

Impacts of the Suai Supply Base Project in Timor-Leste



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The US\$1.3 billion Tasi Mane South Coast Petroleum Development project is the cornerstone of Timor-Leste's *Strategic Development Plan 2011–2030*. The project includes: a supply base, industrial estate, airport and new town at Suai; a refinery and petrochemical plant at Betano; a liquefied natural gas plant, airport, and new town at Beacu; and a 155-kilometre highway linking all three sites.

Arguments in favour of the project centre on the need for national economic development despite evidence that the project may not be economically viable (La'o Hamutuk 2013). Aside from crucial macroeconomic questions surrounding the viability of the project, the land acquisitions needed are likely to have significant impacts on local men and women who are highly dependent on land, not only for food and market production, but also for housing, firewood, and grazing. Based on field research in early 2015, this In Brief provides a preliminary overview of the differentiated impacts the project is likely to have, and concludes that the land expropriation process for the Suai Supply Base runs the risk of: severely impoverishing local households, increasing inequality between and within households, and leading to marginalisation and social disarticulation¹ (Cernea 2000). Issues highlighted in this In Brief will be explored in depth in a future SSGM Discussion Paper.

The Suai Supply Base

Construction has already begun on the first phase of the project in Suai. This phase will occupy over 1,113 hectares and comprises a supply base for the oil industry, a new port, industrial estates, an airport, a new city to be called Nova Suai, and two crocodile reserves. Conservative estimates suggest that the Supply Base will cost the state more than US\$781 million.

Pressure to access land for petroleum development has led to a fast-paced acquisition process characterised by misinformation, a lack of consultation, and, at times, intimidation. In April 2013, the state signed a secret agreement with local tradition-

al leaders who agreed to hand over 1,113 hectares of land to the state in return for 10 per cent of the supply base profits. Despite government claims that the agreement 'comes after a long process of consultation with the local community' (RDTL 22/4/2013), to date community members remain highly unsure of their rights and of the nature of these agreements.

The Deal: Compensation, Land and Housing

The state originally envisaged acquiring land through a 150-year lease promising communities 10 per cent of the profits. Concerned that the project might prove financially unviable, civil society groups urged caution. The state eventually laid out a second option guaranteeing households US\$3 per metre for an outright sale of their land. The state has refused to compensate communities for losing their homes, instead promising to relocate families to state housing in a suburban-style development, in most cases within a few kilometres of their original community.

While the vast majority of the population have opted for the US\$3 per metre deal, a number of individuals and households, in particular veterans, have opted to stick with the 10 per cent deal, claiming that over time it will deliver the best returns. However, understanding of this deal appears severely limited, highlighting the lack of legal assistance and advice provided to communities during the negotiation phase. Some individuals believe that they will receive 10 per cent of the value of their land every month. Such confusion has the potential to cause serious conflict between disgruntled communities and the state once the reality is more clearly understood. Similar cases in Papua New Guinea and Bougainville have shown the potential for intergenerational tensions when local leaders lease land for long periods, leaving future generations to feel the impacts of landlessness.

Differential Impacts of the Project

Land alienation will impact households and their individual members in different ways, and may increase inequality within local communities. Families with access to large tracts of land stand

to receive large payments. These people are often already part of the local elite and have access to land, business opportunities, and political connections. By contrast, smallholders with one plot of land that is affected and a separate house that is not affected are essentially losing all of their cultivation and agricultural potential. The viability of these households depends on being able to use the cash payment to either buy new land for cultivation or invest in an alternative non-agricultural livelihood.

Families losing their house and only plot of land will be relocated to government housing on 20 x 25 m plots and compensated for the remaining land that they lose (for example (50 x 50 m) + house = (20 x 25 m) + house + US\$6000). The new plots are in cramped housing estates with little free land on either side. These families will be left in a highly unsustainable and food insecure situation, where they will no longer have access to land for food production or raising animals. Most families, even those who do manage to save the cash compensation, will not have sufficient cash to buy more land. This situation will disproportionately affect women who are highly dependent on income from gardens and small animals kept close to the house.

Households or individuals who have negotiated accommodation and/or access to land through family members or other social connections are highly vulnerable as the monetisation of the housing and land value has thrown their access into question. In one case, a woman living in a relative's house with her seven children for 15 years will lose her home because the compensation process employs a narrow definition of ownership that does not reflect local practices of customary access to land. She will have to renegotiate access to shelter and a basic livelihood, with little or no support or protection from the state. Similar stories, as well as stories of increasing family disputes over land, were heard across affected communities.

Conclusion

If households are unable to either re-establish land-based livelihoods or create new non-land-based livelihoods there is a real risk that the project will lead to marginalisation, social disarticulation,

and impoverishment. The lack of a robust social impact assessment, and insufficient monitoring of the process and social and economic impacts of cash payments at the household level means that it will be difficult for the state and other actors to develop a deep understanding of how benefits and negative impacts are experienced across a range of households. There are likely to be many vulnerable groups who essentially become invisible to the state because they were not consulted or counted in the original process, and who will find it difficult to access any forms of subsequent support.

There are no mechanisms in place to ensure that the terms of Suai Supply Base agreements are followed, and few resources available for local groups to monitor and document the complex processes that are rolled out as a result of the agreements. While arguments of national economic development are enticing, a detailed feasibility study should be carried out, addressing the potential impacts, including how negative impacts might be mitigated through consultation, better management, and compensation practices.

Author Notes

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Endnote

- 1 Social disarticulation is akin to social fragmentation and is presented as one of the many causes of impoverishment resulting from large scale land acquisitions identified by Michael Cernea (2000).

References

- Cernea, M.M. 2000. Impoverishment Risks, Risk Management, and Reconstruction: A Model of Population Displacement and Resettlement. In M.M. Cernea and C. McDowell (eds). *Risks and Reconstruction: Experiences of Resettlers and Refugees*. Washington DC: World Bank.
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- RDTL (República Democrática de Timor-Leste) 22/4/2013. Government and Community Celebrate Agreement on Land Use for Suai Supply Base. Media Release, Official Spokesperson for the Government of Timor-Leste.

