

# The International Dialogue on Peacebuilding and Statebuilding

Contribution by Timor-Leste

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# Preface

## The International Dialogue

The Timor-Leste country-level consultation described here formed part of the International Dialogue on Peacebuilding and Statebuilding. The Dialogue initiative was established as an outcome of the High-Level Forum on Aid Effectiveness held in Accra, Ghana in September 2008. It is chaired by a partner and donor country (currently the Democratic Republic of the Congo and the United Kingdom) and will hold its first formal global meeting in Dili, Timor-Leste in April 2010.

The purpose of the International Dialogue is to examine good practices and key bottlenecks in international support for peacebuilding and statebuilding in order to generate consensus around fundamental priorities and objectives in these areas. The International Dialogue provides a forum for international and national stakeholders to discuss these and other relevant issues that are under-addressed, or that cannot be resolved at the country-level.

The Dialogue aims to contribute to building trust between participating countries and organisations. It will encourage the sharing of experiences on South-South cooperation in the area of peacebuilding and statebuilding and will enable participating countries to focus their attention on issues that are of common concern.

This report outlines the main findings and recommendations from Timor-Leste. These findings will be shared with the International Dialogue Steering Group and inform discussions at the first global meeting in Dili.

This report uses the OECD definitions of peacebuilding and statebuilding, and reflects the view held by the Government of Timor-Leste that these processes are interdependent.

*“Peacebuilding involves a range of measures targeted to reduce the risk of lapsing or relapsing into conflict by strengthening national capacities at all levels for conflict management and to lay the foundation for sustainable peace and development”.*

*“Statebuilding is an endogenous process to enhance capacity, institutions and legitimacy of the state driven by state-society relations. Positive statebuilding processes involve reciprocal relations between a state that delivers services for its people and social and political groups who constructively engage with their state”.*

# List of abbreviations

CAVR	Commission for Reception, Truth and Reconciliation
CNRT	Congress for Timorese Reconstruction
CPA	Comprehensive Peace Agreement
DPs	Development Partners
FRETILIN	Revolutionary Front for an Independent East Timor
IDP	Internally Displaced Person
INGO	International non-governmental organisation
MDG	Millennium Development Goal
MSS	Ministry of Social Solidarity
NGO	Non-governmental organisation
PNTL	Timor-Leste police force
SCU	Serious Crimes Unit
UNDAF	United Nations Development Assistance Fund
UNMISET	United Nations Mission of Support in East Timor
UNOTIL	United Nations Office in East Timor
UNTAET	United Nations Transitional Administration in East Timor

# 1 Executive summary

## 1.1 Summary of key findings

### The country context

Timor-Leste gained independence in 1999 after some 400 years of Portuguese colonial rule 24 years of resistance against Indonesian occupation. At the time of independence, 80% of infrastructure was laid waste, 1,400 Timorese were killed and about a third of the population had fled to the mountains seeking refuge. Given the dire lack of institutions and capacity, the United Nations Transitional Administration in East Timor (UNTAET) administered the country, exercised legislative and executive authority and supported capacity building for long term self-government. Full authority was handed over to the First Constitutional Government in 2002.

**Timor-Leste is a new country and it is important to understand the recent history and developments since independence to fully grasp the priorities and challenges that the country now faces. Chapter 2 provides a snap-shot of these developments. Peacebuilding and statebuilding priorities**

One decade after independence, Timor-Leste enjoys its longest period of peace and stability in recent memory. However, a myriad of competing peacebuilding and statebuilding priorities continue to pose formidable challenges for the nation and its development partners.

The government sees its main challenge as balancing the pace of social and economic development while responding to the complex needs of its population. Two of the most pressing priorities continue to be security reform and economic development, but the government also recognises that more needs to be done in areas of social justice, welfare and service delivery, most particularly for rural populations. There is a shared recognition that Timor-Leste must tailor its approach to peacebuilding and statebuilding, and the sequencing of related activities to meet these diverse priorities.

The government recognises the potential negative impact of poverty on peace and stability, and underscores that poverty reduction is at the core of its strategy. Poverty increased between 2001 and 2007, in particular among vulnerable people in rural areas. The government and development partners are now recognising that resources originally required to build the foundations of the new state might have been overly concentrated in the capital. As regional divisions were sighted as a trigger of previous conflicts, there is now agreement that development spending outside Dili will need to be accelerated to avoid future risks of such conflicts. The 2009 initiatives to bolster local infrastructure in rural communities, increase employment opportunities and empower the private sector with small to medium size projects are important steps in this direction.

Peacebuilding and statebuilding need strong political parties and political leadership. There is a general consensus that the outbreaks of violence experienced since independence were fuelled by political divides at the national level, and by a governance apparatus that was ill-equipped to cope with the fragilities of the institutions. Other destabilising factors included the stagnate economy, unemployment, increased poverty, limited service delivery, food insecurity, weaknesses in the civil service, and a deeply imposed post conflict mentality by civil society.

Progress has also been constrained by the fact that political actors have been unable to agree on statebuilding and peacebuilding goals for the country. Political parties operate on allegiance and historical

affiliation rather than political platforms, ideology and policies which define parties in modernized democracies. There is thus a need to create a more inclusive political dialogue, so that political parties can strengthen their democratic structures and better engage their constituencies in lively discussion as to the country's future priorities and vision.

The Timorese justice system was established after independence, and continued progress on justice sector reform is essential to promote stability and consolidation of the peace programme. Although good steps have been taken, much more needs to be done to make justice more accessible and evenly distributed, and to make all citizens, including elites, accountable to the rule of law.

The consultations also highlighted the needs to continue to encourage a national dialogue to deal with past injustices and hold perpetrators accountable for their crimes. This is an important challenge for donors, as well, who often do not know how to understand and respond to delays in implementation of recommendations from the various commissions that report on crimes and injustice from past conflict.

### **Key bottlenecks and challenges for governments and external actors to achieve or support peacebuilding and statebuilding processes**

To date, foreign technical assistance has not developed the level of capacity and type of skills that the government and its people had hoped for. Ineffectual skills transfer and poor quality of foreign technical assistance have thus far impeded statebuilding, which is ultimately about strengthening individual and institutional capacity. Furthermore, foreign technical assistance is seen as dismissing existing Timorese capacity and not building on what already exists and confusing newly established systems that are proving effective, albeit fragile, for the government.

Some participants argued for a stronger 'whole of government approach' to address national priorities. At present, ministries often develop their own programming with donors, instead of working through a coordinated platform that can help the government to align peacebuilding and statebuilding approaches across all the sectors. As a result, donors and government miss opportunities to build on ongoing work and to aim for a longer, coherent and more comprehensive change process. As a result, development programmes can seem disjointed and impact is lost.

Similarly, development partners often demonstrate insufficient flexibility in their approaches and funding mechanisms. This in turn impedes alignment of priorities and programming and donors are sometimes seen as not responding to changing needs. International actors agree that they have found it difficult to shift gears between longer term development and emergency response.

Most countries emerging from long and divisive conflict experience a legacy of strong liberation political leadership, which presents both strengths and challenges for statebuilding and peacebuilding. In Timor-Leste, the national heroes from the resistance have played an important role in terms of maintaining national cohesion and forging diplomatic relations. As democracy is further consolidated, political leaders will need to draw on the lessons and leadership of recent decades as they move to counter political divides to forge cooperation between older and younger leaders in support of modern democratic norms.

There is a need to balance short, medium and long term priorities. Although Timor-Leste has moved on from the 2006 crisis, it will take decades to effectively address the underlying structural causes of conflict. Continued efforts are needed to implement regulations, develop systems and leadership, and improve centre-periphery relations to promote stability and curtail future conflict. Progress can be seen in, for example, the security sector, which has been cited as one of the key underlying causes of the conflict. Following the 2008 assassination attempts on the President and Prime Minister underlying tensions did not re-emerge, and the army and police worked jointly with support of the United Nations to ensure stability and peace prevailed.

There is a continued need to meet the expectations of the population in terms of economic opportunities and access to services. The majority of Timor-Leste's population rely on subsistence agriculture to survive, and some participants argued for short term investment in the agricultural sector, despite its low contribution to GDP, as this is likely to produce quicker results for more people than, for example, the establishment of a strong private sector. In addition, there might be a need for increased public spending to document short term improvements in the provisions of education, health and water and sanitation facilities in rural areas.

## **Strategic planning modalities for peacebuilding and statebuilding**

The Government of Timor-Leste has made good headway in articulating overarching development priorities in its 20 year national vision for the country titled 'Vision 2020' written in 2002, and aligning these with budget plans and some monitoring frameworks. However, there is a continued disparity between the current short term planning systems utilized by government and the medium term planning horizon promoted by donors.

The international community has stated that it looks forward to the government's release of a medium term planning framework, allowing them to align development planning cycles to the government's longer term peacebuilding and statebuilding needs. Discussions with civil society groups and other stakeholders are pending. The government has confirmed it intends to develop a medium term expenditure framework to accompany the SDP. Work has started to incorporate the MDGs more firmly in the government's development planning process.

More consideration of theories of change and long term strategic planning by the government, development partners, the diplomatic community and security sector actors may yield results.

## **Success stories and good practice**

With two national elections and one Suco election successfully completed since independence, the country and its citizens' have demonstrated a strong commitment to the democratic process. The country's ability to withstand the challenges of 2008 suggests that Timorese are keen to renounce violence. As such, there is a real opportunity to use this positive step to encourage into a more active citizenry imbued with democratic values, particularly at the local level.

Government programmes focusing on conflict resolution at the local level had a very positive impact in addressing the 2006 conflict and its effect on rural populations. The Ministry of Social Solidarity and donors used both traditional and modern reconciliation processes, combining symbolic gestures and material compensation and responding to regional differences. The flexibility in programming and rapidity of response helped restore stability and fill the gap left by non-functioning local court systems.

Donors and government are taking a long term view on developing and conserving the wealth of the nation, by setting up mechanisms like the Petroleum Fund. The Fund is regarded as a model for other countries and regulates investments and withdrawals to ensure that the government only draws from the income generated by the Fund. It also serves as a tool for sound fiscal policy and consideration of long-term interests of the population. Over time, it will be integrated into the State Budget and offers a platform to strengthen public financial management.

## **1.2 Key recommendations for the International Dialogue**

International actors need to understand the local context if their development programmes are to 'do no harm'.

There is a need to develop and share good practice for technical assistance. Advisers need to transcend their areas of technical specialisation to understand the local culture and context. While the emphasis needs to be on building capability and skills rather than on job substitution, an assessment of the need for some continued in-line support would enable a more realistic and prioritised approach to capacity building. In order to maintain control of this expensive resource, the government should be encouraged to monitor and evaluate the delivery of technical assistance to assess its quality and its relevance.

At this stage in Timor-Leste's development, attention to developing accountability mechanisms is called for. Good progress has been made on a number of fronts e.g. the creation of the Anti Corruption Commission, the establishment of the Civil Service Commission and reforms to make public finance management transparent to the public via the internet in real time. Stronger accountability organisations, such as audit institutions and active parliamentary scrutiny can help track public spending and create a platform for more constructive engagement between citizens and state. This engagement at the local level will play an important part in increasing government accountability to its citizens, helping to guarantee that the public receives maximum benefits from state resources, raising civic awareness and improving the state's legitimacy.

Whilst foreign governments do need to observe the Paris principles of diplomacy, they also need to understand the depth and breadth of politics if their development programmes are to remain relevant and 'do no harm'. At the same time, donors need to be weary that their disbursement pressures do not lead to weakening whole of government approach. More efforts are therefore needed to help the government with inter-ministerial coordination.

Donors can also improve communication by ensuring that their written communications, research and reports are up to date; integrating real time information rather than utilizing outdated sources which do not represent the current state of the nation. In addition, more engagement and processes should be implemented to ensure that information is shared and utilized in partnership, which would also help the government address the existing information deficiency.



## 2 Country context

In 1975 some 400 years of Portuguese colonial rule in Timor-Leste came to an end. With political change in Lisbon favouring decolonisation, an opportunity emerged for Timorese to take charge of their own country. After an intense but brief civil war erupted the Fretilin party took control and independence was declared. Days later the Indonesian military invaded. During the 24 year resistance to Indonesian occupation, there were an estimated 200,000 conflict related deaths. In 1999, when the Timorese people voted for independence, 80% of infrastructure was laid waste, 1,400 Timorese were killed and about a third of the population fled to the mountains seeking refuge, with almost another third being resettled in Indonesian West Timor during the violence instigated by pro-Indonesian militias, aided by Indonesian military. Now with a population of approximately 1,200,000 inhabitants Timor-Leste is one of the newest and poorest countries of the new millennium.

From the outset, the liberation of the people and creation of a new state from the dire conditions of the occupation were the main priority for the international community. All development activities in the country can therefore be seen through the lens of that initial peacebuilding and statebuilding effort. In October 1999, the United Nations Transitional Administration in East Timor (UNTAET) was created to administer the territory, exercise legislative and executive authority during the transition period and support capacity building for long term self-government.

Annex D lists the comprehensive set of regulations enacted by UNTAET to establish the new state.

In hindsight, the handover in 2002 was perceived as ill conceived upon withdrawal leaving Timor-Leste and the First Constitutional Government with weak systems, fragile institutions and a civil service that had little capacity to deliver vital services. The country also had challenges within various elements of society namely within the political arena and members of the security forces, the combatants of the resistance. Most of the major issues that had potential to create further instability were overlooked to forge ahead with the establishment of a new State. The elements piqued in the crisis of 2006 when Timor-Leste was considered on the verge of becoming a failed State.

Despite the devastation that followed the 1999 referendum, voter turnout has been consistently high in subsequent elections. There is a high degree of nationalism and civic responsibility amongst the population.

In the first parliamentary election (August 2001), 91.3% of the population turned out to vote. The Revolutionary Front for an Independent East Timor (FRETILIN) won with 57% of the vote – the second party gained only 8.7%. Xanana Gusmão, the main resistance leader, was overwhelmingly elected the first President of Timor-Leste in 2002. At the same time UNTAET was succeeded by the United Nations Mission of Support in East Timor (UNMISSET), which was charged with providing assistance to core administrative structures seen as critical to the viability and political stability of the country. Its mandate ended on 20 May 2005, followed by a winding down mission (UNOTIL) that was scheduled to leave in May 2006.

As the country gained a sense of calm, the government set up a number of committees to investigate crimes and injustices committed during the civil war and Indonesian occupation. The Commission for Reception, Truth and Reconciliation (CAVR) was created in 2001 and led by seven Timorese commissioners to undertake a series of truth seeking meetings for the period 1974-1999, facilitate community reconciliation for less serious crimes, and make recommendations on its work and findings.

Its comprehensive *Chega!* report was issued in 2005. Although some actions have been taken, a large number of recommendations have yet to be implemented. A Serious Crimes Unit (SCU) was also established by UNTAET and ended its investigations in November 2004. The SCU indicted 391 people for 1999 crimes but brought only 87 to trial, of which 84, mostly low-level militia, were convicted. More than 75% of those indicted remain free in Indonesia, some in positions of power, although the UN and Timor-Leste issued arrest warrants for 303 indicted people who remain at large. Although the Special Panel for serious crimes completed 55 trials in which 84 individuals, mostly low-level officials, were convicted, the approach to dealing with past injustices and war crimes continues to be controversial. Some advocate a forward looking focus, whilst others feel they have yet to see justice. Campaigners for an end to impunity see the government's concurrence of the Final Report from the Commission of Truth and Friendship in 2008 as a betrayal to the victims of the war and lament that the Commission did not recommend prosecutions. Timor-Leste's leaders have consistently put reconciliation and national recovery over prosecutorial retribution as a means to move forward from the 25 years of privation.

While elections and political transitions have been relatively peaceful, security incidents rose with crises documented approximately every two years; not unusual in the long term normalization of a post conflict country.

In 2002, Urban violence tested the capacity of the Timor-Leste police force (PNTL), which was unable to control the rioting in Dili in December of that year. The situation was brought under control by UN and Portuguese security forces, however underlying political and social tensions, some of which dated back to Portuguese or Indonesian times, continued.

During 2003 and 2004 there were increasing reports of violent incidents between martial arts groups (in the resistance period, martial arts groups were frequently the base from which pro Indonesian militias operated). The government attempted to set up a national dialogue between veterans and state institutions, but this had limited success. Over the next few years, the government continued to show that it could compromise and engage peacefully with protesters. In 2005 a series of large demonstrations was organised by the Catholic Church to protest the government's proposal for secular education. These were largely non-violent and a joint memorandum between the government and the Church was produced.

The following year, 2006, violence erupted again as a result of unaddressed tensions between the regional elements within the F-FDTL causing 15 per cent of the population to flee to the homes of friends and family within the districts, or to temporary internally displaced persons camps throughout the capital and surrounding districts. At the request of the government, an international security force comprised of Australia, New Zealand, Portugal and Malaysia was brought in to restore order. However, violence continued, in the form of fights, arson, vandalism, killings and other crimes between gangs and other entities used for personal or political purposes. A few months later, Prime Minister Mari Alkatiri was forced to resign, and conflict continued well into 2007, with the loss of more than 200 lives.

In August 2006, UNMIT, a non-military peacekeeping mission was established and UN resolution 1704 mandated the UN to assist the Government of Timor-Leste to review and reform the security services. In October the United Nations Independent Special Commission of Inquiry for Timor-Leste reported ineffective chains of command as one of the key causes. The commission also recommended the prosecution of three prominent individuals, including the Head of the Army, and the investigation of incidents involving other relevant individuals<sup>1</sup>.

The root problems of the crisis of 2006, the largest deterrent to development since independence, were based on issues that had long festered and gained momentum within a highly politicized environment. The army veterans (Falintil) had not been given due severance after independence causing discord; they initially formed the base of the armed forces while the police was composed of officers who had served Indonesia during the occupation. There was a perceived level of inequity between and within the forces. Animators including poverty, limited service delivery, unemployment, and economic atrophy desensitized and disenfranchised the people of Timor-Leste to their new found sovereignty and crisis prevailed,

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<sup>1</sup> <http://unmit.unmissions.org/LinkClick.aspx?fileticket=sBQns2vB4mk%3D&tabid=431> accessed 29.10.09.

The crisis also left an important mark on the political landscape with leaders representing two very conflicting styles of governance and visions for the future of the nation. The country eventually regained a new calm and in March 2007 President Xanana Gusmão founded a new political party, the National Congress for Timorese Reconstruction (CNRT) and did not stand in the April Presidential election. The election was won by H.E Jose Ramos-Horta (formerly Foreign Minister and interim Prime Minister who stood as an independent), who defeated the FRETILIN candidate on the second round. In the June parliamentary election FRETILIN won 29.02 per cent of the vote, but CNRT, who had gained 24.10 percent, were able to form a government in coalition with several smaller parties. FRETILIN has never accepted the legitimacy of this coalition government, addressing the government with the preface 'de facto' and continues to assert its role as the largest party in Timor-Leste despite some 71% voting for new political direction. However, FRETILIN members of parliament are now working in parliament and in the parliamentary committees.

Despite progress since 1999, Timor-Leste remains one of the least developed countries in the world, and at the last census (2007) almost 50% of the population were living below the poverty line. The most recent household survey, undertaken in 2007 shows that poverty dramatically increased between 2001 and 2007 despite eight billion dollars on international donor assistance and newly acquired petroleum wealth.

Livelihoods are particularly affected in rural areas where infrastructure has not recovered from the devastation of 1999. The government recognises that poverty is one of its most urgent problems and has embarked on the *Referendum Package* programme to fund small infrastructure projects in every district, using local companies to boost the rural economy. Progress is being made in this regard with the government's Vision 2020 plan for development prioritising economic growth, social protection and sectoral development in key policies and programming. Ultimately, elections in 2012, the same year that the UN mission is expected to draw down, are seen as the next test of the government's ability to respond to these challenges and consolidate peace and security.

# 3 Findings

## 3.1 Key peacebuilding and statebuilding priorities and objectives

This section provides a summary of what stakeholders see as the key peacebuilding and statebuilding priorities for the country and the actions required to achieve these objectives.

### Political representation and processes

#### *National reconciliation*

Reconciliation efforts have focused on the local level as well as national level; however political rivalries remain deeply rooted. In 1999 and its immediate aftermath, development partners (DPs) and international agencies underestimated the importance of tailoring development interventions to take into account the transitions from conflict to post conflict and from foreign rule to independence. As a result, development partners were often unable to modify their approaches to address the immediate challenges facing Timor-Leste. Indeed, some have commented that without the charisma of the resistance leaders, in particular its new President, Xanana Gusmão which helped to steer the country from violent struggle to democratic politics, the transition process would have taken considerably longer.

Following the near-fatal assassination attempt on the President in 2008 and the attempted attack on the Prime Minister, law and order were quickly restored but the incident reaffirmed the national feeling that the issues from the initial onset of statehood had not been adequately assessed or analyzed and therefore; the nation started against a tide of post conflict challenges that were seemingly insurmountable. Participants also stated that a 2-year cycle of crises had been part of the recent history of Timor-Leste as a young nation.

In 1999, the international community's immediate priority was on peacebuilding and statebuilding. In their rush to create the mechanisms of the state, international actors appeared unaware of the rich cultural diversity, political dynamics and competition that marked the struggle for independence. Despite the warnings of 2006 and 2008, government and DPs continue to gradually work together. As one donor said, "We have wonderful access to every level of government here but we don't really seem to deepen our understanding as a result of this".

One of the government's key priorities after the 2006 crisis was reconciliation work at local and community levels. Programmes included some financial incentives and community led reconciliation processes, both organised through the Ministry of Social Solidarity (MSS). Some financial incentives were directed towards honouring veterans who were the cornerstone of self realized independence. The ministry offered ceremonies of honour, cash payments, pensions to validated combatants and martyrs' families, as well as scholarships for their children.

The government also financed the resettlement of IDPs as well as providing relief and rehabilitation programmes. However, IDPs also wanted guarantees for their safety and some acknowledgement of the circumstances that led to their flight. In turn, the ministry, with technical support from UNDP and DPs, used both traditional and modern reconciliation processes, combining symbolic gestures, material compensation, as well as written and signed agreements and undertakings.

The process was comprehensive and accommodated regional differences and a variety of needs. It ultimately resulted in all of the 65 IDP camps being closed. These approaches are becoming more widespread and are an important contribution to stability in the absence of a functioning court system

throughout much of the country. Nevertheless, the extent of the financial expenditure, most of which has been taken from the Petroleum Fund, has come under criticism, including from the political opposition, which believes that this is economically unwise and encourages dependency rather than self-sufficiency. Some in civil society and elsewhere see the 'buying peace' approach as undermining long-term development and stability, as it encourages people to create problems in order to receive benefits from the state. When petroleum revenues are no longer available, how will troublesome constituencies be calmed? The government, however, defends its actions as securing stability in the short term in order to build long term peace and has consistently defended social welfare of the most vulnerable as an inalienable right.

Despite this progress, some Timorese maintain that reconciliation can only happen when those who participated in the 2006 unrest are brought to justice.

At the national level, the government has yet to organise a dialogue on reconciliation and there is a sense that the administration has prioritised diplomacy over the recommendations of successive Human Rights Commissions.

### ***The political heritage***

Timor-Leste is an emerging economy and democracy and its fragility must be framed within the context of its transition. It entered the transition with strong political leaders who forged their political experience within a context of resistance to occupation, civil war and Portuguese colonialism. Whilst democratic approaches were not the vehicle which elevated these figures to positions of leadership, they have nationally-based constituencies and some retain a popular moral authority from their roles during the independence struggle.

The overwhelming support for FRETILIN during the 2001 parliamentary election led some observers to fear that the country was headed toward a one party state. Some government politicians suggested that competitive elections had been organised too early for the democratic transition to take shape and that as a result the political divisions from the colonial, civil war and occupation period re-emerged, bringing with them the threat of instability and a proliferation of political parties and divisive political undercurrents.

The development of coalition politics in the 2007 election was a step toward political inclusion and may ameliorate this. However, FRETILIN, the party which attracted the majority of the popular vote, has never accepted the legitimacy of what it refers to as the 'de facto' government.

If the 'winner takes all' attitude persists, it will inhibit the development of democracy, and with it, government accountability to the population. It will also increase the danger of political polarisation through reliance on patron client relationships, and be a barrier to the functioning of an independent civil society which will inevitably be drawn into the patron client culture to secure its own survival.

There is little doubt however, that the people of Timor-Leste are experiencing a new level of political convergence. The government has promoted dialogue over discord, has taken steps to depoliticize the public service, specifically the security sector and has implemented reforms, oversights and modernizations which will be very difficult for any future government to undo.

### ***National representation***

As with any political transition, it is challenging for both the government and the opposition to balance national interest with political ambition. Parliament has taken some time to begin to function but, according to international observers, the parliamentary committees are now working quite well, having had technical assistance from UNDP. The continued strong opposition voice has also helped to improve the democratic culture at the national level.

Parliamentary and legal systems are based on the Lusophone model, following the adoption of Tetum and Portuguese as the official languages. This initially inhibited the participation of non Lusophone members of the Parliament, but proceedings are now generally held in Tetum. In addition, non Lusophone DPs and INGOs generally do not understand the systems and have, at times, sought to import their own approaches, or supplied inappropriate technical advice for the systems, which has been confusing for the Timorese trying to work with them. Language barriers among DPs also fuels

competitiveness in the Timor context. Questions remain regarding the choice of Portuguese as an official language but any language policy would have been extremely complicated and difficult to implement.<sup>2</sup>

The focus of politics and development initiatives remains centred in Dili. The successful Suco (village) elections of October 2009 are the beginning of the development of local government. However, the Sucos are yet to be given legislative and financial responsibilities and so are focussed on local problem solving rather than developing a system of sub-national governance.

Moreover, they do not currently represent the diverse political views of the country, as political parties were not allowed to participate in the Suco elections, and candidates, even those with well-known political affiliations, were required to stand as independents. Districts remain administratively extremely weak, and the current party-nominated, national list electoral system gives no connection or accountability between an elected MP and a district. Although decentralisation is a commitment within the constitution, progress has been slow and the nature and level of devolution have not been agreed. Despite the need for more localised decision-making, further devolution will be difficult without building more capacity at district level.

### **Citizen engagement**

At the consultative meeting Timorese participants and international actors agreed that communication is an area in which the government and development partners can, and should, do much better. They noted that good communication, information dissemination, and widespread consultation are especially important when the population has no previous experience of living in a democracy and is faced with new systems and new languages. Challenges of communicating to a largely illiterate and dispersed population speaking two national and 16 local languages cannot be underestimated. However, participants insisted that improved communication to citizens must be a priority for the government, the parliament and opposition so that they can increase transparency and build the support of the population for the democratic system. This has implications for the design and delivery of civic education programmes and school curricula.

### **Security and justice**

#### **Police and army**

The 2006 incidents revealed weaknesses in the chain of command of the army and the police and were symptomatic of the general politicisation of the security sector. Despite its mandate, UNMIT was not able to access sufficiently qualified staff to undertake SSR work until August 2008. Post 2006 lesson-learning within the UN has resulted in the development of specific criteria to be met before district police forces are transferred to the PNTL whereas previously they were handed over according to a pre-determined timetable. At the time of writing policing responsibilities in four districts had been handed over to the PNTL and in those areas there have been no notable increases in crime.

Timor-Leste is now peaceful yet order outside Dili is largely maintained by non-state organisations and traditional structures, with PNTL and UN police (UNPOL) only dealing with serious crime. Public trust in the PNTL, many of whom served in similar roles throughout the Indonesian occupation, should continue steps toward improvement<sup>3</sup>. One interviewee, who works within the security sector, suggested that the PNTL lack a 'vocational vision'. Although community style policing initiatives have been welcomed by civil society, stakeholders maintain that the PNTL must continue to develop policing techniques other than force.

One major accomplishment between DPs and the government was the recent professionalization reforms of the PNTL. The first independent and meritocratic ranking system was completed for the testing, evaluation, analysis and promotion of police officers into a newly established ranking system mandated under Decree Law 16/2009, of 18 March which, for the first time, provided 12 rankings with clearly defined roles and responsibilities for the police force.

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<sup>2</sup> Review of Development Cooperation in Timor-Leste: Norad, September 2007.

<sup>3</sup> One of the critical challenges in Timor-Leste is the lack of trust and cooperation between the police and communities, especially in the more volatile neighbourhoods. Thomas Parks, Asia Foundation <http://asiafoundation.org/in-asia/2008/05/21/in-timor-leste-the-politics-of-internal-security>.

Officers were promoted according to a comprehensive and rigorous three phase testing system which included general knowledge on policing and human rights, a psychological written exam and a one hour interview with the Commission for the Promotion of PNTL comprising of representatives from Australia, New Zealand, Singapore, Portugal and Timor-Leste.

The F-FDTL is also part of the UN security sector review. There remain strong resentments within the ex-Falintil fighters regarding the manner in which they were cantoned during and after the referendum. These and issues of politicisation create challenges in establishing formal and effective chains of command within the armed services<sup>4</sup>.

Staff within the UN foresees a future peacekeeping role for the F-FDTL, though they stress that the lessons of the security sector review will need to be more securely embedded in the culture of the security services before this is possible.

Some Timorese believe that the security sector should be handed over to national forces without delay. The arguments advanced for this are often based on concepts of national sovereignty and implicit criticism of the efficacy of the international forces. However, there are some members of civil society who are much more cautious and are fearful of a repeat of the violence of 2006 in the absence of any outside constraints. Accountability of the security sector, adherence to Constitutional mandates, respect for human rights, and the establishment of effective civilian oversight is a high priority for these organisations.<sup>5</sup>

Coordination between the police and army is complex and involves the Ministry of Defence and Security (i.e. Secretaries of State for Defence and Security respectively). The police and army each have their own organic laws and a package of overarching national security legislation has been discussed in the National Parliament. Coordination may improve as a new national security policy has been finalized in draft form. International actors working in the security sector hope that this policy will form a coherent bridge across the current laws.

### ***Justice, courts and lawyers***

Timor-Leste had to create a legal system from scratch following independence, and is still in the process of consolidating progress and improving the capacity of key staff. While the system has already established basic capacity to performing its basic functions it is in an early stage of development and is little understood by many lawmakers, let alone the general public. There are now four local courts and the first Timorese judges have taken the bench. However, the courts and the Office of the Prosecutor-General face a huge number of pending cases, which, if not addressed effectively, has the potential to undermine the credibility of the system.

Important steps have been made, and the government has made access to justice a national priority for three consecutive years. A pillar to the reforms was enacting the new **Penal Code** (Decree-Law no. 19/2009, 8 April). On February 19th 2010 a bilingual version of the Penal Code in Portuguese and Tetum was published. The new **Civil Code** has also been submitted to parliament and is awaiting approval.

A number of DPs are working with the government to ensure that translators are available to overcome language barriers and ensure justice services more accessible. Technical translation skills are being transferred to Timorese experts, enabling laws and bills to be more widely disseminated. The traditional and informal mediation and community justice systems remain very strong in some areas and mechanisms to formally link these with the formal common law system are under consideration. The drive for this is primarily from the informal system.

### ***Corruption***

Facing of public concern regarding corruption and nepotism, the government tasked the Vice-Prime

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<sup>4</sup> From discussions with people working with and in the security sector.

<sup>5</sup> Accountability and effectiveness of the security services was one of the priorities identified during the Consultation in Dili on Principles for Aid effectiveness in fragile states and situations in October 2009.

Minister for Public Administration Management with developing an anti corruption strategy, a move which has been universally welcomed by international actors. The Anti Corruption Commission will take over some of the work of the Provedor, which had an important oversight role in relation to corruption and was responsible for the monitoring, investigation and public education in three areas: human rights, good governance and combating corruption. Importantly, the office had the power to have access to everyone, who could assist with investigations. However, as recommendations for prosecution had to go through the Prosecutor-General's Office, many investigations have been delayed by other Parliamentary business and therefore have generally not been acted upon.

Corruption has also been used as political device common to developing countries with political tensions. The use of allegations, innuendo or presenting misinformation to the public has become a continued practice which has damaged the nation's reputation, the government and even international actors, The government response has been measured and acted through reforms and the establishment of oversight systems.

The Global Integrity Index for 2007 rated Timor-Leste as very weak, scoring 74% for its legal framework and only 45% for actual implementation<sup>6</sup>. Some fear that, unless action is taken against those accused of corruption and a strong legal framework put in place, corruption and nepotism runs the risk of becoming endemic. Ensuring that funding of political parties is transparent and accountable can also be helpful in countering political corruption.

### **Core government functions (including taxation, administrative capacity)**

Timor-Leste is the most petroleum-dependent country in the world, with 98% of state revenues and 83% of Gross National Income coming from converting non-renewable oil and gas resources into cash revenues. However, the reserves are relatively small, and the only currently producing field passed its peak production in 2008, and will be used up by 2024. If all known and potential fields are developed to the maximum benefit of Timor-Leste, total oil and gas revenues are likely to be less than \$50 billion. Spread out over 50 years, with an average population of 3 million, this provides less than one dollar/person/day. Nevertheless, Timor-Leste has no other significant source of revenue or economic activity, and a Petroleum Fund has been set up to try to smooth out revenue fluctuations, reduce the temptation to overspend when revenues are temporarily high, and provide some revenue after the oil and gas has been exhausted.

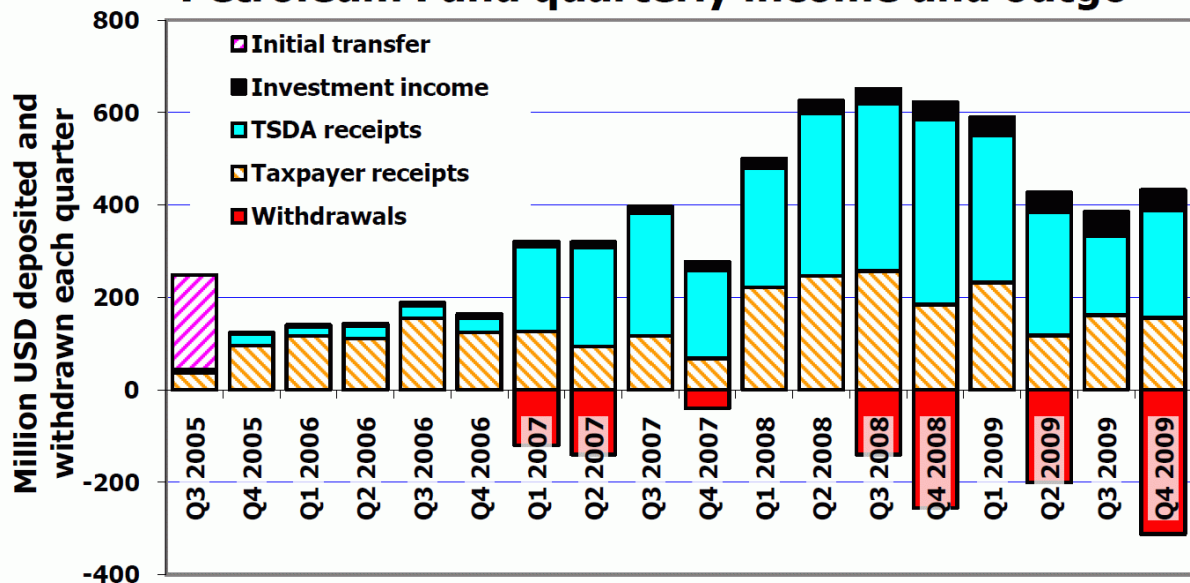
Administering the Petroleum Fund is, arguably, one of the most important functions for the Government of Timor-Leste. The Fund, which was established with the advice of Norway in 2005, is regarded as a model of its kind. Regulations regarding investments, withdrawals and other aspects are detailed but the basic thesis is that Timor-Leste will only draw from the income generated by investment of petroleum capital with additional withdrawals requiring justification to the National Parliament. So, although petroleum revenues from the Timor Sea peaked in 2008, income from investment of the fund will continue for years to come.

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<sup>6</sup> <http://www.doingbusiness.org/ExploreEconomies/?economyid=209> accessed 17 11 09.

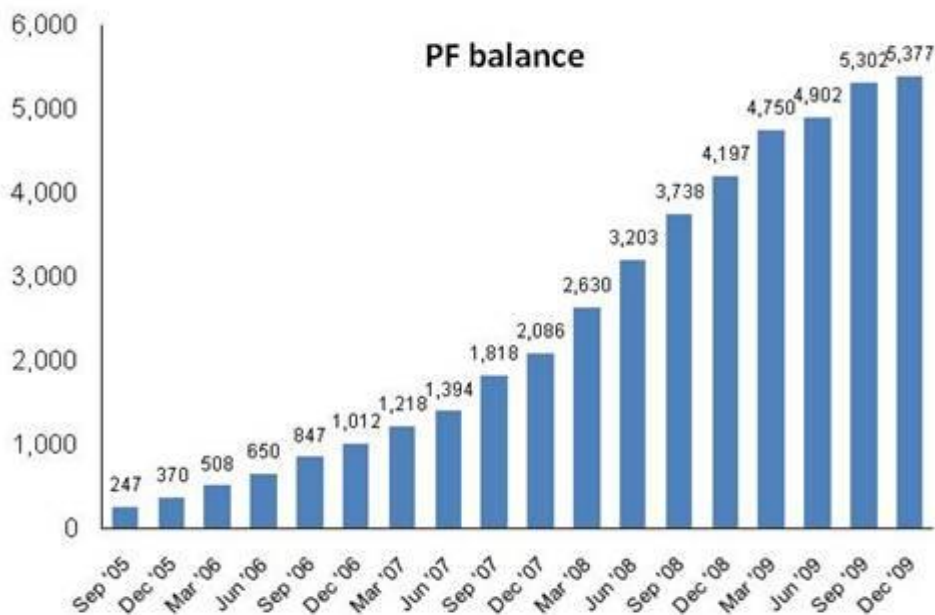


## Petroleum Fund quarterly income and outgo



Source: Diagrams from <http://www.laohamutuk.org/Oil/PetFund/05PFIndex.htm>.

## Petroleum Fund Balance



Source: Ministry of Finance, 2010.

The balance in the Petroleum Fund stood at \$5.6 billion at the end of January 2010. Donor money had gradually diminished until the 2006 crisis, when DPs increased their aid in response to the humanitarian emergency and increased calls on security sector spending. Although firm commitments have not been made, it is expected that as stability is maintained, and the government is able to call on its revenue from the Petroleum Fund, ODA volume will again begin to tail off. It is unlikely that aid will be increased again when oil reserves are exhausted, underlining the urgency of developing non-petroleum sectors of the economy.

Other administrative functions of the government, particularly at the local level, are still under developed. Nevertheless, there is a taxation system and taxes are being collected, although taxes were cut in 2008 in an effort to lower consumer prices and attract foreign investors. The majority of non-petroleum revenue

is generated by import duties since only the tiny middle class base falls within the income tax bands. The government has also made important progress in public financial management. In 2008 government budget execution increased sharply, spurred on by the Finance Minister's concentration on budget disbursement and stringent monitoring of budget spending. These reforms have begun to reduce bottlenecks in the disbursement of government budgets. Attention is now turning to the quality of investment.

Regulation of the civil service is now mandated through the Civil Service Act, which authorizes the Civil Service Commission to regulate the pay and career regime. The government has also taken essential steps within the newly established civil service commission to institute a meritocratic system of recruiting qualified Timorese while heavily investing in training and scholarship opportunities for civil servants to increase capacity and skills which will hopefully compliment the use of technical assistance.

Whilst regulation is welcomed, there is concern about the proliferation of civil Service staff and special remuneration regimes. This is reflected in the debate about the suitability and affordability of government machinery.

### Service delivery functions

The lack of government administrative systems, human resources, and inadequate infrastructure has inhibited service delivery, particularly in rural areas. The government has made an important commitment to improve power supply, roads and water supplies, which are not yet back to pre-referendum levels. In 1999 At this time 70% of the country's infrastructure was destroyed including homes, health facilities, irrigation systems and water supplies. Ninety Five percent (95%) of schools were damaged and four out of five schools demolished, 100% of the national electrical grid was also destroyed.

Dili has had comparatively greater investment to date. This Dili-centric focus is encouraging urban migration thus exacerbating problems such as urban youth unemployment. This is recognised and rural development is now identified as a priority for both government and DPs. The government hopes that the Referendum Package will improve infrastructure in rural areas, and act to stimulate private sector activity.

A lack of access to health services, poverty and a lack of education all contribute to poor health indicators however comparing figures from 2004 with recent data from 2008/2009 we can see significant progress has been made.

Infant mortality has been reduced by 33% (down to 60 per 1,000 live births), the maternity mortality rate has decreased 31% (down to 450 maternal deaths per 100,000 live births), the under five mortality rate (now 83 per 1,000 live births) has decreased 36%, child mortality from malaria has been reduced by 31%, 2008/2009 showing 275/1,000, which is 75/1,000 away from meeting the MDG. The prevalence of TB has been reduced 43%, from 789/100,000 in 2004 to 447/100,000 in 2009, also close to meeting the MDG goals. The fertility rate has decreased by 10% since 2004.

Lack of access to safe drinking water and sanitation causes widespread infections. Timor-Leste now has a more focussed concentration on expanding health infrastructure for prevention and increasing services above the primary coverage now available.

There are also demographic challenges to improving the education and health systems – almost 50% of the population is under 14 years and the average age is 21 years, whilst the birth rate at 7.77 has been reduced to 7 , it continues to be one of the highest in the world.

The school administration and management system inherited from the Indonesians requires complete modernisation Education standards in Timor-Leste have fluctuated over the years, The creation and adoption of **MoE Organic Law** (January 2008), **Education Policy** (March 2008) and the **Basic Law on Education** (October 2009) established the necessary legal framework for a new system to be implemented for a free and universal education.

In general the poor standard of education is being addressed through teacher training. In 2007, from the 12,000 teachers, 85% were unqualified to teach by global standards; In 2008, the government provided

some 3,000 teachers intensive training. In 2009, the program was extended to include 9,000 teachers. . The target percentage for completion of primary education is 100% by 2015.<sup>7</sup> Adult Education is now offered in all thirteen districts of Timor-Leste including literacy programs and various adult education initiatives in trades and equivalency.

Language issues are probably the greatest barrier in the education systems as the move to Portuguese has created a heavy burden for teachers who do not speak and therefore struggle to teach in this official language. Lusophone countries have already given language training to many teachers but more needs to be done to raise the quality of teaching skills.

Literacy in any language is extremely low at an estimated 50%. DPs and government are now realising that they need to review the teaching curriculum and upgrade the didactic skills of teachers. The Minister of Education has produced a long term strategic development plan for a complete modernisation systems, administration and management practice. The Minister of Education's plan to completely reform and modernise management systems and practices is supported by development partners. Monitoring of progress toward the MDGs is formally undertaken by the recently revitalized MDG Secretariat within Ministry of Finance's Directorate of Policy and Research (DGPAR). Led by Ministry of Finance, Steering Group members are comprised of key line ministries such Health, Education and Social Solidarity, Agriculture, Infrastructure, State Administration, Secretary of State of Vocational and Professional Training (SEFOPE) and gender. It is expected the monitoring of progress will be undertaken in the foreseeable future. Civil society is also active, and NGOs generally feel they have good access to the government, although they are not sure that their advice is taken seriously. However, the formal inclusion of members of civil society in the working groups of the National Priorities Process unit suggests a seriousness of intent.

## **Economic governance**

### ***Challenges of the economic context***

Economic growth has fluctuated in the mid-2000s up to 8.4% in 2007 from 6.2% in 2005), but poverty increased significantly between 2001 and 2007, though there are strong variations across regions. The 2004 census shows that 75% of the labour force is employed in subsistence agriculture or fishing. The primary cash crop is coffee but subsistence agriculture predominates – with performance year on year varying with climactic conditions: non-oil real GDP growth reached 12.8 % but was negative in 2006. The reliance on subsistence agriculture poses a challenge requiring longer term investment in the sector in order to stimulate a private sector development

From a conflict perspective, education, training and unemployment are critical in the short term, given the country's demographic profile (over 40% of the population are under 15 years old<sup>8</sup>) and high birth rate. 45,000 babies are born each year in Timor-Leste, presenting huge health care challenges now, education burdens in a few years, and employment needs a decade after that the unemployment rate is 20%, rising to 40% among urban youth. Timor-Leste's progress on MDGs is difficult to assess given that information has not been collected on progress since 2007. However the revitalization of the MDG Secretariat mentioned above bodes well.

Half of the population has little access to potable water. In the countryside the water shortage remains critical, and affects human health, economic efficiency, and agricultural productivity however an estimated 60,000 Timorese had access to improved water supplies and 102 water/sanitation systems became operational in 2008/2009.

Rural infrastructure is yet to be restored to 1999 levels. The road network (about 3000 Km out 6000 Km) requires extensive renovation. The government has also opened new roads to Suco level while displaying commitment to rehabilitate others. Roads and water is a very high government priority as evidenced by its position as the primary National Priority for 2010. The government is also trying to address the energy question and is in the process of building a power plant and national power grid in tandem with

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<sup>7</sup> UN (2009), The Millennium Development Goals, Timor-Leste.

<sup>8</sup> UNDP (2009), The Millennium Development Goals in Timor-Leste.

implementing a rural energy plan promoting renewable energies including water (hydro), wind, biomass, geothermal, photovoltaic, biogas and renewable fuels.

Timor-Leste currently has an extreme trade deficit. During 2009, merchandise imports totalled \$282.6 million, while non-oil exports (97.6% coffee) were only \$8.5 million. This imbalance, which grew 12% from 2008 to 2009, is sustained by spending oil revenues. According to some stakeholders, little attention is given to local production to substitute for imports or increase export income, both of which will become increasingly urgent as oil revenues decline and population grows.

A particular challenge is the concentration of the machinery of the government in Dili, while district administration in rural areas, where the majority of the population lives, remains weak and service delivery inadequate. The government and DPs recognise the need to make a transition from institution building (the "Dili-centric" focus) towards an emphasis on delivering services and infrastructure in rural areas where 74% of the population reside. Annual planning priorities increasingly reflect these priorities. Nevertheless, the remaining daunting challenges should not detract from the impressive progress made since the near total devastation of 1999.

The government has made considerable efforts recently to reduce the perceived "Dili-centric" focus, including through the 2009 Referendum Package to bolster local infrastructure in rural communities, increase employment opportunities and empower the private sector with small to medium size projects. Government efforts have delivered results with an increase in agriculture production, an increase in the number of microfinance loans taken out in the rural areas, an increase in new industries like the animal trade and an increase in developing new products for local markets. Donor programs have also played a vital role in this regards through establishing best practice mechanisms and support in implementing economic development programs.

### ***Price interventions***

Food security is a government priority. In April of 2008, the price of rice increased by a staggering 217%, Timor-Leste like other countries faced a global complex emergency. The dramatic increases in food prices on the global market caused economic instability and social unrest in many developing countries. In Dec. 2008, Relief Web posted a Statement of Complex Emergency, titled Global Food Crisis (CE) listing 108 countries affected by the Global food crisis emergency including Timor-Leste.

The State was looking at a rice shortage; the private sector did not have the capacity to import given the price influx and while the policy of the government was to buy local; there was an insufficient amount of domestic supply.

The state subsidised imported rice to ensure food availability. The intervention into the private sector was controversial. However, the government deemed it was more important to act to the immediacy of the crisis to ensure food security; as past crises were fuelled by lack of food supplies. The intervention was successful in that the country navigated the global food crisis by ensuring supply.

Despite vast criticism by the international community at the time, the last quarter of 2008 saw the largest monetary intervention by governments in world history in the private sector in response to the global financial crisis.

In a country with such high levels of poverty, intervention in the markets will be necessary from time to time, but it is important that adequate analysis is undertaken to ensure that interventions do not cause a chain of unintended consequences. Intervention in the private sector is not the policy of the government but acting in the best interest of the citizens to ensure stability is a national priority for any fragile state.

### ***Land issues***

Land title is critical in an agricultural economy. Although both the Portuguese and the Indonesians gave land titles, traditional community land ownership norms persist in many parts of Timor-Leste. The Chegal Report recommended a parliamentary inquiry into land disputes that have arisen as a result of the wide-scale resettlement programmes undertaken during and immediately after political conflicts, with a view to promoting peaceful mediation.

At the moment land claims registration is merely in the pilot phase and a draft land law was presented to the Council of Ministers. It is anticipated that a plethora of land disputes could emerge from whatever process is agreed. The Ministry of Justice are currently undertaking a land registration project that will identify how many potential disputes exist and that will begin to help the government register undisputed land

### **Private sector**

Private sector development has been identified as one of the key areas for expansion in order to attract investment although lack of secure title to land significantly impedes private sector activity. The IFC's Doing Business 2010 report ranks Timor-Leste as 164 out of 183 economies, an improvement from the previous year at 173. Timor-Leste ranks at the bottom of the index at 183 on difficulty of registering property or closing a business. Timor-Leste ranked in the top twenty (#19) for taxes demonstrating the tax reforms which made the threshold one of the lowest in the world, delivered positive results. The global ranking for tax increased from 75th to 19th .

Timor-Leste had one of the lowest costs in the region to start a business with one charge of \$100USD to file the company statute and despite the weaknesses in systems, Company registrations have increased significantly in the past three years from 1695 registered businesses in 2007, 2118 registered businesses in 2008 to 3781 registered businesses in 2009.

### **Potential conflict issues not prioritised**

There are two areas which would benefit from further prioritization by all stakeholders which have the potential to negatively affect progress toward peace and statebuilding. The first is the development of the Tetum language, which has received little investment. Tetum is the second national language and the most widely spoken language in the country. Until recently, Tetum was primarily an oral language, and it therefore lacks a developed technical vocabulary.

This is important in relation to, for example, drafting legislation, which in turn limits access to justice. The second area is psycho-social counselling. Many Timorese have been through appalling situations and almost everyone has been directly affected. Community based counselling could be expected to be a norm of coming out of such a traumatic conflict. However there has been little work in this area.

## **3.2 Strategic planning modalities for peacebuilding and statebuilding**

This section provides a mapping of existing planning modalities and highlights strengths and weaknesses that have been identified in the consultation process.

### **Summary of existing planning modalities' approaches to peacebuilding and statebuilding**

The planning process in Timor-Leste was underpinned by a joint government donor poverty participative assessment in 2001. This analysis was followed by the preparation of a *State of the Nation* report and a countrywide consultation of 38,293 Timorese within a six week period. This is the basis of Vision 2020 for development planning framework in the country. It covers poverty eradication, the education, health, agriculture, and economic sectors, as well as infrastructure, power and transport, women, youth, peace and reconciliation, cooperation, democracy and good governance. Under each heading, the document outlines challenges and ambitious five-year planning priorities.

The government programme was published in September 2007 and runs to 2012. DPs, in interviews conducted during the First Consultation on Good International Engagement in Fragile States and Situations have expressed an eagerness to align with Timor-Leste's forthcoming Strategic Development Plan. DPs also made a point that their programming typically runs in three and five year cycles and that it is difficult to align with annual planning frameworks unless they are tied to a longer term strategy

The government responds to this by expressing the need for all to remember that despite one of the longest periods of security and peace in recent times, Timor-Leste is still operating from the so-called 'crisis baseline'. In reality this means that the government is optimistic yet cautions development partners who seek to plan too far ahead so soon out of conflict. As such, in the absence of a medium term planning document, the annually defined National Priorities Process has become the central framework of donor cooperation.

Similarly, it is important to recognise that lack of data has constrained the government's ability for long-term planning. The priority has been addressing urgent needs related to stability, resettlement of internally displaced persons (150,000), and to provide social welfare to the most vulnerable, but as the government gained key insights, planning and budgeting has become more efficient.

The 2007 Timor-Leste Standard of Living Survey gave the most effective analysis on how and where to combat the most vulnerable regions of Timor-Leste. The data demonstrated the vast regional imbalances in the country. In the East, poverty rates rose minimally between 2001 (24.7%) and 2007 (26.5%) compared to other regions. In the central region poverty rates rose from 41.2% in 2001 to 51.8% in 2007 and the greatest rise in poverty occurred in the western regions where in 2001 poverty stood at 37.4% and increased dramatically to 55.1%. This data has allowed the government to attempt to replace regional imbalances with a 'fairness principle' based on the national median, and to address the needs of communities over five concurrent budgets.

At the March 2008 Timor-Leste Development Partners' Meeting (TLDPM), DPs and government endorsed the National Priorities for that year. Working Groups for each National Priority area were also established with the World Bank and UNMIT offering assistance in the creation of a National Secretariat to monitor implementation. At the Timor-Leste Development Partners' Meeting in April the following year, progress was reviewed and some lessons were identified for improvement of the programme<sup>9</sup>. The National Priorities Working Groups are therefore evolving and strengthening. In 2009, 90% of established targets were achieved or on track for completion by the end of the year and, at the initiative of the government, the National Priorities Process became increasingly synchronised with the regular budget cycle. Development partners have positively commented on enhanced government transparency and accountability through the National Priorities Program.

Themes of peace, security, reconciliation and cooperation are key features in both Vision 2020 and the National Priorities Process. For example, the 2008 National Priorities Goals list notes that "addressing the needs of youth" and "social services and decentralised service delivery" is a priority for 2010 (see Appendix for a list of priorities for 2008, 2009 and 2010). The National Priorities Process is both evidence of the consolidation of the machinery of state and a continuation of the statebuilding process across the board. During 2009, members of civil society were also increasingly encouraged to participate in the Working Groups on an equal footing as development partners.

There remains, however, criticism of the planning framework. Some interviewees felt that the lack of a medium-term planning document means that there is no overall development road map to guide government departments despite the fact that most government departments have produced long term strategic plans especially those critical to social welfare like education, health and social solidarity.

On the development partners' side, there is also a lack of strategic thinking and planning, and an absence of continuity in the execution of projects and of exit strategies. As a result, the development programmes seem disjointed with insufficient inter-ministerial coordination and long-term perspective. Opposition MPs were particularly critical of the lack of whole of government approach and there is a tendency for ministries to operate independently rather than in tandem. It was felt that individual ministries were making their own arrangements with DPs without overall coordination.

The move to medium term planning may encourage DPs, government and national stakeholders to explore together what they want to achieve over a longer time horizon. This could also contribute to a broader dialogue on the pace of assistance that the Timorese government and its people believe is most appropriate. In the consultation meeting, a stakeholder argued there is a 'Timorisation' process underway and that more attention needs to be given in how DPs support this process and build capacity over time, in preparation for Timor-Leste's post-petroleum future.

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<sup>9</sup> Taken from government background paper "Goodbye conflict and welcome development" for the Timor-Leste Development Partners Meeting 2-4 April 2009.

## **Analysis**

At government level, there is a lack of formal strategic analytical frameworks. During the consultation meeting, the Minister of Social Solidarity pointed out that a failure of analysis meant that the 2006 crisis was not predicted by local or international actors. USAID, the UN and others, however, conducted conflict assessments immediately thereafter.

There is a plethora of donor reports and conflict analysis but these do not form the basis for government planning. The foundation Vision 2020 was based on an impressively comprehensive opinion survey and is therefore perception-based. It was also underpinned by a poverty assessment.

## **Monitoring and evaluation**

Aid effectiveness mechanisms are well elaborated at the annual national priorities level where projects and programmes are monitored. The working groups provide a comprehensive monitoring facility in relation to the priorities. However, there is a lack of overall monitoring i.e. those areas of work falling outside the chosen working groups are not subject to NPWG monitoring.

Although parliament is engaged in monitoring budget execution its role in monitoring government progress could be further developed. Stronger audit institutions are needed to oversee spending and ensure that programming achieves the set priorities.

Many stakeholders at the consultation meeting argued for more accountability and transparency mechanisms to be put in place to track not only public but also donor funds.

The government in turn has requested PFM through the existing Free Balance system to develop two e-web based portals, one in procurement and one in budget management where the public can access real time information on the budget and procurement process.

Some participants argued that the government needs to draw on the expertise and resource of NGOs that have accumulated very detailed data sets which could also inform cross-sectoral planning and project monitoring. The government would counter argue that the reports delivered are using outdated data and analysis e.g.: The report *Achieving the Millennium Development Goals in an Era of Global Uncertainty: Asia/Pacific Regional Report 2009/10*, launched in Manila by the United Nations in 2010 was assessed using data from MICS 2002, DHS 2003, TLSLS 2001, TLSLS 2007, and the Census 2004.

The CPI, Corruption Index Report 2009, is compiled from only five out of 13 sources available to other nations. For 2009, the sources included The Asian Development Bank (2008), Global Risk Services, World Bank (2008) and World Economic Forum (2008/2009); again assessing data on previous two to three years; reflective of the work on previous governments.

While the terms of reference for compiling data is considered standard and accepted research practice; in fragile states where factors can shift rapidly according to the standard of Governance; the release of these reports two and a half years into the mandate of a new government of a fragile nation can be incredibly damaging to the reputation of the new government and perception of civil society..

Development practitioners also noted that monitoring efforts do not include enough context sensitivity analysis of the work undertaken, and so it is not always possible to determine if projects respond to the context in a timely fashion. ,

## **Coherence**

The National Priorities framework offers coherence on short term programming and the government is making good efforts to integrate the budgeting process with the annual action plan. The Quarterly Development Partners Meeting (QDPM) is the venue where the government and Development Partners discuss and exchange information on progress and challenges by each Working Groups within the National Priorities Process. Where possible, program alignment is always encouraged by the government.

However, line ministries lack clear guidelines on how to work with DPs and many enter programme agreements without considering how the implications for the rest of government or the budget.

Opportunities to build synergies with existing initiatives are also therefore reduced. An Aid Policy is set to be developed in 2010 by the National Directorate for Aid Effectiveness (NDAE) within the Ministry of Finance in response to this need.

### **Ownership**

At the level of the Vision process, public participation, even at the grassroots, has been high. Dili civil society is directly engaged with the National Priorities process and is able to voice its concerns and opinions for future priorities. Ownership could also be strengthened by engaging civil society more on monitoring and accountability efforts. There was a sense that the general population needed better communication of the priorities and that rural communities were best placed to identify local needs and evaluate the benefits received from projects.

### **Costing**

The annual National Priorities processes are now gradually more directly aligned with the budget process. This change is a very important step in increasing the feasibility, sustainability and transparency of programming and clarifying the financial accountability of government and DPs in achieving the priorities. Further work and commitment will be needed to ensure that a medium term expenditure framework is prepared to accompany the national development strategy.

## **3.3 Key bottlenecks and challenges for governments and external actors to achieve or support peacebuilding and statebuilding processes**

This section identifies bottlenecks in the way the international community and home government support peacebuilding in the country.

### **Representation, democracy and the rule of law**

Rule of law has not been fully established. Rule of law institutions are key to the development of democratic structures and processes and to the operation of the justice system, ministries parliament, the security services, countering corruption and challenging impunity. The strengthening of the rule of law, including the respect for the constitutional separation of powers and independence of the judiciary, requires political will by the Timorese leadership and robust programming by the international community.

Parliament provides a forum within which government and opposition dialogue can develop. Continued support of the committee system is important as this enhances the parliament's role as the primary oversight body and provides the forum for the opposition to contest the government's plans. The regulation of political party finances needs consideration. This could be an important area to strengthen accountability and create platforms to engage citizens in the political process.

The inclusion of various interest groups within society should continue to be included in national conferences and consultations. DPs need to follow the government's lead in developing stronger and more comprehensive consultation and communication systems suitable to the Timorese environment.

### **Planning and programming**

While some may claim that a participative and transparent medium term planning process is needed if international actors are to align to government objectives and priorities, this does not mean that development partners should not still attempt, wherever possible, to align with the shorter term planning prioritise of the government.

Many in the development partner community commented that given the frequency of instability since 1999, international actors have been forced to respond to situations in the short term rather than to consider how to take a longer view, and sequence their actions and programmes. The government responds by saying that it is the premature attempts at medium term planning that have prevented immediate threats to peace and security from being addressed. In addition to this, such planning failures are due to a number of other factors which include some failures of analysis, and a competing multitude of donor-introduced models and approaches, and political pressures on government officials.



## Context

Context appropriate, government led timing and sequencing requires more attention from development partners. Weak understanding of specific political dynamics results in programming that is not always context sensitive. This is exacerbated by the lack of a shared political analysis between government and DPs.

### Transparency of aid budget expenditure and technical advice

More transparency on the part of the DPs on how total aid budgets are disbursed is needed in order to deal with popular suspicions that money is not actually being spent in Timor-Leste; in fact, a recent study estimated that 8 billion UDS has thus far been spent on Timor-Leste.

The President of the Republic, His Excellency Jose Ramos-Horta has made the comment the money is spent on Timor-Leste but not in Timor-Leste. Similarly, greater clarity about future donor intentions (in the context of medium term planning framework) would assist the government to make achievable promises to the population regarding service delivery and build trust between international actors and locals.

Technical assistance has become quite contentious both in terms of its relative cost and in terms of its variable quality. While there is plenty of evidence that the many of the institutions of government are increasing their capacity, there is some doubt about the level of skills transfer actually taking place. However, given the continuing demand from ministries for TA, standards reflecting best practice on recruitment, transparency of conditions of employment, monitoring of the quality of advice and a guarantee of skills transfer are all required if technical advice is to give value for money.

In line with the Principles for International Engagement in Fragile States and Situations international actors need a deeper appreciation of the Timorese context, including its political dynamics.

The Paris Declaration for aid effectiveness signed by 90 countries and 26 multilateral organizations gives ownership of development to the recipient country. DPs are expected to act responsibly and flexibly; especially in relation to cultural understanding which has been questionable in both approach and methodology when at times DPs presume the responsibility of oversight rather than support to the government agenda. Several pieces of communication and media interviews by DPs have at times expressly defied the 'do no harm' principle. Greater collaboration between TA's, their stakeholders and the government could ensure that opinion is at times not misconstrued and that donor support does not impede or undermine the validity of government and donor programs and policies.

### Timor-Leste partnership

Some noted that there is a lack of 'whole of government' approach by Timor-Leste. All the achievements thus far demonstrate that the Gusmão government has used a whole of government approach, specifically for national issues such as food security, maintaining stability and security and, economic development with key examples of success including solving the difficult challenges of the IDPs, implementing a nation-wide pension scheme, ensuring food security and solving national problems like the petitioners and rebels without further violence.

Inter ministerial committees work in accordance with a whole of government approach and budget allocations demonstrate a whole of government approach, For instance, in 2010 infrastructure and capital development was the priority for each line ministry to rebuild in the rural and district level. All ministries were involved in preparing budgets that could achieve the AAP and NP.

Competition between ministries does exist through a tendency to step outside established procedures to get things done; which might inhibit coherence but is driven by results oriented intentions. In the absence of a national development strategy, DPs are able to further dampen the whole of government approach by approaching individual ministries directly to offer programme funding, experts and technical assistance.

## 3.4 Good practices and success stories in peacebuilding and statebuilding

Previous sections highlight a number of good practices and success stories. Below is a brief summary of these achievements:

- Timorese have voted enthusiastically since September 1999, when they flocked to the polling booths to vote for independence despite horrific intimidation. Election processes, overseen by the UN, have been very successful. There have been two Presidential elections (2002 and 2007) and two Parliamentary elections (2001 and 2007) with voter turnout consistently over 80%. Successful Suco (village) elections were held in 2004-2005 and October 2009, deepening the foundations of Timor-Leste's democracy.
- The careful creation of the Petroleum Fund with a long term perspective, thus conserving wealth for the nation, is seen as one of the outstanding successes by both Timorese and DPs. The Fund is regarded as a model for other countries and regulates investments and withdrawals to ensure that the government only draws from the income generated by the Fund. It also serves as a tool for sound fiscal policy and consideration of long-term interests of the population.
- The government has developed the machinery of government with the support of international actors and Parliament continues to be impressive. The elaboration of specialised units within ministries, such as that dealing with planning priorities, has increased the capacity and expertise of the government.
- The management of the reconciling the damage caused by the 2006 crisis incorporated an understanding of all interests and the political will to surmount the tensions. DPs and government did what was immediately necessary by seeking assistance to restore order and the subsequent success in dealing with the symptoms of the crisis. One of the key successes was the focus on local reconciliation programming which offered a flexible approach to respond to regional differences. The use of traditional reconciliation mechanisms also helped fill the gap of a non-existent local court administration and build trust between local groups.
- The process of decentralization has increased service delivery, rendered three years of solid economic growth and maintained a level of peace and stability
- The security forces were able to unite under a joint command in 2008 to inhibit further crisis. The joint command demonstrated that the with strong leadership, clear roles and responsibilities, better conditions, recruitments efforts and a focus to depoliticize the armed services; future crisis could be deterred
- Social welfare systems have been established to meet the needs of the most vulnerable, pensions for the elderly, veterans, disabled, mothers and orphans

# 4 Conclusions and recommendations

## 4.1 Country specific recommendations

- A participative and transparent medium- and long-term term planning process is needed if DPs are to be able to fully align to government objectives and priorities and to help prepare for the post-petroleum future. This process needs to be inclusive of Timorese society at district and national levels to build consensus, understanding and demonstrate transparency. The results of planning also need to be communicated to those who participated in initial consultations.
- More transparency on the part of the DPs and government on how their aid budgets are disbursed is needed. Similarly, greater clarity about future donor intentions (in the context of medium term planning framework being in place) would assist the government to make achievable promises to the population regarding service delivery and other government plans.
- DPs need to take more fully into account the Timorese political dynamics and ensure that programmes and policies bolster the positive political aspects and do no harm.
- Efforts are needed by both DPs and the government to reverse the Dili-centric nature of governance and service delivery
- Justice, security and rule of law are a priority for the stabilisation of democracy, economic development and independence. Also, inclusive economic development and equitable service delivery are essential to provide long-term security.
- Parliament provides a forum within which government and opposition dialogue can develop, a critical feature of a dynamic democracy. The parliament's committee system deserves and requires continuing support. Timor-Leste political parties need to strengthen party democratisation and the government needs to introduce standards for transparent financing of political parties. Parties should be more transparent about political policies, platforms and intentions to veer from politics based on loyalty to politics based on policy and party platform which will strengthen democracy.
- As the vast majority of the population are dependent on subsistence agriculture and it is likely to be some considerable time before they are able to enter a post agricultural economy in any great numbers, it would be prudent to continue short and medium term investment in this sector. It is also important to involve civil society groups who work on agriculture and with farmers in planning and evaluating programs related to agriculture, in order to maximize the benefits to the country, especially to farmers.
- Technical assistance remains in high demand, but has become contentious both in terms of its relative cost and effectiveness. Transparent recruitment and monitoring procedures are needed to ensure quality.
- Government and DPs should consider supporting Tetum language development.

## 4.2 Recommendations and key questions for the International Dialogue

The situation in Timor-Leste is unique. It is a very small, very new state; 10 years old. Its infrastructure was almost totally destroyed and the mechanisms of statehood rested on the disbanded administration of a vanquished power.

It was directly governed by the United Nations until 2002 at which point Timor-Leste was ill equipped with institutional capacity, human capacity, infrastructure or adequate systems to tackle the challenges of managing a post conflict nation. Weak mechanisms and ill suited processes were transferred to a public service that had not been trained or prepared for the magnitude of the handover. The situation in Timor-Leste highlights questions for other fragile countries facing the challenges of peacebuilding and statebuilding where intervention is a necessary but where convention could be a deterrent to statebuilding in the county context

As with any other country, it also has its own diverse cultures and political dynamics. The progress made in Timor-Leste over the past ten years produces some clear examples of both successes and failures in peacebuilding and statebuilding efforts.

It is apparent that the path leading away from conflict toward development is not always clear. In the case of Timor-Leste, the government has accepted its responsibility as the main driver of change through the widespread use of the catchphrase “Goodbye conflict, Welcome development”. This statement encapsulates the wish of the current government to continue to address the short term drivers of conflict while concurrently bolstering the longer term process required sustaining peacebuilding and statebuilding efforts.

# Annex A - Methodology

## Objectives of the country consultation

The objectives of the national consultations are to:

Identify peacebuilding and statebuilding priorities at country level, as well as their inter-linkages, as a basis for preparing a framework for international objectives;

Identify critical bottlenecks to effective international assistance at country level for consideration by the international dialogue;

Gather country-specific good practice and success stories to facilitate a sharing of country-level peacebuilding and state-building experiences; and

Share knowledge, insights, and experience with different country-specific planning modalities and processes for identifying peacebuilding and statebuilding priorities.

## Approach / process

In Timor-Leste, the International Dialogue country level consultations began with interviews in Dili with a variety of stakeholders. Information was also gathered from the report of monitoring the principles for good international engagement in fragile states and from the Dili Consultation. Desk-based research took place in Dili and London

The visit of the international expert to Dili, took place from 31st August 2009 to 19th September. Annex B contains the list of organisations consulted.

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The report was prepared on the basis of the multi-stakeholder consultation held on 16-17 September 2009 in Dili. Follow-up interviews conducted by Ms. Liz Philipson; and comments received in writing on the first draft from key stakeholders in March 2010. As such, it reflects the views of main stakeholders in Timor-Leste rather than those of the author.

The Government of Timor-Leste wishes to thank all the national and international stakeholders who have contributed to the consultations. This report could not have been prepared without the valuable inputs and views contributed by those within government, the international community and civil society. It is hoped that the findings of this report will help strengthen peacebuilding and statebuilding in Timor-Leste.

# Annex B - List of organisations consulted

Amnesty International	NZAid
Asia Foundation	Plan Timor-Leste
AusAid	Portuguese Cooperation
CEPAD	Progressio
Comissao Nacional de Eleicoes and Hivos	Spanish Cooperation Agency
Concern International	Timor-Leste National University
Escola Liceu	UNDP
ETDA	United Nations
European Union	USAID and United States Embassy
Freelance	University of Australia
Fretilin	University of Sydney
Government of Timor-Leste	World Bank
Health Alliance International	
Irish Aid	
La'o Hamutuk	
Ministry of Finance	
Ministry of Foreign Affairs	

# Annex C – References

## Government documents

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2009 National Priorities Result Oriented Matrix

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# Annex D - UNTAET laws and regulations

1/1999	On the authority of the Transitional Administration in East Timor
2/1999	On the establishment of a National Consultative Council
3/1999	On the establishment of a Transitional Judicial Service Commission
4/1999	On the establishment of the Official Gazette of East Timor
1/2000	On the establishment of the Central Fiscal Authority of East Timor
2/2000	On the use of Currencies in East Timor
3/2000	On the establishment of Public Service Commission
4/2000	On registration of businesses
5/2000	On the licensing of currency exchange bureaux
6/2000	On the establishment of a Central Payments Office of East Timor
7/2000	On the establishment of Legal Tender for East Timor
8/2000	On Bank Licensing and Supervision
9/2000	On the establishment of a border regime for East Timor
10/2000	On the public procurement for Civil Administration in East Timor
11/2000	On the organization of courts in East Timor
12/2000	On a provisional tax and customs regime for East Timor
13/2000	On the establishment of village and sub-district development councils for the disbursement of funds for development activities
14/2000	Amending regulation No. 2000/11
15/2000	On the establishment of panels with exclusive jurisdiction over serious criminal offences
16/2000	On the organization of the Public Prosecution Service in East Timor
17/2000	On the prohibition of logging operations and the export of wood from East Timor
18/2000	On a taxation system for East Timor
19/2000	On protected places
20/2000	On budget and financial management
21/2000	On Appropriations (No.1) 2000-2001
22/2000	On supplementary appropriations (No.1) 2000-2001
23/2000	On the establishment of the Cabinet of the Transitional Administration in East Timor
24/2000	On the establishment of a National Council

25/2000	On amending regulation No. 1999/3
26/2000	On supplementary appropriations (No.2) 2000-2001
27/2000	On the temporary prohibition of transactions in land in East Timor by Indonesian citizens not habitually resident in East Timor and by Indonesian Corporations
28/2000	On amending appropriations (No. 1) 2000-2001
29/2000	On supplementary appropriations (No. 3) 2000-2001
30/2000	On Transitional Rules of Criminal Procedure
31/2000	On the establishment of Representative Offices of Foreign Governments in East Timor
32/2000	To amend regulation No. 2000/12 and 2000/18
33/2000	To amend regulation No. 2000/24 on the establishment of a National Council
34/2000	On appropriations (No. 2) 2000-2001
35/2000	To amend regulation No. 2000/18 on a Revenue System for East Timor (as amended by UNTAET regulation 2000/32)
36/2000	On amending Appropriations (No. 2) 2000-2001
1/2001	On the establishment of a Defense Force for East Timor
2/2001	On the election of a Constituent Assembly to prepare a Constitution for an independent and democratic East Timor
3/2001	On The establishment of the Central Civil Registry for East Timor
4/2001	On Supplementary Appropriation (No. 4) 2000-2001
5/2001	On firearms, ammunition explosives and other offensive weapons in East Timor
6/2001	On the registration of motor vehicles in East Timor
7/2001	On Supplementary Appropriation (No. 6) 2000-2001
8/2001	On the Establishment of a Regime Governing Road Traffic in East Timor
9/2001	On Amendments to UNTAET Regulation 2001/1, on the Establishment of a Defense Force for East Timor
10/2001	On the establishment of a Commission for Reception, Truth and Reconciliation in East Timor
11/2001	On electoral offences for the election of a Constituent Assembly
12/2001	On The Establishment of a Code of Military Discipline for the Defense Force of East Timor
13/2001	On budget and financial management
14/2001	On The Official Currency and Legal Tender of East Timor
15/2001	On the establishment of an authority for the regulation of telecommunications in East Timor
16/2001	To amend Regulation No. 2000/18 on a Revenue System for East Timor
17/2001	To amend Regulation No. 2000/18 on a Revenue System for East Timor; and to amend Regulation No. 2000/9 on the establishment of a Border Regime for East Timor
18/2001	On the amendment of UNTAET Regulation No. 2000/11 on the organization of the Courts in East Timor
19/2001	On Supplementary Appropriations (No. 5) 2000-2001
20/2001	To amend Regulation No. 2000/18 on a Revenue System for East Timor
21/2001	On Appropriations (No. 1) 2001-2002
22/2001	On the establishment of the East Timor Police Service

23/2001	Establishment of a Prison Service in East Timor
24/2001	On the establishment of a legal aid service in East Timor
25/2001	On the amendment of UNTAET Regulation No.2000/11 on the organization of courts in East Timor and UNTAET Regulation No.2000/30 on the transitional rules of criminal procedure
26/2001	On the Amendment of UNTAET Regulation No. 1999/3 on the establishment of a Transitional Judicial Service Commission and on the amendment of UNTAET Regulation No. 2000/16 on the Organization of the Public Prosecution Service in East Timor
27/2001	On the amendment of UNTAET Regulation No.2001/23 on the establishment of a Prison Service in East Timor
28/2001	On the establishment of the Council of Ministers
29/2001	On Supplementary Appropriations (No. 1) 2001-2002
30/2001	On the Banking and Payments Authority of East Timor
31/2001	On Appropriations (No. 2) 2001-2002
1/2002	On the Election of the First President of an Independent and Democratic East Timor
2/2002	On Electoral Offences in Relation to the Election of the First President
3/2002	On the election of a constituent assembly to prepare a constitution for an independent and democratic East Timor
5/2002	On the establishment of a labor code for East Timor
6/2002	On the establishment of the public broadcasting service of East Timor
7/2002	On the organic structure of the second transitional government of East Timor and to amend UNTAET Regulation No. 2001/28

Source: East Timor Law Journal <http://www.eastimorlawjournal.org/UNTAETLaw/Regulations/Index.html>