition on East Timor (APCET) conference in Baucau.
- √ Continued to develop relationships with other NGOs, East Timorese organizations, U.N. personnel and others involved in East Timor's emerging nation.

Clarification

Our previous *Bulletin* (Vol. 1, No. 3), which focused on East Timor's health system, said that Division of Health Services Head Dr. Sergio Lobo contends that most diseases in East Timor do not need the care of a doctor, but can be treated with already existing trained nurses and local health workers.

Dr. Lobo wrote to *La' o Hamutuk* to clarify his view: "What I was trying to say is that diseases that affect the majority of the population are not cases that need the specific attention of a doctor. Of course, there are many other diseases that affect part or particular members of the population that need exclusive attention by doctors."

Sustainable Development Conference

On 25-31 January, an NGO-organized conference will be held in Dili on sustainable development and environmental planning for East Timor's future.

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(Editorial, continued from page 14)

to the Bank, given the institution's preoccupation with public relations, have led it to rush project design, and thus undermine the opportunity for greater public participation.

At the same time, the Bank defends the limited consultation for the agriculture project by arguing that emergency needs did not allow the luxury of extensive participation in the project design. While this argument is valid for vaccinating livestock and repairing irrigation systems, it does not justify haste in non-emergency components of the project, such as the Pilot Agricultural Service Centers (PASCs). Even if these components can still be revised, they become the starting point for subsequent discussions and thus bias the dialogue, potentially undermining consideration of real alternatives. For such reasons, the non-emergency aspects of the agricultural project should not have been part of the original project agreement.

The people of East Timor need time and resources to learn from the experiences of other post-conflict and developing societies. Past development disasters—a number involving the World Bank—show the danger of allowing outside “experts” to have too much influence over East Timor's reconstruction. Therefore, exchanges with grassroots activists from other countries who have dealt with Bank projects would be very worthwhile. (The funding needed for such exchanges could come from the Trust Fund, while local NGOs would be in charge of organizing them.)

Typically, the Bank works to establish institutions within developing countries that are autonomous from the government, while cultivating people who favor technocratic and “free market” approaches to development. In this regard, it undermines indigenous development strategies.

All too often, the Bank sees countries as empty laboratories in which it can apply its standardized policies. As the Project Appraisal Document for the agricultural project states, “[East Timor] is starting life with a clean slate.” Of course, East Timor is not a “clean slate,” but a society with a unique history, as well as its own traditions, sets of social relations, conditions, and needs. Given these factors, and the horrific trauma experienced by its people over the last 25 years, East Timor needs the space to devise its own development paths. Concerned parties must ensure that the Bank allows the various sectors of East Timorese society to play a far more significant role in the design, implementation, and oversight of projects than they have so far.

The Bank oversees a considerable amount of money in trust for the people of East Timor. It is highly unlikely that East Timor will receive so much “free” money in the foreseeable future. The Bank thus has a responsibility to ensure that discussions that lead to the design of projects (excepting perhaps non-controversial, emergency rehabilitation activities) are as extensive and inclusive as possible. This is inherently a time- and labor-intensive process, one made all the more necessary because East Timor does not have a democratically elected and controlled government.

Experience shows that concerted public pressure can influence how the Bank works. East Timor has a vibrant NGO sector, a political elite that is relatively responsive to grassroots constituencies, and a strong international solidarity movement. Working together, they can help ensure that the World Bank serves the East Timorese people's needs, rather than vice-versa.



Who is La'o Hamutuk?

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Editorial: Democracy and the World Bank in East Timor

The World Bank is a very powerful institution with a lot of resources. Here in East Timor, it oversees a trust fund worth US\$166 million for a two and one-half year period on behalf of international donors. In this regard, the Bank is in a strong position to influence the way donors perceive and act toward East Timor. Combined with its experience and expertise, the Bank is also in a position to shape debate and social structures within the soon-to-be independent country.

In a number of ways, the World Bank has been a responsible steward of the funds. Often the Bank has proven open to dialogue with various sectors of East Timorese society as well as, at times, with international NGOs. And the Bank is generally forthcoming with information about its projects. It now publishes brief project summaries in Indonesian and Tetum. More specifically, the World Bank's East Timor Community Empowerment and Local Governance Project (CEP)—while having its problems—appears to be a generally successful endeavor in promoting grassroots democracy and local control over some small development initiatives. (See article on CEP, page 6).

Even in these areas of strength, however, there are significant limitations. Most major Bank documents concerning East Timor—including project information documents and project appraisal documents—are available only in English, thus making it difficult for the vast majority of East Timorese people to participate effectively in policy discussions. At the same time, Bank-commissioned external evaluations of its projects are not available to the public. Moreover, dialogues and consultations involving the Bank tend to be more form than substance. In the worst instances, they are highly-orchestrated events run by Bank personnel with the narrow goal of gaining support for proposals created by small groups of people. Finally, the very culture of the Bank—with its reliance on highly-paid “experts” and its corporate-style offices—are hardly inviting to outsiders and grassroots participation.

The Bank's Agriculture Rehabilitation and Development Project (see article on page 3) exemplifies many of these problems. The consultation process prior to its design was totally inadequate. Of course, there has been considerable pressure from sectors of East Timorese society and various NGOs on Bank officials to accelerate the design and implementation of projects. Many have complained that the Bank has been too slow—a result of both the pace of donor disbursements into the Trust Fund and the procedures of the World Bank. It also appears, however, that pressures internal

(Continued on page 13)

What is La'o Hamutuk?

La'o Hamutuk (Walking Together in English) is a joint East Timorese-international organization that monitors, analyzes, and reports on the principal international institutions present in Timor Lorosa'e as they relate to the physical and social reconstruction of the country. *La'o Hamutuk* believes that the people of East Timor must be the ultimate decision-makers in the reconstruction process and that the process should be as democratic and transparent as possible. *La'o Hamutuk* is an independent organization, encouraging effective East Timorese participation in the reconstruction and development of the country. In addition, *La'o Hamutuk* works to improve communication between international institutions and sectors of East Timorese society. Finally, *La'o Hamutuk* is a resource center, providing literature on development models, experiences, and practices, as well as facilitating contacts between East Timorese groups and development specialists from various parts of the world.

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