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**The State, Society and International Interventions in Timor-Leste:
Creating Conditions for Violence?**

Rebecca Ellen Engel

Submitted for the degree of PhD in Development Studies

Department of Development Studies
School of Oriental and African Studies (SOAS)
University of London

June 2015

Declaration for SOAS PhD thesis

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Abstract

International peace and state-building interventions in conflict-affected states have been on the rise for decades. This research identifies and examines the mechanisms used by the international community in Timor-Leste and assesses the implications of their use for a nationally negotiated political settlement.

This research considers the following mechanisms: the establishment of a UN transitional authority, use of aid conditionality and provision of technical assistance, and suggests that the interplay between highly complex intra-East Timorese relationships and expectations with very prescriptive and pervasive international interventions contributed to a deformed and dysfunctional political settlement.

Three interrelated sub-themes are explored in support of this hypothesis: international development partners interrupted and appropriated the political settlement negotiation process; international development partners failed to analyse Timor-Leste's context-specific political economy and conflict dynamics; and 'technocratic' policy advice was used to erode the state's ability to act as an agent of development. The mechanisms used by the international community produced outcomes that distanced the population from the state and rapidly altered the structure of the economy without a transition strategy. The international community must therefore assume some responsibility for the resultant political crisis and violence in 2006.

Within the context of increasing international focus on conflict-affected states, evidence from Timor-Leste provides a unique lens that demonstrated how donors can negatively impact the trajectory of political settlements by using inappropriate mechanisms. This research comprises an innovative effort to bring together wide-ranging East Timorese perspectives and diverse literatures to construct a nuanced explanation of how international actions influence key dynamics of power. Drawing on the author's extensive experience living and working in Timor-Leste, it bridges existing gaps between disciplines and seeks to provide an explanatory construct that can be of use to policy-makers and practitioners in other conflict-affected states.

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Map of Timor-Leste¹



¹ <http://www.ezilon.com/maps/asia/east-timor-maps.html>

List of Acronyms

ADB	Asian Development Bank
AMFITIL	Association of Microfinance Institutions in Timor-Leste
APODETI	<i>Associação Popular Democrática Timorese</i>
ARP	Agriculture Rehabilitation Programme
ASC	Agriculture Service Centre
ASDT	<i>Associação Social Democrática Timorese</i>
ASSEPOL	Association of Ex-Political Prisoners
AUSAID	Australian Agency for International Development
BDC	Business Development Centre
BIMAS	Mass guidance towards self-sufficiency in food production
BRI	<i>Bank Rakyat Indonesia</i>
BULOG	<i>Badan Urusan Logistik</i>
CAP	Common Agriculture Policy
CAVR	Commission for Truth, Reception and Reconciliation
CBO	Community Based Organisation
CEP	Community Empowerment and Local Governance Programme
CFET	Consolidated Fund for East Timor
CGD	<i>Caixa Geral de Depositos</i>
CICR	Center for International Conflict Resolution
CIDA	Canadian International Development Agency
CIDCM	Center for International Development and Conflict Management
CNRM	<i>Conselho Nacional de Resistência Maubere</i>
CNRT	<i>Conselho Nacional de Resistência Timorese</i>
COI	Commission of Inquiry
CPD-RDTL	Council for the Defense of the Democratic Republic of Timor-Leste
CSP	Center for Systemic Peace
CSP	Consolidated Support Programme
CSO	Civil Society Organisation
DFAT	Department of Foreign Affairs and Trade
DFID	Department for International Development
DGF	Development Grant Facility
DPA	Department of Political Affairs
DPKO	Department of Peacekeeping Operations
EC	European Commission
ECA	Export Credit Agencies
ERR	Economic Rate of Return
ETADEP	East Timor Agriculture Development Programme
FALINTIL	<i>Forças Armadas da Libertação Nacional de Timor-Leste</i>
FAO	Food and Agriculture Organisation
FCC	FRETILIN Central Committee
FCS	Fragile and Conflict-Affected States
F-FDTL	<i>Falintil-Forças de Defesa de Timor-Leste</i>
FONGTIL	NGO Forum Timor-Leste
FRAP	FALINTIL Reinsertion Programme
FRELIMO	<i>Frente de Libertação de Moçambique</i>
FRETILIN	<i>Frente Revolucionária de Timor-Leste Independente</i>
FSP	Financial Services Providers
GEAR	Growth, Employment and Redistribution
GoTL	Government of Timor-Leste
IBRD	International Bank for Reconstruction and Development

ICG	International Crisis Group
ICMC	International Catholic Migration Commission
ICTJ	International Center for Transitional Justice
IDA	International Development Association
IEG	Independent Evaluation Group
IFI	International Financial Institution
ILO	International Labour Organization
IMF	International Monetary Fund
INGO	International NGO
INTERFET	International Force for East Timor
IOM	International Organization for Migration
IRI	International Republican Institute
JAM	Joint Assessment Mission
KOTA	<i>Klibur Oan Timor Asuwain</i>
LICUS	Low Income Countries Under Stress
MAFF	Ministry of Agriculture, Forestry and Fisheries
MAG	Martial Arts Group
MDB	Multilateral Development Bank
MDTF	Multi-donor Trust Fund
MFI	Microfinance Institutions
NC	National Council
NCC	National Consultative Council
NDI	National Democratic Institute
NDP	National Development Plan
NDPEAC	National Directorate of Planning and External Assistance Coordination
NGO	Non-Governmental Organisation
OD	Organisational Development
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OECD-DAC	OECD Development Assistance Committee
PD	<i>Partido Democrático</i>
PERMATIL	Permaculture Timor-Leste
PITF	Political Instability Task Force
PKI	<i>Partai Komunis Indonesia</i>
PMU	Project Management Unit
PNTL	<i>Poliçia Nacional de Timor-Leste</i>
PRADET	Psychosocial Recovery and Development in East Timor
PRSP	Poverty Reduction Strategy Paper
PWC	Post-Washington Consensus
RDTL	<i>República Democrática de Timor-Leste</i>
REA	Registry of External Assistance
RENETIL	<i>Resistencia Nacional Dos Estudantes De Timor-Leste</i>
RESPECT	Recovery, Employment and Stability Programme for Ex-Combatants and Communities in Timor-Leste
RRM	Rapid Reaction Mechanism
SAP	Structural Adjustment Programme
SGDN	Small Grants Donors' Network
SIDA	Swedish International Development Cooperation
SIP	Sector Investment Programme
SIPRI	Stockholm International Peace Research Institute
SISCA	Integrated Community Health Service
SRSR	Special Representative of the Secretary General
TFET	Trust Fund for East Timor

TI	Transparency International
TLDPM	Timor-Leste Development Partners Meeting
UDT	<i>União Democrática Timorese</i>
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNAMET	United Nations Mission in East Timor
UNCT	United Nations Country Team
UNMISSET	United Nations Mission of Support in East Timor
UNOTIL	United Nations Office in East Timor
UNSG	United Nations Secretary-General
UNTAET	United Nations Transitional Administration in East Timor
USAID	United States Agency for International Development
WB	World Bank
WC	Washington Consensus
WUA	Water Users' Association
WWII	World War II

Chapter 1 Introduction

Introduction

The United Nations (UN), to date, has launched 69 peacekeeping missions, 56 of them since 1988 (DPKO 2015). Between 1989-2011 29 of the 49 operations established “had some form of statebuilding mandate” (Berdal and Zaum 2013:2). In 2008 the peacekeeping budget was “7 USD billion (one fifth of ODA [Official Development Assistance] to fragile and conflict-affected states)” (OECD 2008:12).

The World Bank has evolved from its initial explicit post-conflict reconstruction role (principally achieved through the provision of finance for infrastructure) to “a new role as a conservator for failed nation states...or small new states unable to shoulder the full burdens of statehood” (Moore 2000:12). In 1997, the Post-Conflict Unit was created to provide a “series of well-timed technical interventions [in support of post-conflict reconstruction and] to build a firmer base for socially sustainable development” (World Bank 1998:vi). Irrespective of previous conditions, World Bank policy asserted that “assistance must focus on recreating the conditions that will allow the private sector and institutions of civil society to resume commercial and productive activities” (World Bank 1998:25). Since 1998 other International Financial Institutions (IFIs)² have similarly increased the range of support provided to conflict-affected states.

“IDA [International Development Association]³ financing to the FCS [fragile and conflict-affected states] more than doubled since FY01 [fiscal year 2001]” (IEG 2013:xiii). Timor-Leste alone is estimated to have received \$3.6 billion in foreign assistance between 1999 and 2010 and “few other post-conflict countries have received higher levels of financial support on a per capita basis” (IEG 2011:6).

In the context of increasing numbers and financing of international interventions in conflict-affected states, and greater levels of interaction between the UN and the IFIs, particularly the World Bank, this research identifies, examines and considers the implications of the mechanisms used by international development partners in Timor-Leste

² IFIs are public banks and other credit institutions that are ‘owned’ by more than one country and provide development finance to borrowing governments in the Global South and private companies from the Global North or South operating in those countries. IFIs include the World Bank, International Monetary Fund (IMF), Multilateral Development Banks (MDBs) and Export Credit Agencies (ECA). (International Accountability Project 2014).

³ IDA is the World Bank’s soft lending window. It provides concessional loans and grants to the world’s poorest countries.

between 1998 and 2006 toward the stated objective of establishing “a public and private sector environment in which the political transition to an independent state can proceed in a stable and sustainable manner” (UNTAET and World Bank 2000:i).

It argues that the origin of the political crisis of 2006 has its roots in complex factors that go beyond the nearly singular causes articulated by the dominant literature on the subject. The crisis cannot be explained with reference solely to domestic factors such as long-standing elite rivalries or the lack of progress in the establishment of a robust security sector apparatus. Any viable explanation must take into consideration the role played by the international mechanisms that interacted with and influenced them. This research demonstrates that the 2006 crisis had its roots in the instability of the political settlement in Timor-Leste and links this instability to the nature of the international support provided which, it suggests, contributed to it by undermining the state’s relationship with its citizens and preventing domestic negotiation and construction of a post-independence national political settlement.

The paper explores the following mechanisms: a) the transitional governance arrangements; b) use of aid conditionality, and c) provision of technical assistance. Specifically, the research maintains that the decision to establish a UN and Bretton Woods Institution-led transitional administration interrupted the local construction of an indigenous political settlement (Chapter Four).

Related to this, the research argues that the aid conditionality inherent in the administrative structures of the multi-donor trust fund (MDTF), the Trust Fund for East Timor (TFET), similarly reduced the space available to the Timorese to explore local power dynamics and pressures from key constituencies. International development partners used the trust funds to exert control over the state budget, and thus determined the size and scope of the state.

Technical support in the form of advisory services, use of project management units (PMUs) and related capacity development served to advance preconceived policy advice in line with dominant views of international best practice (Chapters Three and Six) to the detriment of locally derived alternatives. Provision of technical support served very strategic policy ends, including institutional design and determination of the state’s macroeconomic policy foundations and determining the role of the state as a development actor. PMUs ensured international oversight and management of programming.

Macroeconomic policies such as currency selection and enforcement of policy standards toward the promotion of a neoliberal market economy⁴ did not consider national expectations, experiences or the impact on contested power dynamics in the wake of the Indonesian withdrawal.

This research accepts that East Timorese leaders requested technical assistance from international development partners, trusted the legitimacy of international best practice, and that, for some, a longer period of administrative transition was desired. The author does not suggest that international development assistance must inevitably be detrimental to the trajectory of conflict-affected states. Rather, this research questions the degree to which the use of these particular mechanisms by development partners was in keeping with their generally stated philosophical framework of partnership and shared decision-making. In practice, the case of Timor-Leste demonstrated that the promotion of a neoliberal and 'modern' state trumped the supposed focus on local ownership. The mechanisms employed by international development partners and their implications for the state's ability to exercise its sovereignty, particularly with regard to the development pathways available to it, constrained the state's ability to navigate domestic political, social and economic dynamics.

This research also seeks to understand the trends in international development assistance and their implications for the effectiveness of conflict prevention, peace-building, (economic) development, and nation-building, with a particular focus on the gaps between discourse and practice and academic literature and practice. The research questions the majority view, reflected in strategic documents and dominant discourse, that interventions in conflict-affected states have changed significantly in the past 15 years, both in content and in the 'aid relationship'. Rhetoric aside, the evidence from Timor-Leste suggests that the aspired to partnership remains, even now, constrained by the aid conditionalities imposed by the mechanisms described above.

Given the expressed objectives of development agencies as outlined above and the evolving nature of their proposed strategies, one could be forgiven for supporting the prevailing view that international responses to conflict situations and peace-building efforts have become significantly more effective and grounded in the development of 'locally-led

⁴ Macroeconomic policies included: ending subsidies for agriculture, water and power; reducing the size and scope of the state and its civil service; constraining labour rights; and outsourcing service delivery and economic activities to non-state actors.

and conceived' strategies and programmes. But is this really the case? Are interventions as currently conceived and focused, *inter alia*, on poverty eradication, economic development, institution-building and good governance necessarily equivalent or conducive to peace-building? Does the current dominant discourse reflect reality on the ground? Or is the gap between policy and practice sufficiently significant wide to raise questions about the extent to which programmes and projects consider and adapt to the potential unintended consequences of interventions? Are interventions constrained by trends toward professionalisation, measurement and value-for-money, and a fetish for quantification (elections held, latrines built, schools constructed, etc.) to the detriment of wider political economy considerations?

This research questions the assumption that the combination of peacekeeping missions with development initiatives in conflict-affected states necessarily implies that interventions are designed for or oriented toward peace-building and conflict prevention. It argues that rather than designing tailor-made strategies that reflect local social, historical, political and economic realities, development interventions have become synonymous with liberalised markets, democratisation and institution-strengthening. Conflict prevention and peace-building are reduced to technocratic, apolitical, time-bound and compartmentalised exercises, often focused on security sector reform, demobilisation and reintegration of former combatants, truth and reconciliation commissions and, occasionally, Non-Governmental Organisation (NGO)-led community-based conflict resolution training. Peace and stability are expected to result from the approach outlined above. This research argues that the experience in Timor-Leste demonstrates that the mechanisms used by the international community in pursuit of its narrowly conceived 'development' objectives can result in a distortion of the local political settlement which, it maintains, is essential to the development of a stable post-conflict environment.

The experience in Timor-Leste, which the research maintains is applicable to other settings, indicates that development efforts in conflict-affected states would benefit from a more nuanced approach that seeks to integrate political economy analysis and conflict prevention principles into the design and use of the mechanisms used by the international community in pursuit of its objectives. This implies that 'best practices' must be truly evaluated and adapted to local conditions; there is no such thing, in this instance, as 'one size fits all'. In particular, it is necessary to consider how the mechanisms used by international

development partners can be used to support national actors to negotiate a stable political settlement.

According to Khan: “*A political settlement is a combination of power and institutions that is mutually compatible and also sustainable in terms of economic and political viability*” (emphasis in original) (Khan 2010:4). Understanding the dynamics associated with a stable political settlement can prevent premature importation of institutions and policies that may not be compatible with local realities and which, in a worst-case scenario, generate instability and violent conflict. Political settlements are themselves dynamic and evolve with local conditions.

It is also necessary to think beyond the end-state of policy objectives and consider the timing, sequencing and compatibility of proposed interventions. These should be designed to support the evolution of a sustainable political settlement and must therefore consider the possibility that the most suitable interventions for a particular locality may not be consistent with sectoral best practices: “The achievement of a political settlement in developing countries typically requires informal modifications of formal institutions to bring the distribution of incomes into alignment with the distribution of power across organizations” (Khan 2013:12-13). It may not be desirable then for the international community to use the mechanisms listed above to undertake wholesale restructuring of existing policy frameworks and institutions. The implications of rapid and comprehensive change must be evaluated from the perspective of its impact on the stability of the political settlement. Despite evidence of the clear impact of development policies on the distribution of power and resources within affected communities, the international community persists in claiming that its development interventions provide apolitical and technocratic support to the building of the formal apparatus of the state.

Evidence from Timor-Leste provides a unique lens through which to examine how the mechanisms used by donors in peacebuilding contexts impact the development of a local political settlement. The present research is important and innovative in that it demonstrates how donors can impact the trajectory of a political settlement in conflict-affected states by using inappropriate mechanisms. This is an important advancement on current political settlement and peacebuilding literature, which treats domestic factors as isolated from and impervious to exogenous forces; it does not examine how international and local power dynamics intermingle and shape the context within which domestic struggles to configure the political settlement take place. This analytical framework builds

on and advances the dominant narratives, leading to an original explanation of the 2006 political crisis in Timor-Leste. Finally, in an effort to increase the value of political settlement analysis to international development practitioners, particularly with regard to their durability, this research expands the analytical framework of the political settlement concept by incorporating a social contract perspective that goes beyond elite bargaining. This research therefore comprises a unique and overdue effort to integrate thinking from normally diverse areas of study in a way that not only advances academic understanding but also has utility to policymakers, practitioners and beneficiaries.

The Case

Timor-Leste achieved national sovereignty on 20 May 2002 but, as will be demonstrated in the subsequent chapters, this sovereignty was constrained by the nature of the mechanisms used by the international community to pursue its vision of development. Evidence will be presented in support of the argument that by, perhaps unwittingly, constraining the new nation's policy space, these mechanisms distorted the pace and evolution of the country's political settlement. The research demonstrates that the political crisis of 2006 had its roots in the instability of the political settlement generated by rapid changes to the country's formal and informal institutions. Despite claims of local ownership, the propensity of development partners to view the reconstruction and development processes as apolitical resulted in an unhelpful reliance on mechanisms premised on imported economic and state-building models. This diluted the authority of the state, prevented the establishment of a social contract and undermined the negotiation of a stable political settlement.

Prior to the 2006 political crisis and outbreak of violence, Timor-Leste⁵ was widely presented as a model for international state-building and development interventions in conflict-affected states: "In 2005 the IMF described Timor-Leste as 'successfully transitioning from post-conflict status'" (Conroy 2005:16). Mari Alkatiri, the country's first prime minister, said in an interview with the researcher that the international community believed Timor-Leste would "be an example to other nations." This has, indeed, been the case, although sadly not as the 'shining example' hoped for.

⁵ Timor-Leste is the official name of the country previously known in the international arena as East Timor. As Timor-Leste is the official name of the country it will be used throughout this research paper unless referencing an external source that uses a different designation. However, the English usage will be used when referring to the East Timorese to enhance the fluidity of the text.

Myanmar, South Sudan and Libya are just three examples of states currently experiencing major international interventions in response to significant political, economic and social upheavals and violence. Early evidence suggests that, with only a few exceptions, lessons from Timor-Leste have not yet been learnt or applied in practice, as demonstrated by the prevalence of comments that echo those heard in Timor-Leste prior to the 2006 crisis. For example, a preeminent expert on Libya from Dartmouth College, Dirk Vandewalle, according to Hogle and Aitelhaj, suggested “unlike its neighbors Egypt and Tunisia, where leaders were deposed but the overall system remains largely in place, Libya has the blessing and curse of a blank slate” (Hogle and Aitelhaj 2012). Similarly, a report on the World Bank Spring Meetings in 2014 noted: “At the Spring Meetings, Bank representatives tactlessly stated that they are not considering Burma through a conflict or fragility lens” (Wagley 2014). That said, a senior UN official found some positive lessons being applied from Timor-Leste’s experience, noting, “The Bonn⁶ process in Afghanistan could be seen as an example of learning from Dili, I think, because the process was highly time consuming and consultative which did not happen in Timor” (R81).

The relevance of Timor-Leste’s experience to other settings can be seen through its leadership of initiatives such as the g7+⁷ and the International Dialogue on Peacebuilding and Statebuilding. The country’s leaders are using the lessons learnt from its own experience with international development partners to shape the aid effectiveness agenda and discussions. Generating varying degrees of support and criticism, these initiatives reflect what a senior government official described as frustrations with being left out of decision-making:

Many were upset that they had managed to lead the resistance and managed their own affairs for so long, only for the UN to come in and completely take over... Timorese would tell others, ‘Now don’t let the UN do to you what they did to us – don’t let the UN come in and take charge’. (R80)

This quote raises serious questions about the degree to which the ownership and partnership models expounded in the dominant discourse hold true in practice.

The Argument

Timor-Leste experienced a series of turbulent political transitions from the Portuguese colonial period (including occupation by Japan during WWII through the brief civil war in

⁶ The international conference that led to the establishment of the Afghan Interim Authority.

⁷ The g7+ is a group of conflict-affected states that advocate for “country-led and country owned transitions out of fragility and, most importantly, identifying that peacebuilding and statebuilding are the fundamental foundations to transition from fragility to the next stage of development” (Pires 2012:5).

August 1975 and Indonesian occupation. These experiences challenged and influenced social and economic realities in the territory and Timorese leaders have noted that they interrupted the evolution of a locally driven political settlement process. They also impacted the survival strategies of a mostly rural population dependent on subsistence farming, and even influenced belief structures as the Catholic Church became a place of refuge and resistance that thrived alongside strong animistic beliefs.

In light of the superficial nature of Portuguese colonisation, Indonesian occupation was the first exposure of the East Timorese to a unified state structure. After a brutal entry, Indonesia tried to ingratiate itself with the East Timorese by investing heavily in infrastructure, including schools, health and roads. They subsidised rice, provided inputs to farmers and, in line with general Indonesian government policy, purchased the output of production for redistribution throughout the archipelago.

While the majority of East Timorese rejected Indonesian occupation, the experience had a significant impact on popular expectations of the role of the state in contributing to community livelihoods, particularly in rural areas. The aborted decolonisation process and brief civil conflict that preceded the Indonesian invasion strained intra-East Timorese political and socio-economic relations and the social fabric was further strained by occupation. Some benefited from their association with the Indonesians, while others joined the armed resistance or clandestine networks to fight the military presence; many did both.

Not only did the minority who directly benefited from Indonesian rule lose out after independence⁸ but, unexpectedly, many others also felt the loss after the withdrawal of an economic system that had served the population, even if only relative to the new deregulated market-based system. As time passed, after the destruction of 1999 and subsequent economic collapse, frustration and disaffection with the state and international actors increased. Many experienced the new system as chaotic, confusing and competitive. The conflictual nature of transition from a largely agrarian society to a market-based system was not adequately considered.

This research seeks to identify the pathways and mechanisms by which the international community negatively affected the development of the country's political settlement, the

⁸ Just over 21 percent voted for increased autonomy within Indonesia while 78.5 percent voted in favour of independence.

destabilisation of which resulted in the 2006 political crisis. Evidence will demonstrate that rather than playing a facilitating role, the mechanisms used by the international community disempowered and marginalised national actors, leaving them unable to actively and constructively contribute to decision-making. In so doing, they distanced the state from the citizenry, undermined the establishment of a social contract and prejudiced the outcome of the political settlement.

This paper contends that, contrary to the rhetoric used by development actors, interventions, including, crucially, technical advice, are *always* political. As regards the allocation of national resources and the determination of development planning priorities, for example, the International Parliamentary Union has noted: “The government budget is not merely a technical document recording revenues and expenditure...It is the political expression of the Government's strategy...” (IPU 2003:134). The same is true of other presumed technocratic endeavours controlled by international development partners, such as the use of mechanisms to structure and control budget execution, design state institutions and enact legislative frameworks. All of these are highly political as they provide the framework and parameters for state action and responsibility, and thus its interaction with its citizens.

With independence, the international community supported the establishment of a small, efficient state that would provide “[a] strong role for the private sector in development” (Planning Commission 2002:22). The state was modelled on the prevalent neoliberal Post-Washington Consensus (PWC)⁹ paradigm of a state that is democratic and has a market-based economy. The National Development Plan stipulated that “[t]he Government will focus on its core functions, and will avoid involvement in commercial activities unless there is clear evidence that the private sector is unable to provide essential goods and services (market failure), and that such non-provision impedes poverty reduction and economic growth” (Planning Commission 2002:29). Despite the caveat above and widespread recognition of the virtual non-existence of the private sector at the time, strategies for state intervention to correct market failures were never developed or even discussed. On the contrary, government officials lamented that efforts to engage on the issue and to enable a consideration of state-led service delivery were met with suggestions that the country contract loans for that purpose (R38).

⁹ “The PWC has been indicative of a new phase of neo-liberalism rather than a break with it” (Bayliss, Fine, and Waeyenberge 2011:7).

The UN and World Bank divided responsibility for state-building and reconstruction in Timor-Leste. While the UN focused on maintaining security and establishing the public administration and capacity development of the East Timorese, the World Bank administered the multi-donor TFET and, with the ADB, was responsible for reconstruction activities (Phung and Bauer 2004:20). At the time, “on a per capita basis, [TFET represented] the highest amount of aid mobilized through a MDTF [multi-donor trust fund] for reconstruction” (Phung and Bauer 2004:8-9). In addition to the support provided to the MDTF, bilateral aid agencies also financed their own projects of interest, often through national and international NGOs and international organisations, including UN agencies.

The IFIs dominated the underlying policy framework employed in Timor-Leste. The PWC paradigm coincided with the World Bank’s revised private sector development strategy which sought to “extend the reach of markets...with a special focus on measures that help micro-, small and medium enterprises...[while] improv[ing] access to basic infrastructure and social services through private participation” (Waeyenberge, Fine, and Bayliss 2011:9). This description accurately reflects the international community’s approach to development in Timor-Leste. The above principles were integrated into the mechanisms used by the international community to direct the development pathways and strategies made available to the Timorese state.

In light of the international community’s dominance of how the mechanisms used for strategic design and policy formulation were implemented, including its monopoly on decisions regarding the allocation of resources, there were no fora available for national stakeholders to discuss divergent policy frameworks or to challenge the dominant policy prescriptions. Instead there was a chaotic international presence that divided national leaders as they competed for funds and influence. The interventions also failed to take into account the divisions within the East Timorese society and the expectations among new and old elites, who, themselves, needed to come to terms with the structure and form of the new state, and how this might affect their planned outcomes. There was a need to support the negotiation of an East Timorese-led political settlement process that would address underlying conflict dynamics with the aim of preventing conflict from escalating into violence. The research maintains that the mechanisms used by the international community were fatally flawed as, contrary to much of the policy-level literature on participation and partnership, they did not provide the necessary space for the Timorese to

use them to negotiate and agree strategies to respond to the fast-changing reconstruction of the country's political settlement.

According to the OECD, “[f]rom a peace-building perspective, a key function of a settlement is to avoid violent conflict. For the task of building viable states, settlements are required to root an institutional arrangement in a solid elite agreement” (OECD 2011:10). For the purposes of this research, the political settlement extends beyond elites and incorporates the concept of the social contract. The researcher argues that it is important to move beyond elite ‘tit-for-tat’ bargaining to avoid conflict and toward a more robust system that balances formal and informal institutions during transitions. This paper also assumes that whereas authoritarian regimes may exhibit outward features of a stable political settlement, when considered from a conflict dynamic perspective, authoritative arrangements should be considered inherently unstable. If violence is to be avoided, a political settlement must consider the state's holding power, the cost to individuals and groups of challenging the established order and, made easier in the absence of a broadly acceptable social contract between the state and society, the capacity of the disenfranchised to mobilise likeminded constituents. Khan writes:

Once it emerges, a political settlement is likely to be fairly robust in its broad outlines, even though it is inevitably evolving all the time. The configuration of holding power at the level of society is then buttressed by a range of formal and informal institutions that reproduce and sustain this configuration of power by enabling a consistent set of economic benefits to be created and allocated. (Khan 2010:22)

Conflict is sometimes seen as the best alternative to alter the holding power of an individual or group particularly when redistribution of resources and/or power are considered feasible. However, mobilisation against a political settlement, to alter the power dynamics is less feasible or indeed advantageous when a political settlement reaches beyond individual elites and satisfactorily incorporates a wider reaching social contract among citizens. Even if achieved, political settlements are not static and require renegotiation over time to make a triggering event less likely to spark violence (OECD 2011:16; Khan 2013:10).

Historical evidence suggests that state-building and capitalist transitions are inherently conflictual (Cramer 2006:205-6). If the shared objective of the international community is to avoid conflict evolving into violence, it needs to adopt a more explicit and comprehensive approach to analysing how strategic policy frameworks affect the political processes of transition. It must therefore design the mechanisms it uses accordingly and

move beyond the notion that it possesses superior apolitical technocratic solutions to complex socio-economic challenges. In that regard it can be said that today's approach insufficiently departs from the days of the League of Nations as summarised by Anghie:

[The mandate system] simultaneously repudiates colonialism, but is convinced firmly that a particular model of government, of social and political organization, is valid universally and therefore should be promoted among, and adopted by, all peoples even when that model conflicts with the customs and forms of government found among those less enlightened peoples. (Anghie 2001:557)

The quote above resonates quite closely with Moore's sentiment of the World Bank as "post-nationhood counterpart" to conflict-affected states. International interventions are fundamentally political in all circumstances. In Timor-Leste the impact of international interventions on the political and social spheres was particularly pronounced given the country's high level of dependence on international financial and technical support. The fact that international actors were embedded throughout government structures and civil society institutions meant that they had a disproportionate influence, not only on policy formulation as such, but also on shaping the parameters of popular political discourse. This paper thus argues that the international community must admit at least some responsibility for failing to ensure that the mechanisms it used to pursue its vision of development allowed for true input and contributions from East Timorese officials and others who may have had a different conception of development as such, and/or a more nuanced understanding of the challenges likely to emerge from the proposed 'big push' transition into 'modernity' as proposed by development partners.

The Structure

Chapter Two reviews the methodology employed by the researcher to investigate the question. Chapter Three explores the relevant literature informing the theoretical constructs around which the research is based and to which it hopes to contribute. This is followed by a brief overview of the history of Timor-Leste in Chapter Four to familiarise the reader with the case and to shed light on more generalised trends present in the work of the international community in post-conflict and transition situations. Chapter Five discusses elite formation in Timor-Leste and the fraught intra-Timorese relationships leading into independence. The unstable characteristics of the political settlement are explored in the lead-up to and after independence. The chapter suggests that development partners played a role similar to that of Portuguese colonisation and Indonesian occupation in truncating the organic evolution of Timor-Leste's political settlement, arguing that the international community appropriated the process by playing a dominant role in

negotiations by using mechanisms that marginalised the role of East Timorese stakeholders. Chapters Six through Eight seek to contrast dominant international narratives with those of national actors as conveyed by respondents. Chapter Six explores the mechanisms used by international development partners, their underlying ideological and philosophical framework, and their implications for the political settlement. Chapters Seven and Eight discuss how development partners translated the theoretical framework into practice. As the majority of the population is dependent on subsistence farming, policy support to the agriculture sector is reviewed in Chapter Seven. In Chapter Eight, the outsourcing of development initiatives to the private sector and non-state actors is explored. The paper concludes in Chapter Nine.

Conclusion

This research seeks to identify and assess the pathways and mechanisms used by the international community in its interventions in Timor-Leste in the lead-up to and after independence and to demonstrate how these negatively impacted the evolution and stability of the country's political settlement. The instability of the political settlement, in turn, was fundamental in establishing the conditions that led to the political crisis in 2006. It is hypothesised that the failure of the international development partners to develop and use mechanisms derived from a conflict-cognisant, political economy analysis ultimately contributed to poorly designed policies and interventions. In particular, international interventions were founded on the misconception that external support could be abstracted from the intensely political and conflictual processes inherent in transitions. The international community thus played an active and important role in subverting local political processes and undermined the capacity of the state to negotiate a stable political settlement among a diverse set of constituencies. This contrasts with the dominant policy narrative that claims that international mechanisms operate as open spaces for 'partner-led' policy design and support nationally determined strategic plans.

This research does not suggest that states receiving international development assistance and peacekeeping missions do not have agency and are completely dependent upon external actors and institutions. Yet, the mechanisms available to and used by international development partners to exert policy influence and to dominate reconstruction and development programming can limit the scope for states to act; this was certainly the case in Timor-Leste. In doing so, international development partners insinuate themselves into national political processes and can distort and undermine domestic political settlements.

In providing empirical support for an important minority view, the research draws on the author's more than eight years of experience living and working in Timor-Leste and the opportunity this offers to reflect the voices and opinions of diverse demographic groups, including veterans of the liberation struggle, subsistence farmers, local religious leaders, young women and men, high-level government and UN officials and members of the diplomatic corps. Subsequent chapters explore the mechanisms used by international development partners and the implications for durable peace in Timor-Leste.

Chapter 2 Methodology

Overview of the Methodological Framework

The recent independence of South Sudan, the political transition in Myanmar, events in Ukraine, Libya and Syria and other developments around the world call for increased reflection on how the mechanisms used by the international community during interventions in conflict-affected states can ensure that its actions do not contribute to renewed violent conflict. In the context of international support to conflict-affected states, this study seeks to identify the mechanisms used and explore their potential for unintended consequences.

In particular, this study explores the escalation of tensions in Timor-Leste after independence and how these culminated in the national political crisis of 2006. This research employs a case study approach which is, “...*best defined as an intensive study of a single unit with an aim to generalize across a larger set of units* [emphasis in original] (Gerring 2004:341). For the purposes of this research, the unit of intensive study is Timor-Leste. The larger set of units is aid dependent conflict-affected states. This research agrees with Gerring’s assertion that: “...one of the primary virtues of the case study method is the *depth* of analysis that it offers. One may think of depth as referring to the detail, richness, completeness, wholeness, or degree of variance that is accounted for by an explanation” (Gerring 2004:348).

In line with George and Bennett’s research framework (George and Bennett 2005:79), the research seeks to ascertain whether or not an interest in the prevention of violent conflict and the particular social, political and economic conditions present in the country were substantively integrated into the mechanisms used by the international community and so informed international development partners’ policy frameworks and programme design. The macroeconomic policies will be reviewed, including the particular support provided to the agriculture sector and to non-state actors. Experiences in other conflict-affected states will be briefly considered as these may or may not be divergent from interventions and experiences in Timor-Leste.

In regard to the prevailing theory that the UN and the multilateral and bilateral development agencies working in conflict-affected states are implicitly seeking to end conflict and promote political, social and economic stability, this research hypothesises that

it is actually the mechanisms and approaches of the international development partners that may undermine political stability. This is particularly the case when international development partners do not sufficiently consider conflict dynamics when designing their interventions, and fail to conduct political economy analyses to inform programme and policy frameworks. As a result of the underlying conceptual framework informing interventions in conflict-affected states, development partners can actually exacerbate local tensions by becoming a party to the political settlement negotiation process.

The case study approach is particularly valuable to social science because it enables one to engage with the specific and not to get lost in generalities that bear no resemblance to the reality in the context in which one works. Gerring notes, however, a paradox: “Although much of what we know about the empirical world is drawn from case studies and case studies continue to constitute a large proportion of work generated by the discipline, the case study *method* is held in low regard or is simply ignored” (Gerring 2004:341). It is hoped that this research responds to any potential criticism by clearly identifying the events to be studied, ensuring a clearly defined research objective (George and Bennett 2005:69). As Gerring says: “Indeed, it is the opportunity to study a single unit in great depth that constitutes one of the primary virtues of the case study method” (Gerring 2004:345).

In the following chapters the hypothesis will be tested and competing interpretations challenged in line with George and Bennett’s postulation that it is necessary “if possible, [to reconcile] competing interpretations of a case...” (George and Bennett 2005:91). Some analyses, for example, have emphasised historical, political, and other uniquely national characteristics as having caused the 2006 violence. Studies have also suggested that the international community was at fault, but solely for its role in neglecting to adequately support the security sector. This research contributes to the existing literature and has identified competing explanations for the emergence of violence in 2006 based on evidence gathered from informant interviews. In particular, it seeks to identify and assess mechanisms used by international development partners (the transitional administrative structure, aid conditionality and technical assistance), and how these resulted in international control over resource allocation, determination of the size and scope of state institutions and the macroeconomic policy framework on which the newly independent state was established. These mechanisms are explored for their impact on national political processes and the durability of the national political settlement.

The period of examination and the focus of field-level inquiry are the years 1998-2006. Given that historical influences are relevant to the study of the period in question this research draws on pre-colonial and colonial-era literature. Literature from the decolonisation through the Indonesian occupation periods will also be reviewed. The review of relevant literature will be supplemented with data from informant interviews on East Timorese experiences and perceptions with regard to the impact of the brief civil conflict and the Indonesian occupation.

The author's approach to the study is also informed by the phronetic¹⁰ method as advanced by Flyvbjerg:

Phronetic social science explores historic circumstances and current practices to find avenues to praxis. The task of phronetic social science is to clarify and deliberate about the problems and risks we face and to outline how things may be done differently, in full knowledge that we cannot find ultimate answers to these questions or even a single version of what the questions are. (Flyvbjerg 2001:140)

Consistent with the phronetic approach, this research uses the case study of Timor-Leste to explore the research question. The author thus follows in the tradition of Foucault, among others, in the conviction that case studies provide exemplars and concrete examples from which empirical generalisations can be constructed (Flyvbjerg 2001:135-6). This research starts with the local, historic, socio-economic and political contexts of the case, and examines how these interact with the specific modalities of and constraints due to international mechanisms used in support of development in Timor-Leste. It attempts to filter from consideration what is so unique to Timor-Leste as to be irrelevant for comparison and learning, and thus endeavours to focus on dynamics that are of broader conceptual relevance. If “phronetic researchers deliberately seek out information for answering questions about what structural factors influence individual actions, how those actions are constructed, and their structural consequences” (Flyvbjerg 2001:138), then it is hoped that the targeted analysis of the case of Timor-Leste can inform interventions undertaken in countries with similar structural conditions. Of particular interest is the extent to which conclusions about the impact of the disjunction between local voices and perceptions and the international nation-building project in Timor-Leste can be generalised to inform future interventions. An analysis of power relations and influence is essential to understand the structural factors that shape local and international interactions and strategies.

¹⁰ Flyvbjerg defines phronetic social science as a reinterpretation of the Aristotelian concept of *phronesis* translated as “prudence or practical wisdom”. The classical concept is adapted to incorporate conflict and power, which Flyvberg considers “phenomena constitutive of social and political inquiry” (Flyvbjerg 2001:2-3).

Working across a variety of levels, this approach has the advantage of encouraging an examination of experiences at both individual and institutional levels. The author sought to access and reflect upon a wide range of voices that were key in shaping the political settlement of the country. To that end she sought input and opinions from urban and rural elites, rural farmers, veterans, members of the clandestine resistance and youth representatives, among others. As demonstrated in Annex A, respondents often have multiple identities and can rarely be assigned a singular classification. The perspectives of these respondents were used to analyse how the structure of international interventions as implemented according to the mechanisms listed above impacted perceptions of security and national unity.

Whereas elite settlements are of interest because “they create patterns of open but peaceful competition...[and] transform unstable political regimes” (Burton and Higley 1987), in the case of Timor-Leste the concept of political settlements is considered to be particularly relevant when evaluating the impact of the international intervention mechanisms on the ability of local actors to negotiate a durable political settlement. This is because Timor-Leste was exceptionally dependent on foreign financial assistance and relied on international development and state-building expertise. Timor-Leste is also a geographically small half-island with a population that was unusually welcoming to the international presence after the violent Indonesian withdrawal. Indeed, expectations of the benefits of a UN presence permeated the popular discourse.¹¹

As will be explored in Chapter Three, the timing of international interventions in Timor-Leste also coincided with increasing global interest in conflict-affected states and the marketisation of peace-building. How and why these structural factors influenced the actions of domestic constituencies, for example, by young people leaving the countryside to join protests in the capital, are lines of inquiry relevant to this study. Given that much of the mainstream research conducted in and on Timor-Leste is focused on elite perspectives and conducted in English in the capital, it was important for this study to access rural voices using a national language.

¹¹ Much of the campaigning, particularly in the 1990s, was premised on requests for the UN to intervene in defence of the East Timorese against human rights abuses.

Case Selection

Although this research spans the period of 1998-2006, it is primarily concerned with the Timor-Leste case from 2002 onwards. This period covers the country's achievement of sovereignty and its first experiences as a unified nation-state.¹² The research continues through to 2006, when Timor-Leste experienced its first national political crisis as an independent nation. The crisis led to widespread violence and displacement and the resignation of its first prime minister.

Timor-Leste was chosen in part because, prior to the 2006 crisis, it was widely seen as a successful model of international intervention. Timor-Leste was dependent on international aid for the functioning of state institutions and relied on the policy advice of the international community. It was considered a prime candidate for development and state-building, as it did not seem to suffer from the challenges posed by the continued presence of belligerents and was thought by international development partners to be a relatively straightforward context where the international technocratic development apparatus would have a high chance of success. The country provides an ideal platform for reflection and further exploration of the conceptual framework underlying international interventions due to its status as one of the largest per-capita recipients of aid.

The country's small size, relatively homogeneous population (when compared with other states currently receiving international development assistance), lack of armed opposition to the state during the research period, and the fact that its political leadership and civil society have a genuine interest in building a strong and viable state were also factors in its selection.

Whereas data were gathered for this dissertation between 2010 and 2014, iterations of the research question have been of interest to and studied by the author for much longer. Given a long-standing interest in and involvement with the subject matter, the evidence for the research was gathered in phases, starting in 1998 with participation in an inter-institutional baseline survey of social and economic conditions in Timor-Leste.¹³ Additional research efforts by the author will be discussed below. For the purposes of this study, new data were gathered between 2010 and 2014. While the findings presented in this research draw on insights gained from participation in the above-mentioned survey and over eight

¹² Independence was celebrated on 20 May 2002 and is referred to as the "restoration of independence" in reference to the original unilateral declaration of independence by Fretilin on 28 November 1975.

¹³ Later published as *Report on Social and Economic Conditions in East Timor* (Pedersen and Arneberg 1999).

years working in the country, this research relies principally on new and complementary evidence directly obtained in support of this dissertation.

Research Design

A review of significant literature on peace-building, conflict prevention and the political economy of development provide the theoretical foundations of this study. The extensive literature on Timor-Leste was also invaluable to the author. Beyond scholarly articles, the research benefits from a review of 'grey literature': reports, programme documents, evaluations and meeting minutes from personal archives and from the development institutions themselves.

According to Ritchie et al., "qualitative research is useful when information is "deeply rooted" or "deeply set within the participants' personal knowledge or understanding of themselves. These may be related to the origins of long-standing values or beliefs...[or] to the formative influences on particular attitudes or behaviours...(Ritchie et al. 2013:37). The interaction between national and international actors and institutions is critical to understanding the evolution of a distorted and unstable political settlement in Timor-Leste. For this reason the primary research methods employed in this study were key informant interviews and focus group discussions. Mixing qualitative methods, in this case, key informant interviews, focus group discussions and personal observation, was considered necessary to understand the impact and implications of international interventions and the particular evidence of the Timor-Leste case. As Ritchie et al. suggest: "...interviews are often used in combination with observation to provide an understanding of how events or behaviours arise..." (Ritchie et al. 2013:44). The author's access to, and ability to communicate with, often-unheard local voices is part of the unique contribution of this research to the broader literature.

Key informant interviews and focus group discussions with representatives from diverse communities in rural and urban environments in Timor-Leste represent the core evidence used in this study. Informant interviews add a nuanced and important voice to the findings. As noted by Kumar, Stern and Anderson: "Relying on key informant accounts is appropriate when the content of inquiry is such that complete or in-depth information cannot be expected from representative survey respondents" (Kumar, Stern and Anderson 1993:1634). In this research interviewees assumed characteristics of both respondents and informants as they not only reflected on their personal feelings and opinions but also

generalized about “patterns of behavior” (Seidler 1974:817). This methodological choice is consistent with the researcher’s interest in how changes in formal and informal institutions affect individual perceptions and, ultimately, actions as well.

The opinions and views of representatives from international organisations and institutions also inform the research. The perspectives of international respondents are particularly useful for analysis when compared with the attitudes and beliefs of national actors.

This research benefited from the generation of a cross-unit sample, whereby voices from diverse geographical areas, ages and demographic profiles were interrogated. In particular, within Timor-Leste, four distinct research sites were chosen: the districts of Bobonaro, Baucau and Ermera and the capital, Dili. Within each selected district several sub-districts, villages and sub-villages were also chosen. In Bobonaro, research was conducted in Maliana, Balibo, Batugade and Atabae. In Baucau, interviews were conducted in Vemasse, Baucau, Seisal and Gari-Uai and in Ermera, Ermera, Gleno and Letefoho.

These districts reflect important geographic and political diversity. Baucau is in the east, Bobonaro and Ermera in the west. The capital, Dili, was included as its inhabitants include people from across the country; it is the centre of economic activity and home to the country’s urban elite. It was also the site of the most intense levels of displacement and violence in 2006. Whereas the intensity of the conflict was experienced more profoundly in Dili, these three districts experienced higher levels of unrest during the political crisis in 2006 than the other nine.¹⁴

Economic position also influenced the selection of districts. Ermera is the coffee-producing hub and the export of coffee was perhaps the only sector of the economy to remain virtually intact throughout the transition period. One diplomat reflected that the support of the coffee sector was: “One of the best aid projects I’ve ever seen based on free market principles. This was real world economic stuff and a way of getting money into the economy, which affected many people. We once calculated that the project impacted over 200,000 people because of the large extended families” (R17).

Bobonaro is located along the border with West Timor. As such, its economy is arguably more vibrant than more centrally located districts, benefiting as it does from both licit and illicit border trade. According to the district administrator:

¹⁴ Timor-Leste has 13 administrative districts.

When you compare the economy here with other districts between 2002 and 2006, it was better here even though many were unemployed. The community here lives ok because of the border. There are many businesses on the border compared with other districts. This is an advantage for the community here (R45).

Although residents of Bobonaro experienced certain benefits of border town status, they also experienced the risks. UN situation reports and reports of the special representative of the secretary-general to the UN described armed groups and former militia along the border and ongoing criminal activity in the area (UNSC 2004:2).

Finally, Baucau features wide rice paddies along the coast, and is home to fishing and highland mountain cultures. It has a relatively vibrant business and civil society sector. Baucau has a unique place in East Timorese history and memory as the last stronghold of the resistance with many prominent veterans hailing from the district. Mount Matebian (Mountain of Souls) is sacred to many for the shelter it provided to those from the eastern districts who fled from the Indonesian military. After independence Baucau district experienced security disturbances, including roadblocks and reports of ninja activities (see Chapter Four). A popular narrative in the literature and among practitioners is that easterners were Fretilin supporters. The author's personal experience is more nuanced. Many veterans from Baucau were important political actors after independence and some were highly critical of the Alkatiri government. Despite the challenging relationships, easterners often supported the government during the 2006 crisis. Together, these three districts with the capital, Dili, were considered representative of a variety of social, economic and political conditions in the country. They are considered to have particular relevance to an investigation of the mechanisms used by development partners and the impact of international policy prescriptions.

These districts were also selected because diverse regional perceptions played an important role in the evolution of the conflict dynamics of the 2006 crisis. Regional interests are relevant because intimidation, displacement and violence at times assumed regional characteristics and place of origin fuelled, or was used to explain, communal violence.

Perceptions, beliefs and opinions are significant above and beyond fact and even intent. As noted by Vallacher et al:

...we define conflict as a relational process that is influenced by the perception of incompatible activities...intractable societal conflicts can appear resolved through peace agreements, but the deep rooted cleavages in perceptions, grievances, etc. of ordinary people may not be addressed by elite level negotiations. Because of the

difference in perception between societal layers, conflict can simmer on and re-erupt later. (Vallacher et al. 2013:22-23)

In order to adequately answer the question posed by this research, it is necessary to ascertain the perceptions of a range of actors in Timor-Leste. Given her pre-existing relationships, including access to influential gatekeepers, ability to speak *Tetum* and the trust gained from prolonged support to individuals and communities in the country, the researcher was able to interview key respondents including members of national and local government, farmers, veterans, *clandestinos* (clandestine members of the resistance) and youth.

As mentioned above, respondents often have competing and multiple identities. Village leaders were often also members of the clandestine movement and survive(d) by subsistence farming. Government officials may be members of martial arts groups, farmers may be veterans of the armed resistance. These considerations are important because they shed light on the complexities of social relations in the country. Diverse experiences also inform responses to interview questions.

Key actors representing the state, civil society and important national and international development organisations and UN agencies, as well as targeted bi and multi-lateral donor institutions were interviewed. Expert knowledge of the development industry was sought from academics and practitioners to provide information and perspectives on the often-unwritten challenges of developing and implementing conflict-sensitive initiatives in the field. Respondents are represented in the text by the letter 'R' followed by the anonymised respondent number (R#). Trends established from the literature, including database and archival material, were cross-referenced with personal experiences of working on development projects in the targeted sectors selected for this research.

In total, 115 people were interviewed during 2 separate field missions to Timor-Leste. The first set of interviews was conducted in November 2011 and the second in June 2014. Over the course of this research, additional interviews were also conducted in London, New York, Washington DC, Bali, Brazil and via Skype.

Of the 70 East Timorese respondents interviewed, 57 were men and 13 women. In Baucau, 8 respondents were interviewed, 12 in Ermera, 17 in Bobonaro and 33 in Dili. In addition,

45 people from the international community were interviewed, 18 women and 27 men.¹⁵ Interviews were conducted with 18 representatives from the donor community including IFIs. Of these, five were East Timorese. Thirty-two of the East Timorese respondents could be considered urban professional elites. Thirty-six NGO/CBO (Community-Based Organisation) representatives were interviewed, of which twenty-five were East Timorese. Eleven respondents were from rural NGOs/CBOs. Among the East Timorese interviewed, 33 were from urban areas, 37 were rural residents. Twenty respondents identified themselves as actively involved with farming or fishing. This number is not, however, an accurate reflection of the total number of respondents who depend on agriculture for survival. Some, such as village leaders, may have chosen not to highlight this component of their identity during interviews. Others, for example, may work with NGOs in Dili but also manage the sale, in Dili, of produce from family farms. Fifty-five respondents are veterans or members of the clandestine resistance who did not take up arms but ‘fought’ through other means. All of the respondents who actively considered themselves to be agriculturalists also identified as veterans of the resistance or members of the clandestine front with the exception of one person too young to have taken part, and the first Minister of Agriculture who spent the occupation in the Diaspora. Four respondents are considered to be youth. None of the respondents identified as pro-autonomy, that is, having supported the option of increased autonomy within Indonesia.

Among the rural respondents, 14 are considered to be local authorities including district administrators, village chiefs, and/or representatives of *suco* [village] councils. Among the East Timorese interviewed it is estimated that 12 respondents spent all or part of the occupation in the Diaspora, excluding Indonesia. Nineteen are part of the *gerasaun foun* (the ‘new generation’), discussed in Chapter Four. Respondents were selected because of their membership in overlapping and diverse social groups. It was considered of interest to the research to identify members of the clandestine front or veterans of the resistance who remained in or returned to their home villages and live and work as farmers. These opinions and perspectives were compared and contrasted to those of civil society and government officials (both rural and urban).

Nearly all of the respondents were known to me from my time living and working in Timor-Leste or were known to my colleagues. This familiarity could have resulted in a certain selection bias. The majority of respondents interviewed had benefited at some point

¹⁵ Again, people are not easily slotted into the categories listed above. When quoting respondents their most relevant affiliations are mentioned.

in time from the assistance of an NGO, for example, and had been active in their communities pre- or post-independence. However, these characteristics were considered to be advantageous, not only because of the ease of access. In order to challenge my hypothesis it was considered desirable to speak with individuals who may have had reason to view international actors and institutions favourably. As it is difficult to build trust as an outsider, particularly in areas where there is a certain perceived 'research fatigue', being known to the respondents and/or known to be associated with a trusted national institution removed barriers to the open sharing of information.

Timor-Leste is a very small country with just over a million inhabitants. Anonymity is nearly impossible to maintain in the country, but efforts have been made to anonymise respondent identities in order to protect those who provided invaluable information to this research. Each respondent was assigned a number and is referred to by that number whenever cited.¹⁶

Individual and community recipients of development funds and technical support were also interviewed. Interviewees were asked to discuss their perceptions of the programme design process, the implications of working with different development partners, and their capacity to influence the process. Their perceptions of the relationship between programming in the agriculture sector and national conflict dynamics were also explored. Although respondents may not have been familiar with the formal details of development partner mechanisms and resultant programme frameworks, it is the author's view that qualitative interviews can help to evaluate a range of sophisticated donor programmes. Identification of the mechanisms used by international development partners is important in so far as one understands how they affect local actors and institutions. The perceptions of domestic actors, however, are critical in analysing the implications for the stability of an evolving political settlement in the context of the interaction between formal and informal institutions and national and international actors. Indeed, the solicitation of respondent views from a diverse demographic contributes to the originality of this research. The author asserts that it would not have been possible to gain the insights and nuanced perspectives elicited from in-depth individual interviews using quantitative research methods. Similarly, qualitative methods allow for greater understanding of nuanced opinions and seeming contradictions.

¹⁶ References made to 'respondent interviews' in the text refer to interviews with the author for this study unless otherwise indicated.

Community-level focus group discussions were used to ascertain the degree to which grassroots perceptions of the interventions matched documented claims from programme archives and the perceptions of key informants. Interviews explored the consequences of international action by asking respondents to reflect on the impact of post-independence transition experiences, particularly as they related to the agriculture and non-state actor sectors. Respondents were invited to share their perceptions of the socio-cultural, economic and political consequences of post-independence policies compared with those of the Indonesian era.

The research explored the nature of communication and relationships between communities and non-state service providers and also sought to examine perceptions of the relationship between programming in the agriculture sector and national conflict dynamics. Motivations for participation in demonstrations during the national crisis of 2006 were similarly discussed. The author was particularly interested to see if it was possible to establish connections between individual dissatisfaction with a) the development process, b) the political leadership and c) the mechanisms used by the international community.

Interviews were conducted in English or *Tetum* depending on the preference of the respondent. In Baucau, Bobonaro and Ermera, a research assistant was present during interviews and occasionally provided interpretation support. Interviews were recorded unless respondents requested otherwise and translated by the author. As noted by Flyvbjerg, “Several observers have noted that narrative is an ancient method and perhaps our most fundamental form for making sense of experience” (Flyvbjerg 2001:137). Wherever possible, interviews were semi-structured conversations based on open-ended questions that encouraged respondents to share stories and perceptions about, for example, distinct periods of the country’s history.

Cultural norms often inform participation in conversations when multiple people are present. In Timor-Leste, for example, older men are often expected to speak on behalf of larger groups. Time is often allocated for women or youth to speak after the initial intervention. In order to avoid these challenges, most interviews were conducted one-on-one. Six interviews were conducted with two or more people present, including one *sucu* council meeting. In these instances, it made sense because respondents constituted members of the same community-based organisation or were colleagues who had worked

together. Focus group discussions also provided an opportunity for respondents to provide an institutional response to questions as distinct from personal observations or feelings.

The list of respondents does not include interviews conducted for a separate research project on a related topic that took place during 2006-07. At that time, 86 people were interviewed. The notes from those meetings were reviewed for this research and are designated with an alphanumeric reference when cited.

While this research does not claim to support causal relationships or conclusions about the onset of violence – particularly because it argues that there is a need for nuanced analysis of local political economy and conflict dynamics, the author does believe that the research supports the identification and assessment of trends that have relevance for how other conflict-affected states and development partners can interact with each other. In this sense the research presents probabilistic arguments that should be considered when working to prevent conflict in fragile and conflict-affected states. According to Gerring: “Probabilistic arguments, in contrast, are true in a probabilistic fashion; a cause increases the likelihood of an outcome and/or the magnitude of a (scalar) outcome” (Gerring 2004:349).

It is important to note that this research will not address the question of whether and when interventions should take place. The author accepts the general tendency toward selective intervention and recognises that decisions to intervene remain highly political and contingent. The UN and international agencies and institutions can therefore be expected to continue to play a significant role in countries emerging from violence. The aforementioned characteristics should allow for a relatively effective investigation of the impact of international interventions vis-à-vis state-building in conflict-affected states.

Literature, Programme Documents, Databases and Archives

Individual respondents provided the core information for this research. This information had to be contextualised, however, and this required archival materials and other forms of documentation. An extensive body of relevant literature was reviewed with the aim of “assimilat[ing] a series of studies, treating each of them as case studies in some larger project” (Gerring 2004:345).

Programme documents, databases and archives were reviewed to establish trends in the discourse of development partners and to illuminate the processes and mechanisms

through which development assistance was prioritised and funded in Timor-Leste. These archives helped to establish the origins and evolution of policies in and resources allocated to a cross-section of sectors in Timor-Leste. Archives were used to ascertain the level of policy coherence within and across agencies and institutions. Opinion and other survey data provided additional evidence of how the state and development partners were perceived by society.

The reliability of the data referenced, both from the period of Indonesian occupation and after 1999, is questionable. Security challenges, weak government capacity and political agendas shaped the construction of data during the occupation. As noted with regard to the data surveyed in preparation for the baseline survey of social and economic conditions in the country, despite large quantities of data, “there are serious questions concerning the reliability of data on the conditions in East Timor” (Pedersen and Arneberg 1999:154). After the Indonesian withdrawal many data-gathering exercises were conducted. Each data set records entry errors and challenges securing accurate data for a variety of reasons. In one case, for example, respondents altered responses on housing conditions to justify international assistance already received (ETTA et al. 2001:120). People are also known to interpret questions differently and so provide answers that may not follow the responses of others. Throughout this research process the author has noted divergent statistics reported by different authors. Given the constraints, particularly with regard to reporting on employment, underemployment and unemployment data for example, an attempt has been made to report as consistently as possible.

Positionality and Challenges

As mentioned above, I have worked on Timor-Leste for over fifteen years, eight of them based in the capital, Dili, as an Associate Research Scholar and Country Director with Columbia University’s Center for International Conflict Resolution (CICR). During this time, I was responsible for, *inter alia*, designing and implementing conflict-sensitive development programmes throughout the country; supporting the establishment and growth of a national NGO partner, Belun; and teaching a master’s seminar at Columbia University on ‘Conflict Prevention and Development: Lessons From The Field’.¹⁷ I established and chaired the Small Grant Donors Network and was actively engaged with the INGO Network, and several thematic working groups. As CICR’s representative, I was asked by the Minister of Social Solidarity to participate in a Technical Working Group that

¹⁷ The course was taught at SIPA with practitioners from the IOM and UNDP.

contributed to the development of the National Recovery Strategy following the 2006 crisis.

Given this level of access and embeddedness in the international development community, my positioning vis-à-vis the subjects of my research could be considered that of Mosse's "participant insider" (Mosse 2006:935). The opportunity to work in Timor-Leste also meant that I had established networks and was familiar with many of the key informants I wanted to interview. This privilege reduced the need for orientation upon arrival in Dili and meant that I was able to organise interviews with great efficiency.

I recognise that I approached this research with certain preconceived understandings of the development context in Timor-Leste, including the role played by particular actors and agencies. I am likewise cognisant that I could have found it challenging to objectively review and assess programmes and processes, particularly in those sectors in which I was actively engaged. I believe that my very awareness of this risk assisted me to mitigate against it. This research provided an opportunity to consider preconceptions from new perspectives.

The research process itself, including a detailed review of the literature, available documents and databases, and the conduct of extensive interviews, brought new insights, resulted in a review of previously held positions and reduced the risk that the research quality would suffer due to my entrenched preconceptions.

It is also useful to acknowledge that a unified and ideal policy prescription does not exist. This research often refers to international development partners as if they are a unified, monolithic entity. Rather, development partners are many and represent multiple organisations and institutions, each with its own ethos, priorities and worldview. As noted by George and Bennett, even in the event that there is a projected unified policy, different actors may have different reasons for supporting a given set of initiatives. As such, one cannot assume coherence in decision-making. One can ask, however, if certain institutions or individuals are more influential than others (George and Bennett 2005:98-100). This research suggests that, of all the development partners present in Timor-Leste, the IFIs exerted the greatest influence on the macroeconomic policy framework of the new state. Indeed, there was a high level of synergy underlying the conceptual approaches of most development partners.

Given ethical considerations, including those regarding confidentiality and access to information, the transition from practitioner to researcher must always be carefully considered. As indicated by Mosse, the potential exists for participant insider research to be perceived as “a judgement against norms or best practice that critically assessed [colleagues’] professional competence, and dismissed their effort and enthusiasm” (Mosse 2006:942). My long association with Columbia University and the well-known nature of my academic work in Timor-Leste should mitigate against conflict of interest claims, as should the fact that, while working as a practitioner in Timor-Leste, I published articles and drafted papers about the role of the international community that were widely circulated in Dili. I am confident, therefore, that ethical questions with regard to my returning to the country as a researcher were not an issue during my research.

The possibility that respondent perceptions during the field visits of 2011 and 2014 varied significantly from those held in 2006 was considered. It is possible that the experiences and changing expectations following the 2006 violence and the nature of the government’s response influenced popular narratives about, and understandings of, the crisis. As a result, perceptions of the impact of post-independence policies may have become politicised and/or obscured by recent events. Knowledge of the potential for revisionist perspectives of history among interviewees informed the design of interview protocols. A variety of questions were used to ask respondents about key events or perspectives and the narrative generated by respondents then probed from disparate angles to identify inconsistencies. Counterbalancing the potential risk that changing perceptions may have affected respondent views, it may be argued that the time elapsed has allowed the respondents to better analyse the sustainability and long-term impact of programmes and policies.

The growing antipathy towards the international community may also have affected the responses in interviews. In practice, I was surprised to note certain sentiments among respondents. For example, programmes heavily criticised while I was working in Timor-Leste were sometimes remembered with fondness. Similarly, as my first field research visit was made during an election campaign period, I recognised blatant political messages in some responses. Cross-referencing information from respondents from different political parties and demographics enabled me to assess the information from a more de-politicised perspective.

As is the case elsewhere, Timorese respondents often tailored interview answers to the perceived needs or desires of the interviewer. A respondent from a Vemasse-based fishing cooperative made certain to mention that they were thankful for the support received from Belun, the organisation he associated with the author. Characteristic of some rural respondents in particular, one respondent was careful to suggest that NGOs and donors had good intentions and wanted to support the people. Only after this positive introduction did the respondent tentatively suggest that perhaps:

NGOs cannot cover the entire country. Each NGO has its own plan. They want to do something but they only get the result in one place. This can create social jealousy. There is also a lack of information about their intentions and how to benefit from their projects. (R21)

These nuances can only be elicited through qualitative interviews and discussions. Similarly, some interviewees used the interviews to make requests for material or other forms of support. Others saw them as an opportunity for information-sharing or advocating certain positions with a person perceived to be in a privileged position of power. My multiple privileges of being a foreign woman, speaking the local language, past association with a respected organisation and having met many of my interlocutors in the past opened many doors, and I believe many respondents agreed to take the time to meet with me because of my past position in the country. Several respondents requested I take information about community needs back to the capital in the hope that someone would respond. For example, Respondent 9 said:

As people from this *sucu*, we think that we need mediation across the country so that the elections in 2012 go smoothly. And, if you participate in dialogue in parliament, can you pass information about our three irrigation system needs, also that we need better access to water, electricity and health. SISCA [the integrated community health programme] only comes once a week. But we need a permanent clinic like in Indonesian times.

Research fatigue among many East Timorese may have negatively affected research efforts. Timor-Leste has been the subject of multiple studies and many researchers continue to travel to the country in search of information. The reports and articles generated are rarely translated or copies given to interviewees. Despite the time offered by participants, few tangible benefits are perceived to result from the research process. Consequently, I was concerned that it would prove difficult to access a significant portion of those with whom I wished to speak or that they would allow sufficient time for in-depth discussions. I was fortunate that requests for interviews were almost always favourably received. I believe that my earlier presence in the country, ability to speak the local language, and previous concrete contributions made to communities reduced this risk and increased my capacity to build trust with interlocutors.

I also believe that long-term relationships of trust previously established with Timorese from across the political spectrum and with representatives of the international community allowed me to engage in honest and frank discussions with respondents. My presence in Timor-Leste for nearly nine years had also enabled me to establish relationships throughout society, from the most senior levels of government to community-based farmers and representatives of national organisations. That said, on my return to research this thesis, given the high turnover within the international community and unavoidable absences and scheduling constraints, I was unable to interview everyone that I had hoped to meet. In general people were very generous with their time and availability.

My prolonged presence in, and in-depth understanding of Timor-Leste was also a privilege. Unfortunately traditionally high rates of staff turnover prevent most development practitioners from acquiring the level of familiarity with a country from which I benefit in the case of Timor-Leste. I was among the few international observers to witness the transition from occupation to independence to national crisis and recovery. I believe it is important to understand more fully the processes and mechanisms of this cycle in order to advance scholarship around intra-state violence and its prevention and that I am among a small community of people uniquely placed to do so.

As many of the key international informants were no longer in Timor-Leste, I travelled to meet them and/or interviewed them by telephone, Skype or through email. Many former World Bank staff were/are in Washington DC, for example, or posted to new field missions. While I was able to reconnect with many, scheduling constraints made it difficult to coordinate with others.

By design, this study does not claim scientific certainty, nor statistical significance between proposed cause and effect. Using a phronetic approach, it is hoped that this research can contribute to what I believe is a necessary dialogue about the mechanisms used by the international community in supporting the evolution of a suitable indigenous political settlement in conflict-affected states. In doing so, the research takes as its point of analytical departure an examination of what Flyvbjerg describes as “how power works and with what consequences, and... how power might be changed and work with other consequences” (Flyvbjerg 2001:140). The evidence presented in the subsequent chapters

illustrates some of the challenges associated with international development interventions in conflict-affected states.

Chapter 3 Peace, Violence and Development: Critical Connections

Introduction

Despite the high hopes for international aid in support of conflict prevention, war-to-peace transitions and peace-building, the evidence in support of the efficacy of the approaches used has not always been unambiguously positive. This research considers the potential for foreign assistance to foster political divisions, social dissent, and violent conflict rather than to construct peaceful democratic market societies.

This research is situated at the intersection of development, political economy, peace and conflict literatures and practice. The primary research question interrogates the role of international development partners¹⁸ in support of nation-building in Timor-Leste following a UN-led transition period. The thesis asserts that international interventions contributed to the establishment of the conditions that led to the outbreak of violence in 2006. In considering the interaction of international interventions and the 2006 conflict, the research builds on mainstream explanations of the crisis. It expands on the views predominant in the literature, which are principally concerned with national political and historical factors and looks more closely at the interaction between the mechanisms used by the international community and the resulting implications in the context of local culture, history, politics, social relations and economic realities and expectations. This research provides a unique and original perspective on the impact of international interventions on domestic political settlements and conflict dynamics and thus contributes to the existing literature in the field.

While the author supports the premise that conflict can be constructive (Cramer 2006; Deutsch 1973) and agrees with Hirschman that conflict can be essential to social integration and cohesion (Hirschman 1994:206), this research presupposes that it is appropriate to seek to limit, prevent or otherwise thwart the onset of violent conflict. It may be that “violence and war easily become sources of meaning, serve a variety of ‘functions’, enable the pursuit of various agendas of political and social conflict, and provide employment and/or material sustenance to a large number of people, many of them far from elite” (Cramer 2006:282), yet whatever its instrumental or unintended

¹⁸ Defined as bi- and multi-lateral international institutions that played a prominent role in policy formulation, or in the provision of advisers and/or funding for targeted programming and policy outcomes in Timor-Leste. Development partners include international NGOs as these contribute to policy discussions and are themselves funding agents, albeit often secondarily using bilateral or other externally secured financing. In Chapter Eight INGO status as non-state actor is also explored.

consequential value, the immense human suffering caused by violent conflict establishes a moral imperative that it be avoided.

In addition to its immediate impact on its victims, if “war breeds war” (Cramer 2003:407) or, as Deutsch suggested, “violence begets violence” (Deutsch 1949:27), then active interventions are needed to reverse the dynamics arising from specific violent episodes. Thus, while aware of the potential positive impact of conflict, the human suffering caused by its expression in violence encourages societies to develop and strengthen mechanisms designed to avoid the transition from positive, transformative conflict, to violence. Hirschman noted that “people continue to reinvent the idea that conflict can be constructive” (Hirschman 1994:206-7), but was careful to distinguish between conflicts that could be managed constructively and those that had the potential to divide rather than strengthen societies (Hirschman 1994:210). The author supports Hirschman in his assertion that to understand the difference, any study “must be brought down to earth through a closer look at the interaction between a specific kind of society and its typical conflicts” (Hirschman 1994:211). This is relevant in Timor-Leste where the international community was mandated to act as a stabilising force to prevent violent conflict.

It is suggested that if the historical evidence indicates that state-building and capitalist transitions are inherently conflictual (Cramer 2006:215-6), and if the avoidance of violence is considered a good in its own right, then special attention must be paid to the role played by the international community in political processes of transition. This paper argues that international development partners should take greater responsibility for the impact of their interventions rather than attributing breakdowns in security to local factors (such as history, low capacity, corruption, politics, greed, grievance, etc.) alone or to some endogenous path dependency. Despite intentions to the contrary, international interventions in Timor-Leste from 1999 to 2006 exacerbated the tensions inherent in societies undergoing transition. Instead of supporting the negotiation of an East Timorese political settlement that would address underlying conflict dynamics with the aim of preventing conflict from escalating into violence, the international community appropriated the negotiations and the decision-making role that should have been left to national actors (ideally with insights and contributions from international agencies), with the result that they distanced the state from the citizenry, undermined the establishment of a social contract and biased the outcome of the political settlement.

This paper argues that the international community must assume responsibility for contributing to the underlying conditions that led to the 2006 crisis. It maintains that the violence was in part a consequence of the policy framework imposed on the newly independent state and its people. Consideration of these dynamics can provide useful insights beyond the case of Timor-Leste for other conflict-affected countries that are supported by international development partners as they grapple with the challenges associated with socio-economic and political transitions.

The sections below review the concepts and definitions employed throughout this research in more depth. The research considers that in order to establish the causes of the violence only four years after Timor-Leste attained sovereignty, one must understand the connections between: the national and the international; the social, political and the economic; and the political and the historical. To this end, the development literature, inclusive of a political economy analysis in conflict-affected states, is reviewed below. This will assist the reader to situate the Timor-Leste experience in the context of academic thought and international practice leading up to the period in question, the late 1990s to 2006. Insights from the peace and conflict literature will also be incorporated in order to consider how an analysis of conflict dynamics and non-linear transitions from violence to peace can be used to inform thinking around development paradigms. The literature on Timor-Leste is reviewed for dominant narratives regarding the causes of the 2006 political crisis. Finally, given the need for an interdisciplinary approach to explain complex socio-economic and political dynamics, the final section will synthesise the literature reviewed for this research to contribute to a deeper understanding of the nature of violent conflict in 'fragile' development settings.

Political Economy of Development

A significant multi-billion dollar industry exists to assist states on the path toward sustainable development. According to the Organization for Economic Cooperation and Development-Development Assistance Committee (OECD-DAC), overseas international development assistance amounted to US\$140 billion in 2009, not including peacekeeping aid or private donations.¹⁹ A development industry has emerged to manage, disburse and advise on the distribution of such funds. Funding streams for development purposes are generally separate from funding for conflict-related issues that are frequently limited in scope to the macro security sector reform agenda or grassroots community-level conflict

¹⁹<http://stats.oecd.org/qwids/#?x=1&y=6&f=4:1,2:1,3:51,5:3,7:1&q=4:1+2:1+3:51+5:3+7:1+1:1,2+6:2004,2005,2006,2007,2008,2009>

mediation training sessions. This reflects the degree to which the goals of conflict prevention are removed from traditional development programming even in countries emerging from violent conflict. Despite their frequent use and prominent role in discourse, the terms ‘development’ and the more fashionable ‘sustainable development’ remain ambiguous. States are commonly referred to as ‘developed’ or ‘developing’ yet the end-state of development remains elusive and the process of ‘developing’ ongoing. Too often development is reduced to its economic indicators without consideration of its human dynamics, the linkages between economic factors and conflict dynamics, and what may be necessary to improve one’s quality of life (McAuliffe and Maclachlan 2010:4).

A look at the evolution of theories of development and related conceptions of state-building, political economics and peace-building may help shed some light on how the disconnect arose between mainstream international institutions and the citizenry of ‘recipient’²⁰ states, and thus between conflict resolution and development. The international community failed to view development in Timor-Leste as a non-linear process deeply rooted in local understandings, politics, history and associated expectations. This research assumes that an interdisciplinary approach is necessary when seeking to understand, for example, the implications of the mechanisms used in the provision of development assistance on the conflict dynamics in Timor-Leste. The author agrees with Hirschman that development trajectories must be evaluated in light of “the particularities of indigenous resources and structures” (Brohman 2006:128).

As illustrated by Rist (Rist 2002:8-12), part of the lack of clarity around the meaning of ‘development’ stems from the wide-ranging definitions that are subjectively inclusive of all desirable conditions as defined by a given individual. Rist argues that “the principal defect of most pseudo-definitions of ‘development’ is that they are based upon the way in which one person (or set of persons) pictures the ideal conditions of social existence” (Rist 2002:10). This concept is therefore as relevant for industrialised as it is for industrialising²¹ countries. By some accounts the origin of ‘development theory’ has been attributed to

²⁰ The common development terminology referring to project ‘recipients’ or ‘beneficiaries’ conveys an imbalanced power relationship and distinct inequality between perceived ‘givers’ and ‘takers’. Although the phrase ‘development partner’ is used more and more frequently, in practice relationships tend to be unequal, imbalanced and devoid of dialogue toward consensual decision-making; the partnership component remains more rhetorical than actual and the perception of development largely left to the interpretation of the international community.

²¹ Even here the term assumes that all countries are on a similar path towards industrialisation and perceives ‘modernisation’ as a positive indicator of progress or development. Alternative terminology such as developed/under-developed, can be equally problematic when taken to imply a power imbalance that can affect perceptions of self-worth (McAuliffe and Maclachlan 2010:4).

Hegel and then Marx, who conceived of history as a process of development. According to Rist, Marx believed “the development of the economic formation of society is viewed as a process of natural history” (Rist 2002:41). This view was predicated on perceptions of rapid social change as a result of the industrial revolution and the inevitable transformation of society from feudalism to capitalism to communism (Leys 1996; Rist 2002:41).

Closely related to the concept of development in conflict-affected states are processes of state formation. This research is particularly concerned with state formation, and nation building processes that may occur as a result of a political transition including regime change. Considering the historical evidence, Newman suggests:

statebuilding has often been violent because it threatens the interests of groups which are on the outside of the process and it encounters outlying resistance which must be subjugated. The consolidation of national political projects is a related process that has often been accompanied by significant armed conflict as groups with vying political visions compete for control of the agenda... Moreover, there is ample evidence to suggest that ongoing instability and violence, particularly in some parts of the developing world, can be associated with unfinished statebuilding processes... The imposition of centralised control is a direct challenge to the autonomy and interests of territorially outlying power centres, and these peripheral power centres have to be pacified and brought into line – often violently. (Newman 2013:141, 146)

Moreover, Newman argues that international interventions can be undermined by a failure to identify and address root causes of conflict and, consequently, “in the worst cases, they may be inadvertently exacerbating or perpetuating conflict because statebuilding favours certain interests and excludes others” (Newman 2013:155). Among the questions posed in this research is whether violence must be a prerequisite for state-building and development, as was apparently Marx’s understanding of the development process (Marx 2011:506; Cramer 2006:44). Conceptions of development are linked to notions of social change, modernity and economic advancement but the tensions associated with these processes are not inherently negative. The remainder of this chapter will explore further the intersections between violence prevention and development and the influences on international interventions in conflict-affected states and in Timor-Leste in particular.

The close relationship between development and economics and the influence of economics on development studies informs the current understandings of the field. Toyé noted that development economics became a sub-discipline of economics in the 1940s when the role of governments in transforming national economies was of great interest, particularly given the impact of the Great Depression and the two world wars (Chang

2003:21). Contemporary conceptualisations of development can be traced back to the establishment of the United Nations and its Charter which called for “higher standards of living, full employment, and conditions of economic and social progress and development” (UN 1945:Article 55a; Rist 2002:88). In the 1950s and 1960s, development theories continued to be concerned with economic growth, but now in an era of decolonisation and during this time the state was considered the driver of growth. Thus focus centred on the application of macroeconomic policy based on sound economic planning and analysis (Leys 1996). According to Rist, ‘sound economic planning’ was based on the interests of industrial countries who sought to assert their hegemony through development assistance linked to international trade, access to markets and Western notions of increased productivity (Rist 2002:76-9).

Between the 1940s and 1960s institutions including the Bretton Woods Institutions, USAID, UNDP and UNCTAD were established. Development in this era was already presented “as a set of technical measures outside the realm of political debate” (Rist 2002:78). Indeed article four, section ten of the International Bank for Reconstruction and Development (IBRD) Articles of Agreement states:

The Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purposes stated in Article I. (IBRD 2012:10)

According to Wade, and as reiterated by many others, this attempt to remove the World Bank from politics “allows it to avoid making politically painful judgments or having to adapt its policy prescriptions to political realities” (Uvin 1998:45). Yet seemingly technical economic decisions have profound implications for resource allocation, a key function of a sovereign state, and rent-seeking behaviour and can influence the structure of relationships among various groups within a society, as will be discussed throughout this research.

Khan and Jomo note “attempts to change the structure of rents can also unleash distributive conflicts. Political economy tells us that political variables, and in particular, the distribution of political power, can determine which individuals or groups are likely to win distributive contests” (Khan and Jomo 2000:1). The influence of international actors and institutions on local conflict and political settlement dynamics and the prevention of tensions escalating into violence are at the centre of this study. As Berdal and Zaum note, it is important to consider the political economy of post-conflict state-building from a perspective that moves beyond a focus on formal rules and institutions and gives due

attention to the role of informal political and economic structures in shaping the relationship between the state and the market (Berdal and Zaum 2013:5).

The development institutions mentioned above continue to play a significant role in the conceptualisation of development objectives. They influence a broad cross-section of newer agencies and institutions working on development and directly finance and implement development policies and programmes. Fine highlights that “donor agencies, the international financial institutions, and especially the World Bank, have now become increasingly dominant in setting the agenda for development studies” (Fine 2008:894). The implications of this influence will be discussed throughout this study. Just at the time when nations were gaining their formal sovereignty, aid was to be granted for these ‘underdeveloped’ states to ‘develop’ according to industrialised country methods and strategies. The aid provided was based on perceived principles, which necessarily subjugated the perspective of ‘backward’ cultures, and therefore worked to erode their very sovereignty (Anghie 2001:523). The state was considered a necessary actor for the promotion of appropriate policies although the direction of the policies adopted was highly influenced by Western models of industrialisation (Chang 2003:2-3). That is, while early models of development differed significantly from those pursued, for example, during the height of the Washington Consensus (WC), norms were nonetheless dominated by Western technical discourse, leaving developing states with little latitude for flexibility, or in today’s idiom, policy space.

Yet it is a false premise that one can delink economic policy from domestic and international politics. The evidence from Timor-Leste contained in this study demonstrates that the application of allegedly technical solutions and models was highly political and therefore necessarily influenced wider social and power relations and consequently conflict dynamics.

By the late 1960s and into the 1970s some challenges to the model of state-driven economic growth had emerged. Developing economies, particularly in Africa, Latin America and parts of Asia, were not experiencing the expected rates of economic growth. On the contrary, the reduction in commodity exports and an increase in oil prices contributed to a balance of payments crisis in many developing states and led to a rise in overseas borrowing. The burgeoning levels of poverty and inequality led some theorists to explore the dependence of periphery states on core Western economies. The core-

periphery theory examined relationships between rich and poor countries, or industrialised versus agrarian societies, and the resultant structural and social inequalities that were reinforced through international trade (Gaile 2006:103; Kay 2006:202-3). Growing frustration with the power imbalances between the developed and developing world led many to focus on the structural elements of the world economic order and their contribution to continued inequality. According to Cox, “[t]he demand for a New International Economic Order...precipitated a reconsideration of the structure and processes of world political economy among all the principal interests” (Cox 1979:257).

The debates that ensued among policymakers divided those who sought to maintain the structure of the world economy while seeking modest adjustments to correct for inequalities, and those who sought to reject Western models and acknowledged that “economic processes are among the major manifestations of power” (Cox 1979:260-4). According to Fine, the collapse of the post-war boom in the 1970s led to “...(the New Classical Economics) in which it was presumed that the state was at best ineffective and at worst a source of inefficiency” (Fine 2008:888). As Polanyi (among others) notes, this understanding of the role of the state in the development process was at odds with the path taken and policies adopted by developed states. “The road to the free market was opened and kept open by *an enormous increase in continuous, centrally organised and controlled interventionism*” [emphasis in original] (Chang 2001:10). Nonetheless, despite certain objections, the continued dominance of Western institutions in policy and research, including the funding of research (Cox 1979:300; Chang 2003:31), prevailed into the 1980s with significant consequences for development in states drawing on international assistance.

By the 1980s there was a growing faith in the explanatory power of microeconomics and the primacy of individual responses to incentives and prices in outlining the correct policy framework conducive to positive development outcomes. This focus on ‘getting the prices right’ was accompanied by a perceived need to curb rent-seeking, distortions and governmental corruption. According to neo-liberal theorists, the causes of poor growth could be attributed to the role of the state itself and its lack of capacity to implement sound economic policies.²² This reflected a reversal in development economics thinking from the

²² As Fine notes, the utility of the term neo-liberalism has been substantially questioned by critical scholars due to its significant heterogeneity. That said the term and concept is useful. Fine outlines its essential characteristics as follows: “neo-liberalism offers a complex, shifting and contradictory amalgam of ideology, scholarship and policy in practice... [at its core neo-liberalism is] based on the notion that markets work perfectly and the state is ineffective other than in potentially distorting efficient microeconomic outcomes” (Fine 2011:2, 8). This implies that while neo-liberalism is popularly associated with state inaction,

perspective that developing countries require more state intervention because they face market failures “more dramatically and frequently” to a contrary view that governments should intervene less because they have poor institutions (Chang 2003:4) and so create economic failures.

Proponents of this belief asserted that:

Governments were part of the problem, not part of the solution; they were inefficient and often corrupt...The solution was to privatize the public sector, reduce the scale and scope of government spending and give up all policies, from exchange rate controls to subsidies and redistributive taxation, that altered any prices that would otherwise be set by the impersonal forces of the market. (Leys 1996)

This period was of particular importance to mainstream understanding of development and its link to economics. It was at this time that Anne Krueger, Chief Economist at the World Bank, stated: “Once it is recognized that individuals respond to incentives, and that “market failure” is the result of inappropriate incentives rather than of non-responsiveness, the separateness of development economics as a field largely disappears” (Krueger 1986:62-3). The neo-liberal agenda based on the above-mentioned convictions attempted to define development as a technical, scientific exercise devoid of political context and meaning. A further implication of this preconception of development was that “one size fits all” policy prescriptions were considered appropriate despite divergent cultural, historical and political realities in the countries concerned (Chang 2003:31).

Policy prescriptions associated with the WC were “a reflection of the rise of neo-liberalism and the analytical preoccupation with the pursuit of self-interest, most obviously in terms of the notion of rent-seeking and, subsequently, corruption and governance especially in relation to the problems posed by the transition economies” (Fine 2008:888). Efforts to impose neo-liberal development ‘solutions’ transcended national boundaries. The developed economies of the OECD adopted neo-liberal policies including deregulation, privatisation and the freeing of capital flows. A key mechanism for the realisation of the transformation was the Structural Adjustment Programmes (SAPs) of the World Bank and IMF. More specifically according to Toye, “the Fund and the Bank relied on making some of their loans conditional on the borrowing countries agreeing to implement the reform package” (Chang 2003:34). Rist notes that the “adjustment policies often meant drastic cuts

in actuality it has been marked by consistent interventions of the state in the interest of the market, as seen during the recent financial crisis.

in the public service, in subsidies of all kinds, and in health and education benefits” (Rist 2002:173).

The WC remained highly influential in the 1980s and 1990s and continues to inform current global policy frameworks. The lack of convergence and the growing gap between rich and poor countries, led many to criticise the IMF and World Bank-led stabilisation and SAPs that mandated the retrenchment of the state, including cuts in public expenditures and privatisation of state-owned enterprises (Harrigan 2009:188; Thirlwall 2006:596). Among others, Chang and Grabel suggest that “the economic policies associated with the neoliberal agenda have failed to achieve their chief goals, and that the cost of this failure has been serious harm in the developing world” (Chang and Grabel 2004:274). These criticisms led to the formulation of what Stiglitz termed the Post-Washington Consensus (PWC) (Stiglitz 2005), which focused on the detrimental effects of market failure and the role of the state in addressing this in order to create a business-friendly environment.

The PWC sought to expand developing country ownership of sustainable development policies while “identifying, for instance, the ways in which government can be a more effective complement to markets” (Stiglitz 1998:34, 29). If, for example, government weakness was considered to be the main obstacle to the achievement of economic growth and democratic reforms, then stronger institutions could be a means to stronger economic performance. Predominantly still emphasising economic growth, PWC strategies maintain neo-classical economic precepts that are not fundamentally different from neo-liberalism although they have come to incorporate ‘softer’ issues such as poverty reduction. Policies increasingly call for development of social capital, empowerment of women, local ownership and participation and civil society engagement (Fine 1999:10). Moreover, following the publication of Mary Anderson’s influential *Do No Harm*, it is now the norm for international agencies to claim that all programming has been developed through its framework (M. B. Anderson 1999). To date though, these efforts have tended to entail “less a reconsideration of the role of the state, than a marrying of the objectives of fiscal austerity, privatisation, and market liberalisation with the goals of ‘participation’” (Putzel 2005:7).

As the neo-liberal project of “mix[ing] institution building with the freeing of markets” (Thirlwall 2006:597) was taking hold in academic and policy circles, the World Commission on Environment and Development was established by the General Assembly of the United

Nations in 1983 to propose strategies for sustainable development in light of growing inequalities, environmental degradation and diminishing international cooperation (Rist 2002:178). The final report of the Commission reflected upon the fact that “the word ‘development’ [had] been narrowed by some into a very limited focus, along the lines of ‘what poor nations should do to become richer’” (Brundtland Commission 1987:7). By the 1980s and 1990s it had become clear to many that alternative theories of development were required.

The United Nations Development Programme (UNDP) elaborated its own conception of development that would serve as a critique of development approaches used in the 1980s. Building upon the work of Sen and ul-Haq, the concept of human development was formulated and constitutes the basis of the annual Human Development Reports produced by UNDP. In this context, human development is defined as:

...creating an environment in which people can develop their full potential and lead productive, creative lives in accord with their needs and interests... Development is thus about expanding the choices people have to lead lives that they value. And it is thus about much more than economic growth, which is only a means —if a very important one —of enlarging people’s choices. (Alkire 2010:9)²³

Despite this comprehensive definition, human development has been increasingly linked to ‘human security’, particularly following the events of September 11, 2001. There now exists a growing perception that “[w]ithout security there is no development, and without development there is no security” as declared by the UN in its report following the 2005 World Summit (Tschirgi, Lund and Mancini 2010:2). As Cramer notes, however, the assertion above has in fact little explanatory power and simplifies complex dynamics where insecurity can indeed be of benefit to significant portions of involved parties. One must ask for whom does ‘security’ imply development (Cramer 2006:10)? Similarly, where the individual ends and community or nation begins requires additional consideration in any new conceptual framework.

Meanwhile, Pugh, Cooper and Turner argue that the “concept of ‘life welfare’ is an advance on the ‘human security’ paradigm, [as it] embrace[s] alternative notions of life (the individual, community, the biosphere and planetary environment)” (Pugh, Cooper and Turner 2008:8). This conceptualisation emphasises the “optimization of life potentials” and

²³ Amartya Sen offers an alternative definition: “Human development, as an approach, is concerned with what I take to be the basic development idea: namely, advancing the richness of human life, rather than the richness of the economy in which human beings live, which is only a part of it.” (<http://asiasociety.org/amartya-sen-more-human-theory-development>)

places the social contract above more limited 'security' concerns that emphasise the isolated individual (Pugh, Cooper and Turner 2008:8). Experience in Timor-Leste seems to support this analytical perspective. The 'individualistic' market model undermined the sense of a common objective and the prominence in East Timorese society for communal identity as linked to national welfare and wellbeing as defined above. As demonstrated by this study, those working on 'development' in Timor-Leste underappreciated the need to support the evolution of a stable political settlement inclusive of a comprehensive social contract between the state and society, and this failure had significant negative consequences

The importance of "[t]he welfare functions of the state" has also been elaborated by Cramer and Goodhand who conclude that the relationship established between the state and society is critical to "regime legitimation and maintenance strategies" (Cramer and Goodhand 2003:146). This echoes the notion that advanced societies are distinguishable because of their ability to meet the welfare needs of their populations in contrast to societies only able to respond to politically central elites (North, Wallis, and Weingast 2009:2). An emphasis on 'life welfare' therefore leads to a more nuanced exploration of approaches to development assistance as local culture, context, interests, political and economic realities and relationships can be evaluated and inform policies. It also resonates with concerns about the need for stable political settlements as these inherently depend on the legitimacy of the state.

According to Di John and Putzel, a stable political settlement is premised in part on an inclusive bargain among elite groups that "protects their shared economic interests", fosters national identity and broadcasts "the state's presence throughout the territory". A political settlement analysis "provides a framework to analyse how the state is linked to society and what lies behind the formal representation of politics in a state" (Di John and Putzel 2009:15-16, 18).

This research seeks to understand the impact of mechanisms employed by the international development partners in Timor-Leste. A political settlement analysis provides a framework through which to understand international impact on the distribution of power, political and economic viability of the state and the role of formal and informal institutions in mediating state legitimacy.

Political settlement theories associated with 'clientelist' relationships "characterized by the significant exercise of power based on informal organizations, typically patron-client

organizations of different types” (Khan 2010:5), are most closely associated with pre-capitalist developing states. This research seeks to identify changes in patron-client relations in Timor-Leste as external actors sought to modify the relationships between formal and informal institutions and, in particular, how elites and their client stakeholders sought redress during times of dramatic transition.

The author asserts, in line with Khan and others, that within the context of a political settlement analysis, several factors are critical: any stable political settlement must incorporate a widely accepted social contract; concrete actions should be taken to prevent an escalation of tensions into violent conflict; and the new institutions (and rules) introduced within society must seek economic and political viability and legitimacy over time.

Although a political settlement may be necessary for post-conflict stability, political, social and economic structures evolve over time and so will any accord among elites and their constituents. Hence the importance of incorporating a robust social contract into a political settlement that can ensure the holding power of any process. As Khan notes:

The commonsensical understanding of a political settlement as a stable agreement between elites (or a social order) is therefore only likely to be viable if it is underpinned at a deeper level by a viable combination of institutions and a distribution of power between organizationally powerful groups in that society... (Khan 2010:20)

In the context of conflict-affected states, the author agrees with Manning that “informal bargaining processes [among elites] may in the long run prove to be essential in the gradual nurturing of consensus” (Manning 2002:82) as she suggests was the case in Mozambique. The outcome in Timor-Leste, however, does not match the success of Mozambique described by Manning, which she attributed to its dependence on international interventions in the peace process and their heavy reliance on foreign aid which made “it possible for the democratization process to withstand repeated strain” (Manning 2002:66). The case of Timor-Leste illustrates different consequences from similar international interventions and suggests that durable political settlements require more than the elite accords described in the Mozambique case.

In the context of this research, a political settlement, even in conflict-affected states, must extend beyond a peace agreement and rather refers to a particular characteristic of a society in which “institutional structures and practices that prevent conflict and promote the peaceful co-existence of formerly and potentially competing groups” exist (OECD 2011:17). The author acknowledges the myriad challenges associated with identifying if a

political settlement is just and durable and with determining domestic interlocutors with whom to engage when working to support a stable political settlement (47). Using the case of Timor-Leste, this research responds to the OECD's concern about how international development partners can improve the "quality" and "value" of political settlements (48) and suggests certain parameters for intervention.

Moreover, it is necessary but insufficient to address political and economic affairs of the state. It is also necessary to consider how institutions may affect conflict dynamics and how conflict may be used to affect institutional change. Khan notes that "By definition, a social order defined by the absence of violence must be based on a consistent set of institutions and power relationships to achieve minimal levels of economic *and* political viability" (Khan 2010:20). As will be discussed throughout this research, the removal of government subsidies and technical support to farmers as well as the drastic reduction in the civil service undermined the economic viability of the state and ultimately contributed to an unstable political settlement in Timor-Leste. The mechanisms used by the above-mentioned new institutions were clearly associated with international interventions as distinct from more traditional institutions.

This analysis contrasts with the more narrow view of economic development viewed through the lens of utility maximising individuals and traditional approaches to democratisation, good governance, institutional reform and liberalisation of many development agencies. Concurrently with the above-mentioned transformations in the thinking about development trajectories, dramatic geopolitical changes led to a "proliferation of peacebuilding operations" (Paris 1997:55) after the Cold War era. The reduction in the risk and incidence of inter-state wars shifted attention to the dynamics and consequences of intra-state warfare (Schnabel 2002:8). It became popular to assert that war was preventing growth and worse, reversing any gains previously achieved (World Bank 2003:ix; Cramer 2006:9).

The changing nature of warfare and violence led to the study of, and interventions in, conflict-affected states. In 1992, UN Secretary-General Boutros Boutros-Ghali launched the *Agenda for Peace* which called for the UN to "stand ready to assist in peace-building in its differing contexts: rebuilding the institutions and infrastructures of nations torn by civil war and strife; and building bonds of peaceful mutual benefit among nations formerly at war" (Boutros-Ghali 1992:43). Peace-building has been defined as processes or activities used to overcome violence and to prevent its reoccurrence over the long-term by establishing the conditions conducive to peace (Paffenholz 2005; Menocal and Kilpatrick

2005:767). From 1989 to 2007 “more than 20 major multilateral peacebuilding missions were deployed to post-conflict societies with the goal of preventing the resumption of violence” (Paris and Sisk 2008:1). Peace-building has thus served as a means for the international community to attempt to prevent violence and assist societies in the recovery process (Debiel and Klein 2002). A conflict-prevention oriented intervention, however, would imply a cross-cutting approach drawing together diplomatic, human rights and development communities to address the key structural causes of violence (O’Gorman 2011:72). Instead, international peace-building interventions have tended to emphasise economic growth and political development as keys to addressing the causes of violence. And economic growth has been considered dependent on the adoption of neo-liberal economic development policies while political development requires democracy, often expressed through elections and good governance reforms that focus on institution-building. As noted by Berdal and Zaum:

While statebuilding today is typically discussed in the context of “peacebuilding” and “stabilisation” operations, the current phase of interest in external interventions to (re)build and strengthen governmental institutions can be traced back to the “good governance” policies of the international financial institutions (IFIs) in the early 1990s. (Berdal and Zaum 2013:1)

Democracy is considered important because it is thought to increase the accountability of leaders and create the perception of inclusion among the population. This theory is an extension of the democratic peace doctrine and asserts that: “democracies do not go to war with one another. [Therefore] if the same is true within countries, i.e. that democracies are more peaceable than other polities, then democratisation might be a ‘method for peace’. Thus, since the end of the Cold War democratisation has been a driving force of international policy and ideology” (Cramer 2006:258). Diamond agrees that “the tasks of democracy building and of peace implementation are inseparable” even if peace is possible without democracy (Diamond 2006:3), while Goldstone and Ulfelder suggest that the “key to maintaining stability appears to lie in the development of democratic institutions that promote fair and open competition, avoid political polarization and factionalism, and impose substantial constraints on executive authority” (Goldstone and Ulfelder 2004:9-10). The democratisation agenda can be seen as a part of a broader ‘good governance’ strategy and, despite it being highly political, features prominently in World Bank discourse and programming.

This research questions if the current focus on economic growth and improved democratic governance as drivers of sustainable peace has come at the expense of genuine efforts to

prevent violent conflict. It maintains both that the lack of nuanced, context specific analysis and interventions means that a negotiated political settlement cannot be adequately supported, and also that this lack contributes to the underlying conditions that can be conducive to violent conflict.

In addition to the concept of democratisation, there is a considerable body of literature concerning states that are experiencing, have recently emerged from, or are feared to be at risk of intra-state violence. These states are often labelled fragile, weak, failing, or in crisis. Estimates of the number of these states vary widely as do definitions and measurements of fragility (Migdal 1988; Milliken 2003; Kaplan 2008; Debiel and Klein 2002; Pascual et al. 2008; Di John 2008; Putzel 2010; Cramer 2006).

States are conceived as spanning a continuum from resilient to failed. However, development institutions are unable to agree on the indicators necessary to reliably ascertain in which category a state falls (Putzel 2010) as discussed below. They may exert a strong grasp on their security forces but face challenges with regard to providing equitable development. Some may be in full control in some geographical areas within their boundaries but not in others. Similarly, an autocratic state may not face immediate challenges from the population, but, over time, structural violence may be expressed as physical violence. Latent conflict has the potential to reduce a state's resilience along the spectrum. Despite conceptual limitations, the broad categorisation of states is nonetheless considered useful in informing international intervention strategies and is widely used in practice and throughout the post-conflict, peace-building and international development literatures. It has become shorthand for expressing complex social, political and economic dynamics that are central to differentiating between development processes in peaceful versus more uncertain and potentially violent contexts.

This research seeks to replace these conceptualisations with a more concrete articulation of both the nature of the state being discussed and the dynamics that create the conditions in which the state must operate. That said, as it is difficult to avoid these concepts altogether, some common definitions of the levels of state capacity are provided below:

State Resilience

Resilient states are often associated with effective performance in the areas of security, effective service delivery, and legitimate institutions (Brinkerhoff 2005:10). Many assume

that strong institutions are required for good governance and economic performance (North, Wallis and Weingast 2009:259; Kaplan 2008). Brinkerhoff references Keohane and Nye when defining governance broadly as including how societies “organize to pursue collective goals and interests” (Brinkerhoff 2007). Putman added that an active civic community is also considered an important component of a strong and effective state (Kaplan 2008:93). These characteristics imbue the resilient state with the capacity to adapt to evolving demands and meet the expectations of its population while maintaining its obligations within the parameters of the social contract. The resilient state benefits from mechanisms and processes that work to diffuse tensions and conflicts before their escalation to violence.

In a healthy international system where there is common understanding of norms and expectations, states adhere to the standards defined in the UN Charter, for example, or as established by other relevant international organisations. According to Yannis, there is an expected increase in overall security and a reduction of suffering within states when the “international normative architecture” is agreed and states are strong enough to maintain them (Yannis 2003:78). A stable negotiated political settlement is also necessary for resilient states.²⁴ That said, “the emerging insight that every state is based on an historically specific political settlement provides a route into understanding why very similar sets of formal institutions, like democratic rules or rules governing macroeconomic management or trade liberalisation, or industrial policy, can have extremely divergent outcomes” (Di John and Putzel 2009:18). The differences in outcomes, in turn, require analysis of country-specific historical, political and socio-economic conditions that can inform development policies and interventions.

State Weakness/State Fragility

State fragility and weakness are used interchangeably to refer to a state that is unable to adequately provide security and economic and social welfare for the population. The Organisation for Economic Cooperation and Development (OECD) defined fragile states in 2006 as “those failing to provide basic services to poor people because they are unwilling or unable to do so”.²⁵ Patrick broadly considers states to be fragile when they fail in their “ability and willingness to provide fundamental political goods associated with statehood,

²⁴ “[State] fragility arises primarily from weaknesses in the dynamic political process through which citizens’ expectations of the state and state expectations of citizens are reconciled and brought into equilibrium with the state’s capacity to deliver services. Reaching equilibrium in this negotiation over the social contract is the critical if not sole determinant of resilience, and disequilibrium the determinant of fragility” (OECD 2008b:7).

²⁵ <http://stats.oecd.org/glossary/detail.asp?ID=7235>

notably: physical security, legitimate political institutions, economic management, and social welfare” (Patrick 2006:7). In exploring reasons for the emergence of intra-state violence, it is argued that a “weak state structure, with low capability to govern effectively and deliver public goods to citizens [contributes to the]...emergence of structural background reasons for war...” (Ohlson 2008). Inequality and political instability, characteristics of weak states, are also considered important in assessing the risk of civil war (Fearon and Laitin 2003; Ohlson 2008). The emphasis in these definitions on ‘governance capacity’ puts the onus on states for their own successes or failures, thus conveniently absolving the international community of any responsibility for the outcomes of reforms proposed or imposed by it. Indeed, the state fragility discourse also tends to ignore structural factors in the global economic system that may contribute to the inability of states to overcome their fragility.

For Kaplan, fragility arises when the design of the state does not include a social contract between the rulers and the ruled. In this case rulers can never build enough legitimacy regardless of the policies implemented (Kaplan 2008). Related to this argument, this lack of legitimacy can also occur when leaders of a state do not reflect the norms of the society being ruled (Englebert 2000). Despite protests from its leadership, Timor-Leste has been characterised as a fragile state by many of the international institutions supporting the peacekeeping and development process in the country.

State Failure

There are many different definitions of state failure and all are broadly similar despite emphasising slightly different elements. Most definitions of state failure involve some combination of a) loss of a monopoly on the use of force and so the inability to provide physical security to the population or to retain territorial control; b) inability to provide for the welfare of the population; c) loss of control over the economy of the state and d) loss of capacity to manage the institutions of the state and to develop and implement state policies across sectors (Di John 2008; Milliken 2003; Migdal 1988; Debiel and Klein 2002; Patrick 2006; Rotberg 2002). There is general agreement that the local and global effects of state failure can be devastating and that state failure is a risk to international stability and security (Brinkerhoff 2007; Milliken 2003; DFID 2010; USAID 2005; Patrick 2006; Kaplan 2008).

Distinctions between failure and fragility are a matter of degree. It is possible to conceive of state failure as restricted to selected geographical areas. Similarly, it may be possible to categorise a state as failing based on its inability to provide services, despite tight control over its territory and institutions. Understanding the direction in which a state is heading (i.e. whether it is becoming less or more fragile) is considered useful in determining appropriate interventions (Doyle and Sambanis 2000).

State Collapse

State collapse calls into question the very existence of a state (Milliken 2003). At this stage, state institutions do not function, it holds no monopoly on the use of force, and is no longer able to provide services to its population. The collapse of the state may trigger calls for external humanitarian assistance (Debiel and Klein 2002).

Beyond its impact on the population of the state in question, state collapse is perceived to create risks for both the international community and for the population living in the vicinity of the affected state (DFID 2010; Patrick 2006). The vacuum created by the collapse of the state and its institutions may lead to violent confrontations between those seeking control and legitimacy. The role of international and, particularly regional states in the fight for influence is an important consideration. The struggle for power makes the identification of interlocutors both important and challenging. This is particularly relevant in regard to the negotiation of the terms of potential interventions. Lack of a representative national partner can have implications for the intervention strategies and planning.

The 2006 Political Crisis and the Literature

From 2006 until early 2008 Timor-Leste experienced a political crisis causing commentators at the time to speculate as to whether the country was to be the next 'failed state'. Protests by a group of soldiers from the west of the country spread from the government palace throughout the streets of the capital and many, predominantly young, people took advantage of the breakdown in the security forces to address a wide range of personal and institutional grievances. As the security situation deteriorated, the leadership requested military assistance from Portugal, Australia, Malaysia and New Zealand. On 26 June 2006, the prime minister was forced to resign. By July at least 38 people had been killed, over 150,000 displaced and more than 1,650 houses destroyed (OHCHR 2006:42). The events leading to the violence are examined in greater detail in Chapter Five.

Several dominant themes are reiterated throughout the literature on the crisis. There is an emphasis on weak institutions and governance, and, related to this, the failures within the security sector and of the state to control elements within the sector are cited as causes of the crisis. The government's failure to stimulate the economy and the resulting high levels of youth unemployment are also given as reasons. Land and property disputes are also common to analyses of the underlying causes for violence in Dili. For example, according to the Small Arms Survey, "The generalized violence was used as a cover to evict primarily eastern migrants from contested properties. There is also strong evidence that the violence provided cover for corrupt property developers to clear land for development, with gangs being provided with lists of tenants to evict" (TLAVA 2009:4).

Some authors find unique historical precursors to the crisis, for example linking party politics and fraught inter-personal relationships to the security sector and the conflict dynamics between easterners and westerners. Crisis narratives share certain commonalities in that often these serve as critiques of government actions, omissions and personalities.

For example, Reckinger and Devant state: "General frustration with the Government's failure to alleviate high unemployment and corruption – combined with objections to their response to turmoil in the defense force – encouraged numerous East Timorese to take up arms and join armed groups" (Reckinger and Devant 2006:1). The failures of the police and military "to keep civil order" (Curtain 2006:5) and the Government's low institutional capacity in the security sector among other institutions (OHCHR 2006; Moxham 2008:1; Brady and Timberman 2006:1; Wilson 2010:155) are cited as evidence of a growing politicisation of the security forces and the fragility of the state authority in the context of an easily mobilised population (Nixon 2008:259).

Government centralisation, corruption and lack of transparency are also given as causes for the 2006 crisis. According to Curtain, "...the biggest failure of the Government to respond to the needs of its citizens has been its narrow development strategy. The Government's focus, supported by the World Bank, has been on getting the institutions of state established first and foremost, followed by the provision of basic services in education and health" (Curtain 2006:8-9).

In addition to Timor-Leste's crisis of institutions, the COI report identified that:

The roots lie partly in the battles and betrayals that occurred within the Revolutionary Front for the Liberation of East Timor (FRETILIN), just before and during the Indonesian occupation. Ideological and political disputes in the

1980s and 1990s, particularly between FRETILIN central committee members and Xanana Gusmao, then commander of the guerrilla army FALINTIL, carried over into the post-conflict government. (ICG 2006:i)

Arnold Kohen, one of the key figures in mobilising support for East Timor in the US Congress and beyond, provides a similar argument, suggesting that “unresolved grievances... [and the] legacy of Indonesian rule and international complicity in 1975 [including] ... not overruling Indonesian security in 1999” (Kohen 2006:1-2) are key to understanding the crisis.

Select analysts refer to external actors in their analyses of the 2006 crisis, often in the context of the UN and bilateral donor role in supporting the security sector. In particular, emphasis on the police at the perceived expense of the military and the purchase of significant weaponry are cited as concerns. Nixon and Wilson respectively acknowledge the international mistake in arming the police force too heavily (Nixon 2008:268) and the difficult relations between the UN and governments regarding the police (PNL) leading to perceptions of “contested sovereignty” (Wilson 2010:155). An East Timorese researcher, Trindade, added that “The country was like a ‘social laboratory’ and the lives of almost a million people were the object of experiment. A possible contributing factor to this, from 1999 – 2002, was that the UN absolute sovereignty in East Timor, failed to carry out a Timorisation program” (Trindade 2008:5).

The author does not dispute any of the above theories and assertions with regard to the causes of the political crisis in Timor-Leste. Indeed a political economy and conflict analysis leads one to identify the aforementioned historical, social, political and economic factors as these may contribute to the stability or otherwise of a national political settlement. Beyond accepting that state actors and history both played a significant role in the evolution of the crisis, this research seeks to understand why the government was unable to address popular concerns and what mechanisms contributed to the institutional weakness of the state. Specifically, what international development partner mechanisms impacted government performance and conflict outcomes? In line with Peake and Marenin, who “argue that this failure to have a stronger impact through aid and assistance has resulted mainly from the priority of donor over recipient interests, lack of knowledge about policing, non-appreciation of the complexities of local security conditions, and the inability to link conceptual advice to the practicalities of implementation” (Peake and Marenin 2008:59), this research seeks to expand on this understanding and identify why the structure of development partner aid to Timor-Leste was not more effective in preventing violent conflict. Indeed, it asserts that due to its very nature, the mechanisms used by the

international community contributed to the conditions that resulted in the crisis.

This thesis concurs with and elaborates on Moxham's view that:

While existing scholarship helpfully identifies the proximate causes of conflict, it falls short in several regards. Firstly, it documents the manoeuvrings of elite actors to the detriment of other, more structural, causes (e.g. Simonsen 2006). Secondly, explanations are internalist, placing Timor-Leste in an 'isolation ward', rather than examining how Timor-Leste's integration into the external global system influences its chances of state failure (Wade 2005). Finally, explanations tend to focus on politics, to the detriment of the economy and the rules that shape it. (Moxham 2008:2)

International development partners were central to the state's policy formulation and financing decisions. The mechanisms used, and the appropriation of decisions critical to the formation of a stable political settlement, by international institutions were central in creating an environment ripe for conflict. Subsequent chapters explore this dynamic in further detail.

Timor-Leste and the Indices

Myriad databases exist that claim to measure and rank states according to indicators such as fragility, governance, economy, legitimacy, equality, peace, transparency, and human development. Many data sets were established in the aftermath of 9/11 due to growing fears of the 'spillover effects' of failing states. The logic for compiling such data includes the assumption that increased knowledge of states at risk of failure that is readily accessible would enable policymakers to prioritise scarce resources to reverse trends toward instability and violence. Concerns also centre on the threat posed by failing states as havens for criminality and, increasingly, terrorism.

Despite the profusion of indices, none claims to be able to predict state failure or collapse into violence. Those compiling indices share a desire to stimulate discussions about why states move up or down these lists and seek to identify the key factors necessary for positive change. Some, such as the *Peace and Conflict Report*, do attempt to classify the degree of risk of failure faced by a state. Others seek to generalise country-specific findings and thus inform debates about the global system as a whole.

It is interesting that several different data-gathering research projects involve the same prominent individuals. There are also strong organisational linkages. For example, the Center for Systemic Peace (CSP) works with the Center for Global Policy at George Mason University to produce the Fragile States Index and Matrix as well as the Global Report on

Conflict Governance and State Fragility. CSP's director has also worked with the Center for International Development and Conflict Management (CIDCM) at the University of Maryland. The CIDCM produces the Peace and Conflict Report and ranks 162 states according to their risk of conflict, among other aspects. The three institutions mentioned above are affiliated with the Polity IV project and have worked for and/or are funded by the Political Instability Task Force (PITF), which is funded by the United States Central Intelligence Agency. Similarly, some individuals, including Danny Kaufman, have been involved in three different institutional iterations of governance indexes.

In addition to, or perhaps because of, the linkages explored above, it is worth noting that many institutions share data in the compilation of their indices. The World Governance Indicators (World Bank) use data from Global Integrity and Transparency International (TI). TI uses World Bank survey data in their reports. The Marshall and Cole State Fragility Index and Matrix uses UNDP's human development indicators which in turn is a composite index using a variety of public international data sources, including from the World Bank, IMF and SIPRI. These are just a few examples of data-sharing which can lead to errors or result bias when replicating information across data sets. The sharing of data merits attention because of, *inter alia*, the nature of the data collected, its scarcity, the difficulty of the data-gathering process and the subjective nature of data to be included (or excluded) and the varying quality of data sources. Collier, Hoeffler and Soderbom also recognise that at times the data one seeks are unavailable, resulting in the selection of proxy variables and/or the inclusion of the 'unknown' variable. Other indices that compile surveys from multiple agencies and multiple countries must similarly adjust the data to conform to definitions used by the authors and to compare slightly different data sets over slightly different periods of time, based on multiple individuals' perceptions of any given question. The Bertelsmann Indices of Democracy, Market Economy and Management (which do not include Timor-Leste) cite the sources of the information gathered as 'international experts' answering a range of complex questions unique to their survey. The sharing of data has the real potential to amplify any of the above-mentioned weaknesses across a variety of often-cited sources.

Perceptions of Timor-Leste, perceptions are considerably different across indices. For example, the Global Report's Fragility Index in 2009 considered Timor-Leste to be moderately fragile with a score of 15 out of 25 (25 representing the highest degree of fragility), based in part on calculations that it is a strong democracy but extremely fragile

with regard to economic effectiveness. The Peace and Conflict Instability Ledger 2010 considered Timor-Leste a partial autocracy (in their view more stable than a partial democracy), yet still high risk for instability. The ranking seems particularly concerned with the lack of economic openness in Timor-Leste but is unconcerned by the country's level of militarisation. This score did not consider the political crisis of 2006 (triggered by a schism between the armed forces and police), the then presence of a foreign peacekeeping mission or the purchase of sophisticated weapons. While this report measures the ratio of people in the military to the population, it does not consider the role/quantity of weapons in civilian hands, which could arguably be relevant to measuring risk given recent historical events. The Index of State Weakness also scored Timor-Leste in the second quintile from the bottom but links this score to its economic conditions.

Timor-Leste was not included among the 30 most fragile states in Carleton University's Country Indicators for Foreign Policy 2008 index. The 2010 Foreign Policy/Fund for Peace's Failed States Index, however, regards Timor-Leste as very vulnerable to failure, ranking 18th of 177 in ascending order of stability. In 2009, Transparency International's Corruption Perceptions Index gave Timor-Leste the same score (146 of 180) as Cameroon, Ecuador, Kenya, Sierra Leone, Ukraine, Zimbabwe, and Russia. It is interesting to note that Sierra Leone was removed from the World Bank's Low Income Countries Under Stress (LICUS) list in 2006 and Zimbabwe was second in Foreign Policy's Failed States index, although it scored a low risk 6.6 in the Peace and Conflict Instability Ledger. Global Integrity considered Timor-Leste to be very weak and the 2009/10 Economist Intelligence Unit's Political Instability Index ranked Timor-Leste 29th of 165, again in ascending order of stability. Zimbabwe was considered the most unstable country by the index, with the highest level of underlying vulnerability and economic distress.

As demonstrated, ranking and scoring pose many challenges. The variance in results cited above would seem to indicate a high level of subjectivity in the process. In addition to the challenges to effective data gathering mentioned, the process is also hampered by the divergent time periods covered by each data-gathering process. Each dataset is compiled according to its own schedule that may or may not coincide with others or with the timelines of national statistics agencies on which indices at least partially rely. This is true even when cross-referencing of data is necessary. Many indicators used in order to rank states, such as public access to information or law enforcement, are subjective. A country may have a free press but be very weak in its capacity to report news. Low literacy rates and

other factors may contribute to a population's lack of access to information, or lack of electricity in rural areas. Although many indices seek to include measurements of civil society participation, representatives from large international organisations are often recruited to provide the data. International perspectives may differ from local organisations and logistical, language, time and other factors may further contribute to local exclusion from, or under-representation in, data-gathering exercises.

Having worked with one agency noted above as a Peer Reviewer for Timor-Leste, the author has personal experience with the methods of the organisation and questions the sources used to inform that survey. This is so both in terms of the quality of respondents, who often made assertions without providing evidence, and the limited quantity of informants. The score for Timor-Leste was based on the perceptions of a surprisingly small number of people. The timing of the survey, just after one government left office and a new government took over, also led to methodological questions as there was no possibility in the design to differentiate between the two governments and it is unclear which government's policies were being reviewed by the respondents. The fact that the new government had only just taken office also meant it would have been premature to judge it. This oversight left room for politicisation of the results following a highly contentious election.

Indices and rankings, as is the case with conceptions of weakness, fragility and governance may be of limited benefit in evaluating the causes of violent conflict and informing responses and may actually be counterproductive as they contribute to a tendency to simplify complex social, historical and political events. It is also beyond our capacity to measure the non-economic impact of multiple dispossessions, torture, and the loss of trust within a society. Yet, in Timor-Leste, "such consequences help significantly to explain the current plight of the economy..." (Nevins 2007:164), and by extension, to explain popular responses to a variety of changes and incentives. While institutions do not design interventions based solely on indices, it seems that an evaluation of approaches to context-specific peace-building efforts grounded in an understanding of relevant power, class and historical dynamics would be of great value in informing potential international interventions, rather than adherence to simplified linear models of conflict based on unreliable data.

From Conflict to Violence in International Development Interventions

Schnabel suggests “violence and destabilization may have to take place in order to create opportunities and support for second-generation prevention” (Schnabel 2002:25). While prevention may be preferable, and Schnabel would argue, less costly than post-conflict peacekeeping, lack of political will and reluctance to interfere with state sovereignty means that international interventions in the name of prevention are rarely possible. According to a senior UN official, “this reluctance often provides the international organizations and their leaders with an easy excuse for avoiding tough decisions [and] unpleasant confrontations” (R17). The international community is thus, by and large, left to respond to post-conflict settings, where it focuses on preventing the resurgence of violent conflict.

A ‘post-conflict situation’ is understood herein as being comprised of several underlying assumptions – violent conflict has been experienced at a societal level, a break in the violence has occurred,²⁶ but there remains a risk of renewed violence in the future. Despite its common usage, the qualifier ‘post’ can be misleading, as a country may experience an ebb and flow of violence. In many cases, policies and prescriptions based on assessments of a country’s ‘post-conflict’ status underestimate the risk of renewed violence. This paper argues that the international community must understand that any effort to resolve violent conflicts and support sustainable peace will necessarily be complex in nature and require an awareness of the non-linear nature of peace-building. The term ‘conflict-affected’ is considered a more useful description of environments exposed to violent conflict, as it does not imply limited time-bound experience of conflict but rather acknowledges that even in the absence of violence, the experience of that violence may be felt throughout a society through a variety of channels. These can include its potential impact on mental health, social and economic relationships, perceptions of institutions, and power dynamics.

This research is also interested in the levels²⁷ and causes of conflict, including the underlying “root” causes of grievances that may lead to violence (Galtung 1969; Miall 2005). The literature offers an increasing number of tools and frameworks for analysing conflict dynamics and developing adequate responses. It also recognises that the ending of physical violence alone does not solve the problem (M. B. Anderson 1999; Paffenholz 2005; OECD 2001). The literature tends to consider sustainable peace dependent not only on the absence of physical violence but, crucially, on the resolution of the root causes of

²⁶ Possibly the result of a politically agreed ceasefire, possibly attributable to other reasons.

²⁷ Levels of conflict refer to the level within society, i.e. the individual, inter-personal, inter-group, national, etc.

the conflict. The absence of violence in an otherwise unchanged environment is considered highly undesirable and is referred to as a ‘negative peace’, an inherently unstable state of affairs which may easily relapse into violence if latent tensions are triggered. The literature therefore emphasises the need to transform the social, political and economic conditions that led to the conflict, including structural violence, to achieve sustainable peace (Galtung 1969; Miall 2005). This research asserts that peacebuilding efforts that seek to promote peace through institutions, governance and economic frameworks alone will probably fail to address structural violence and its consequences.

International development assistance includes, in the context of this research, supporting state- and nation-building in conflict-affected states, which in turn includes issues related to governance, state-society relations, and policies and programmes associated with social, economic and political systems. It is recognised that international development assistance should be grounded in the design of strategies that seek to support societies emerging from violence and that assist in the transition to new systems, legal frameworks, social norms and economic realities considered better able to provide mechanisms through which conflicts may be mediated without resort to violence. These institutions and changes may vary considerably from pre-violence institutions, and those that emerge during war. The models that have tended to dominate the discourse and practice, as noted above, have a propensity to simplify complexities and focus on economic growth, ‘good governance’, and employment creation for the youth, for example, as sufficient for establishing an environment conducive to the creation of a stable and resilient state. This research asserts that transition strategies based on context-specific understanding are critical in the context of international development assistance. It is motivated, to a significant extent, by the author’s observation that post-conflict interventions often fail to have due regard for the incremental and complex nature of post-conflict transitions and are often blind to the specificities of local perceptions, aspirations and history. International action is not neutral but can be central to the evolution of the political settlement.

Conclusion

As Fukuda-Parr noted, the United Nations emerged out of war with a hope of guaranteeing both freedom from fear and want. The Bretton Woods Institutions were created to “assist with the reconstruction of war-torn countries and the socio-economic development of newly emerging nations” (Fukuda-Parr 2010:17-8). The end of colonialism and the Cold War influenced the nature of inter- and intra-state warfare: “Cold War rivalry

regulated wars in developing countries” (Cramer 2006:77). Hattori encapsulates the nature of foreign development assistance in this context and argues that “what most clearly defines foreign aid is the symbolic power politics between donor and recipient” (Hattori 2001:633).

The proper responses to the interrelated challenges posed by conflict-affected states remain far from agreed. There has been insufficient attention paid to how violence prevention can be integrated into the broader development strategies of international interventions (Fukuda-Parr 2010:27). Rather, it is assumed interventions that foster growth, democratisation, and institution-building are, in and of themselves, peace-building interventions. As Cramer asserts, a broader understanding of the links between development and conflict dynamics is necessary to avoid simplistic assumptions that “war is development in reverse” (Cramer 2006:14). In this sense, political and economic realities before, during and after violent conflict must inform development policies and programmes in conflict-affected states.

Development efforts in conflict-affected states would thus benefit from a more nuanced approach that seeks to integrate political economy analysis and conflict prevention principles, and which focuses on power, class and other areas associated with political settlements that are often neglected by development actors. The experience of Timor-Leste demonstrates that the reliance on generalisable ‘scientific’, neo-liberal approaches to post-conflict reconstruction was counter-productive.

In June 2005 UN peacekeepers left Timor-Leste. In April 2006, at the end of his visit, World Bank president and former US ambassador to Indonesia, Wolfowitz praised:

...the considerable progress the Timorese people have achieved in the past six-and-a-half years.

The bustling markets, the rebuilt schools, the functioning government - and above all, the peace and stability - attest to sensible leadership and sound decisions.

The sad fact is that many countries coming out of conflict lapse back into it within five years. It is to your credit and the credit of the people of this new nation, that your future is now one of hope and opportunity, not one of unrest and hopelessness. (Wolfowitz 2006b)

Ironically, this statement was made just days before massive civil unrest broke out in the capital leading to the displacement of thousands of East Timorese. The World Bank’s perception of stability was in large part due to the first independent government’s

adoption, by and large, of IFI and other development partners' policy prescriptions. Documenting World Bank praise for Rwanda before the genocide, Uvin noted "...the World Bank seemed to be the one with the strongest love affair with Rwanda. The reason for the intensity of this relationship was in all likelihood that Rwanda's economic policies overall were quite liberal and thus very much in line with the Bank's ideology" (Uvin 1998:46). It is imperative to examine how internationally endorsed policy prescriptions may exacerbate tensions and contribute to the conditions conducive to violence.

As Uvin stated, "all development aid constitutes a form of political intervention" (Uvin 1998:232). In the following chapters the political implications of international development interventions in Timor-Leste will be explored. Evidence will be provided to demonstrate how the interventions undermined the nascent state's capacity to negotiate a stable political settlement by appropriating political decisions and so resulted in a form of path dependency for the government. As a result, the state became distanced from the population, creating space for political contestation among myriad elite groups. Given Timor-Leste's complicated historical and political dynamics and high expectations after independence, the dominance of neo-liberal state-building efforts by international development partners contributed to the underlying tensions that erupted in violence during the 2006 crisis. Of particular interest to the research is the impact that neo-liberal programming and rhetoric had on the popular perceptions of the social contract and the capacity of the state to play a role in the construction of a unifying narrative among disparate groups whose only experience of a common sense of nationalism was that of generic opposition to a (mostly) common enemy. The retrenchment of the state, including the constant focus on the role of civil society as a corruption watchdog and the private sector as a driver of growth, negatively affected the capacity of the state to play an important role as a vehicle through which conflict could be mediated without violence.

Chapter 4 Historical Overview

Introduction

A central theme of this thesis is that awareness, human relationships and an understanding of local contextual nuances are extraordinarily important when considering international interventions, particularly, but not exclusively, in conflict-affected states. This chapter provides the reader with a succinct overview of the history of Timor-Leste.²⁸ As will be seen in the following chapters, the legacies of the colonial and occupation periods are essential to understanding the structure of East Timorese socio-economic and political relationships. Understanding whether policy recommendations are compatible with cultural norms and other experiences and expectations of the local population can enhance the chances that international development interventions will resonate in the country and thus be more likely to gain support and minimise potential destabilising opposition. The historical profile below is also of interest as it will be contrasted with norms associated with the conceptual foundations of international development interventions in the new millennium.

Timor-Leste is a small, mountainous, half-island state that achieved independence on 20 May 2002. With just over one million inhabitants and an area of approximately 14,600 square kilometres, it is part of the Lesser Sunda Islands chain. In the words of anthropologist Shepard Forman, Timor-Leste “manifests an ethnic heterogeneity which characterizes the entire region from the Philippines to Australia and from the islands east of Papua New Guinea to the Malagasy Republic” (cited in Dunn 1996:2). This perhaps can be attributed to the island’s position in trading networks “centred politically on East Java and...tied into commercial links with China and India” (Taylor 1999b:1). As noted by Brown and Gusmão:

Customary forms of sociopolitical organization remain wide-spread and significant in East Timor. This is particularly true in rural areas, where 70 to 80 per cent of the population lives, and where customary life is enmeshed with subsistence food production, providing fundamental mechanisms for social order, social welfare, economic life, environmental management, and collective identity. (Brown and Gusmão 2009:65)

²⁸ A wise colleague with extensive experience in Timor-Leste commented that it was very difficult to find an accurate historical narrative on Timor-Leste, largely because of how difficult it became to get accurate information from inside the territory and because of the pall of silence and misinformation that the Indonesians imposed, and how uncorroborated reports were often recycled again and again until they took on the appearance of hard fact (R72).

After being colonised by the Portuguese and occupied by the Japanese during WWII, Timor-Leste was occupied by Indonesia for nearly 24 years. The above-mentioned regional trading relationships and periods of colonisation and occupation influenced the complex social, political and economic relationships in the territory. This chapter provides a brief overview of the history of Timor-Leste that will inform the subsequent chapters.

Colonial History and the Emergence of East Timorese Nationalism

Traditionally a land comprised of rival kingdoms, modern Timor-Leste has been shaped by the socio-economic and political relationships between and among the descendants of extant hierarchies (Dunn 1996:3). Forman describes “the political reality in Timor at the time of the European discoveries, in so far as we can know it...[as] atomistic and centrifugal”. Trading relations were embedded in a “nested hierarchy of clan groupings” and there were no unifying power structures in line with modern European conceptions of a state (Forman 1977:103). Kings (*liurais*) controlled territories which were made up of tribal groups that consisted of a number of clans (Dunn 1996:3).²⁹

Historically the economy of the island of Timor depended on seasonal cultivation of crops, fruits and livestock. “Economic relations were not merely influenced by division in the production process, however. They were also influenced by a system of exchange, involving both goods and individuals. Goods were extracted from Timorese communities as tribute to the chiefs of the various princedoms and kingdoms” (Taylor 1999b:6). The performance of rituals and exchanges during births, deaths and weddings, for example, was considered essential to the maintenance of political and economic stability (Taylor 1999b:8). Warfare was often “localized and resulted from demographic pressures, conflict over the resources for and spoils of trade, and questions of the heart” (Forman 1977:103).

The European powers influenced trading patterns and introduced, for example, guns, cloth and coral beads. These goods did not alter local power dynamics but rather were “superimposed” onto ritualised local exchanges of productive goods (animals, food, swords) for reproductive power (women and textiles used to clothe the children resulting from alliances) (Forman 1977:106).

²⁹ See Kammen (2010) and Hägerdal (2006) for historical discussion of ‘kingdoms’. Also Forman (1997) on the influence of European historical and ethnographical materials on current conceptions of political and economic order in the Lesser Sunda Islands.

Timor-Leste became part of the Portuguese colonial dominion in the mid-sixteenth century but it was only after 1642 that the Portuguese invaded Timor with greater force (Carey and Bentley 1995:2; Taylor 1999b:4). Even then Portugal only penetrated Timor's coastal areas (Forman 1977:100). Kammen notes that it was not until the mid-nineteenth century that the Portuguese attempted to build a colonial state system according to its classical perceptions including "suppression of rebellion, conscription, [and] taxation" (Kammen 2010:249). Hägerdal noted "...colonial rule as conventionally understood only commenced some two centuries and a half after the beginning of the European establishment in the mid seventeenth century" (Hägerdal 2006:63-4).

According to Taylor, the East Timorese were able to maintain their political, cultural and economic systems of exchange despite increasing efforts by the Portuguese and Topasses³⁰ to influence and control the territory and its people. In 1882, H. O. Forbes, a naturalist visiting Timor noted that Timorese were able to 'outwit' the Topasses and Portuguese and, Taylor says, his records of Portuguese soldiers' complaints show that "they were unable successfully to maintain military and administrative posts in the interior" (Taylor 1999b:9-10).

In the context of rapid industrialisation in Europe, the Portuguese changed their approach to their colonies in the late nineteenth and early twentieth centuries. The Portuguese and Dutch negotiated a formal division of east from west Timor in 1913 and Portugal increased efforts to extract raw materials and cash crops from its territories. Despite attempts to undermine indigenous kinship and ritual structures in East Timor, by for example, increasing the head tax, expanding the use of forced labour and altering the administrative structure of the territory in an attempt to undermine traditional authority figures, colonial rule continued to co-exist alongside traditional systems, the Portuguese being unable to fully co-opt indigenous structures and hierarchies (Taylor 1999b:10-12). That said, according to Dunn, in the 1960s the Portuguese made an effort to 'win Timorese hearts and minds'. They improved access to education, repaired roads and began to include Timorese in the provincial administration. Yet, in line with Taylor's assessment above, Dunn noted:

the Timorese representatives tended to be *liurais*, thus linking the feudal character of the local administration with the totalitarian-style structure of the corporative state's representative institutions, which were designed more to mobilize support of

³⁰ The term Topasses refers to mestizo descendants of Portuguese and local parentage from Timor and the Lesser Sundas, including the children of Portuguese soldiers, merchants and sailors who 'married' women of neighbouring Solor Island where there was a prominent Dominican fort (Taylor 1999:3-5; R72).

state power and national ideology than to promote the scrutiny of government policies and a free exchange of ideas. (Dunn 1996:31)

By 1973, the Portuguese colony had an illiteracy rate of 93 percent (Hill 2002:39) and allegedly only 2,371 kilometres of road, of which “1,540 were passable in the dry season only” (Hill 2002:32).

Rumours of a planned end to Portuguese colonial rule were circulating in East Timor within months of the April 1974 Carnation Revolution in Portugal, in which the *Estado Novo* (New State), the ruling regime since 1933, was deposed by a non-violent military coup. One of the first and most significant decisions of the new government was to proceed with decolonisation.³¹ Five political parties were formed in Timor-Leste following the revolution (Babo Soares 2000:54).³² The three major parties, *Associação Social Democrática Timorese* (ASDT) - renamed within months to *Frente Revolucionária de Timor Leste Independente* (Fretilin), *União Democrática Timorese* (UDT) and *Associação Popular Democrática Timorese* (Apodeti), formed within weeks of the news of the Carnation Revolution reaching Dili, although technically the legislation enabling political party formation had not been enacted even as late as August 1975 (Jolliffe 1978:61-4).

UDT campaigned on human rights and income redistribution whereas Fretilin promoted messages of inclusion of East Timorese in the administration, combined with health, literacy, education and culture (Jolliffe 1978:327-340). Apodeti, the party favouring autonomy within Indonesia, included in its manifesto the protection of basic rights including the “exercise of freedom and essential human rights...just distribution of wealth...just employment...[and an end to] all other colonial practices” (Jolliffe 1978:326).

Hill describes the East Timorese nationalists who established political parties as “men of a similar age, background and experience” (Hill 2002:182) who knew each other quite well, had attended the same schools and had strong links to the districts because they were often descendants of *liurais*.³³ Among the main parties, UDT was initially supported by many *liurais*, landowning elites, members of the Catholic Church and those within or who benefited from the Portuguese administration (Gunn 1999:265; Gusmão 2000:19). Fretilin,

³¹ Portuguese rule effectively ended in August 1975 after the outbreak of the ‘civil war’ in Timor-Leste and the flight of the administration to Ataúro.

³² Apodeti, Fretilin (initially ASDT), *Klibur Oan Timor Asuwain* (Kota), Trabalhista and UDT. A few smaller parties were also established (Gunn 1999:266).

³³ See also Taylor (1999b:47). According to Kammen, party leaders worked on the basis of a national platform but focused on building support among constituencies where they had established family connections and interests (Kammen 2010:255).

“a broad-based national front advocating socialist democracy and independence” (Gusmão 2000:129), was backed by many among the urban elite in Dili consisting of “mainly bureaucrats and teachers”, and sought to appeal to the masses for broad community-based support (Gusmão 2000:17-21). According to Jolliffe, a prominent journalist and witness to the first Indonesian incursions into Timor-Leste in 1975, Fretilin was clearly influenced by African nationalist movements. Two of its leaders, Ramos-Horta and Alkatiri had spent time in Mozambique and Angola respectively, and even the name, Fretilin, was modelled on the Mozambique independence movement’s *Frente de Libertação de Moçambique* (Frelimo). Fretilin also “styled themselves ‘the sole legitimate representatives’ of the Timorese people, a slogan used by the liberation movement in Guinea Bissau” (Jolliffe 1978:63). Fretilin sought to build a national coalition, or front, among nationalists and anti-colonialists that did not discriminate on the basis of “race, religion, political ideology, sex and social background” (Jolliffe 1978:64).

Despite Fretilin’s emulation of African liberation movements in some respects, it did not foresee the need for a war of national liberation in the case of Timor-Leste. It had hoped that the Carnation Revolution would result in a formal constitutional end to Portuguese colonisation in line with the decolonisation process experienced by most African countries. The expectation of a peaceful transition based on formal legal arrangements with the colonial power was challenged by external interference in the political process from mid-1974 through 1975.

As with the liberation movements in Mozambique, Guinea-Bissau and Angola, the Fretilin platform was based on a restructuring of the political and economic system in the country. Chabal describes similar efforts by revolutionaries in Africa who were fighting for independence. He claims that in countries that experienced a war of liberation, it was believed that a people’s war would lead to “...the emergence of a ‘revolutionary class alliance’ of radical *petits bourgeois*, workers, and peasants which had hitherto not existed in Africa” (Chabal 1983:105). Fretilin sought to build a grassroots movement that would result in new economic architecture centred on agricultural cooperatives and an end to all forms of exploitation.³⁴ This orientation was distinct from UDT’s political platform that had an interest in maintaining certain privileges afforded to the elites by the colonial administration - UDT leaders tended to be older and many had significant business

³⁴ According to dos Anjos, (who was from a *liurai* family), this included an end to the use of forced labour by the *liurai* class and increased access to communal land for the people (Grimshaw 2009).

interests, particularly in coffee plantations (Jolliffe 1978:70). Fretilin interests were more in line with Chabal's description of the revolutionary movements in Africa:

The political component of an African revolution would imply, minimally, the acquisition and establishment of political power in a post-colonial state whose structure, personnel, and policies would derive not from its colonial predecessor but from the legitimacy of a vanguard mass party rooted in the countryside. (Chabal 1983:107)

Party affiliations were fluid during this tumultuous time. In a 2009 interview, Virgilio dos Anjos, a prominent veteran, reflected on his personal experience in 1975:

We were not really politically mature, at the time. We joined parties on the basis of our family allegiance, not really on the basis of conviction, and because my family were *liurai*, we joined UDT. It was such a short period of time [1974-5] in which we were allowed to have political parties. We didn't really understand what the political programmes or policies were, and I hadn't been in the party for long when I was called up to join the army, so I had to leave the political world behind. (Grimshaw 2009:para 10)³⁵

“At the local level...party affiliation did not simply reflect political orientation or ideology; it was driven by long-standing rivalries between neighboring hamlets, villages and kingdoms” (Kammen 2010:255). Allegiances to political parties and platforms were contingent on a variety of factors beyond policy considerations and ideology. The sentiments expressed above encapsulate the complexities inherent in the evolution of attitudes about the state.

The state can be conceptualised through its four inter-connected structures: its apparatus, its representative estates, its ideology, and its material base. At any one time in history, the state is the resultant of the conflict extant in the process of relationships between these structures. By definition, therefore, the state is not an a-historical hydra nor is it simply the political instrument of a given class but, like other concepts, a code-word for the analysis of the connection between historically specific processes and structures. (Chabal 1983:108)

An important distinction between the parties was the difference in their preferred time-scales for independence. Apodeti supported political autonomy within Indonesia as a stepping-stone to independence (Jolliffe 1978:62-4),³⁶ believing that Timor-Leste was unprepared for independence, fearing “that a wrong choice will ruin the future of Timor's

³⁵ The Portuguese had a policy of *apartidarismo* whereby members of the Portuguese military were prohibited from joining political parties. According to Jolliffe, whereas the military was expected to facilitate the decolonisation process, in fact individual officers from the police and military did support Fretilin or UDT leading up to and following the 'coup' and 'civil war'. Military inaction in response to crimes committed by officers during the 'civil war' also inflamed the situation and led to increasing attempts by political parties to infiltrate the military as they sought support (Jolliffe 1978:125-129; Grimshaw 2009).

³⁶ Apodeti also recognised in its charter the “existing culture of traditional mysticism of our Timorese ancestors which has been forgotten” (Jolliffe 1978:325) indicating ties to previously Dutch-occupied West Timor and the arbitrary colonial separation of inter-related kingdoms. Jolliffe suggests that Apodeti “found its cultural location among the people of eastern Indonesia, but they had almost no concept of the nature of the political regime in Jakarta, a lesson which they absorbed in brutal fashion in December 1975” (Jolliffe 1978:297).

next generation, due to the immaturity of the economic and political conditions of Timor” (Jolliffe 1978:325), and never imagining the invasion or its severe consequences. UDT’s initial preference was for a period of transition and federation with Portugal; Fretilin advocated outright and immediate independence stating the impossibility of “democratic colonialism” (Jolliffe 1978:327). Jolliffe noted: “The differences between them [the parties] were, and are, of a political nature, of the means to achieve a national state and the nature of that state once established” (Jolliffe 1978:298). In particular, given the many similarities in party platforms, the greatest distinction between UDT and Fretilin according to Jolliffe can be seen in Fretilin’s desire to “end the divisive systems of élites, thereby creating a Timorese national consciousness” (Jolliffe 1978:70). This led the party to reach out to rural areas, forming agriculture cooperatives and launching literacy campaigns along the model of Paulo Freire. In this respect Fretilin’s perception of its position vis-à-vis UDT can be framed by a desire to avoid the mere Timorisation of the previous colonial hierarchy and interests. This is analogous to Chabal’s description of the radical and liberal critique of African decolonisation as the “Africanisation of the post-colonial state” (Chabal 1983:109).

UDT and Fretilin negotiated an alliance in January 1975 but increasing tensions, due in part to Fretilin’s success in rural areas, contributed to a growing divide between them (Taylor 1999b:48). The agreement ultimately broke down in May as UDT’s leaders became increasingly convinced, particularly through the work of Indonesian intelligence, that independence would never be achieved if ‘communist agents’ attempted to gain power (Taylor 1999b:49-50). Rejecting proposals for Apodeti and Indonesian representation at internationally sponsored decolonisation negotiations in Macau, Fretilin withdrew from the negotiations (R72), asserting that Portugal had already agreed on a process and timetable for a transition to independence and consolidating support at the local level was more important (Taylor 1999b:43, 49). The Fretilin boycott of the Macau summit reinforced UDT’s suspicions and thus made them more susceptible to manipulation by the Indonesians.

Fretilin’s populist rhetoric, strong defence of East Timorese rights and growing popularity were used by the Indonesians to portray it as an emerging communist threat. From “mid-1974 until mid-1975, Indonesia wooed the East Timorese political parties, fuelled their rivalries, and waged a smear campaign alleging that Fretilin was a communist organization” (Kammen 2010:256). The US, Australia and the UK, among others, were happy to go along with the narrative, particularly given the importance they placed on ties with

Indonesia.³⁷ External political interference, coupled with poor communications and active infiltration of the territory of East Timor from Indonesia, interrupted perhaps the first internal process of East Timorese negotiations towards the formulation of a political settlement through political parties.

Between 1974 and 1975 divergent views on the decolonization process and state formation ultimately culminated in a brief but violent civil war between UDT and Fretilin supporters. Mistrust emerged largely due to external manipulation by Indonesian intelligence forces that had been ongoing since mid-1974, and was perhaps exacerbated by the inexperience in political manoeuvring among those vying for power. UDT claimed it was acting to “eliminate ‘Marxist’ FRETILIN from the political scene” (Gunn 2010:14) and Fretilin, in turn, perceived UDT as having links to the imperialist powers and thereby posing a threat to independence. Nominally in the name of saving Timor-Leste from the communist tendencies of Fretilin, and after being ‘informed’ in July 1975 of a planned Fretilin coup, UDT pre-emptively staged their own on the night of 10 August 1975 (Gunn 1999:269).³⁸ As outlined in Timor-Leste’s Reception, Truth and Reconciliation Final Report: “This brief civil war was over by early September, but it had changed the situation irreversibly. The fighting took up to 3,000 lives and left deep and enduring scars” (CAVR 2005:12).³⁹

In light of the civil war, the then UN Secretary-General called for a ceasefire by the 27th of August, but with over 2000 casualties reported and many more displaced,⁴⁰ the damage done would continue to affect the East Timorese through the independence period more than 25 years later (Gunn 1999:270).

³⁷ “Almost overnight the Indonesian government went from being a fierce voice for cold war neutrality and anti-imperialism to a quiet, compliant partner of the U.S. world order” (Roosa 2006:13).

³⁸ “There was definitely a Marxist strain in Fretilin from the beginning, which owed something to its links to the Portuguese Maoist party, MRPP, and to the liberation movements in Lusophone Africa. What is not true was that Fretilin was receiving Chinese, Russian, Cuban or Vietnamese assistance, as alleged by different members of the Indonesian establishment at various times in the lead-up to the invasion” (R72, personal correspondence).

³⁹ Parallels can be found in Suharto’s usurpation of power from Sukarno. Suharto used the pretence of an imminent communist *coup d’état* in Indonesia in 1965 to displace Sukarno. “[He] justified his acquisition of emergency powers in late 1965 and early 1966 by insisting that the September 30th Movement was a devious conspiracy by the PKI to seize state power and murder all of its enemies” (Roosa and Nevins 2005:1). “Washington cheered the coup, rushed weapons to Jakarta, and even provided a list of Communist Party members to the army, which then rounded up and slaughtered them” (Shalom, Chomsky and Albert 1999:1). The September 30th Movement conducted a small-scale 48-hour effort to protect President Sukarno that resulted in twelve deaths (Roosa 2006:3). The CIA later described the reprisals that resulted in the massacre of hundreds of thousands of people as “one of the worst mass murders of the twentieth century” (Roosa and Nevins 2005:1).

⁴⁰ CAVR says there are no verifiable estimates of the number of people displaced as a result of internal civil conflict in Timor-Leste (CAVR 2005:75). McCormack writes: “Between 1976 and 1981, 2,447 arrived [in Sydney], of whom 1,940 were Timorese Chinese.” (McCormack 2008). R80 noted that the story of Timorese refugees on intra-Timorese violence has not yet been written despite the continued importance of the issue for contemporary political and social dynamics.

Fretilin was able to take control of most of the territory following the violence and, according to Dunn, received “widespread support from the population” including those who had formerly backed UDT (cited in Jolliffe 1978:161). Indicating its priorities, Fretilin quickly reinstated its previous village literacy campaigns and by October opened economic commission offices including departments for internal and external commerce, and a Department of Information for Agricultural and Consumer Co-operatives (Jolliffe 1978:163). By November, and amidst increasing Indonesian military incursions from air, sea and land, Fretilin unilaterally declared independence,⁴¹ hoping Portugal and other states would increase their attention on the situation (Fernandes 2011:42).⁴²

China was first to recognise the new country, followed by newly independent ex-Portuguese African colonies including Guinea-Bissau and Mozambique. While there are conflicting reports about which countries recognised and/or provided support to Timor-Leste, Dunn suggested that “Fretilin did receive expressions of support from its former colonial stablemates in Africa, and from Communist Bloc countries, but most responses fell short of outright recognition and came from countries remote from the region, in terms of influence and geography, able to offer only moral support” (Dunn 1983:276).

On 4 December 1975, Ramos-Horta was evacuated with Alkatiri and Rogerio Lobato (Jolliffe, personal communication). They sought to expand recognition of its independence while also seeking external material support as an independent state (Rees 2005). Notwithstanding the modest support from the international community and recognition from a handful of states, Indonesia launched a full-scale invasion on 7 December, 1975.

From the perspective of the West, Indonesia was a critical ally against an alleged communist threat and a major supplier of natural resources including gold, oil and rubber. These and other commodities were considered essential not only to the United States, but also to its support of Japanese industrialisation after the Second World War (Roosa 2006:14). By raising suspicions that Timor-Leste was both a communist and regional

⁴¹ Jolliffe notes that even after the civil war Fretilin continued to believe that ‘the affairs of East Timor must be decided by the Timorese people within the national territory without external pressures’ (Jolliffe 1978:154). Fretilin’s position on the possibility of a referendum was summarised as: ‘You don’t ask a slave if he wants to be free’ (Hill 2002:90)..

⁴² After the unilateral declaration of independence and just prior to the full-scale invasion, on November 29 a letter commonly known as the Balibo Declaration was signed by representatives of UDT, Kota, Apodeti and Trabalhista (Taylor 1999:201). This declaration was in reality a “Proclamation of Integration’ accusing Fretilin of obstructing a peaceful solution and asking the Indonesian government and people to integrate East Timor into Indonesia” (Fernandes 2011:42).

stability threat, the Indonesian leadership was able to gain backing from the US and Australia for its invasion.

The end of colonial rights to the territory and the replacement with a more 'friendly' Indonesian presence could have been lucrative for investors. Shalom, Chomsky and Albert note that:

...for many countries considerations of morality and decency were outweighed by the profits to be had from close economic ties with Indonesia and its huge population ("When I think of Indonesia—a country on the equator with 180 million people, a median age of 18, and a Muslim ban on alcohol—I feel like I know what heaven looks like," gushed the president of Coca-Cola in 1992), by the prospects of selling arms to the Indonesian armed forces, and by the geopolitical advantages of allying with the largest nation in Southeast Asia, instead of one of the smallest.. (Shalom, Chomsky, and Albert 1999:2)

According to documents regarding the meeting between Ford, Kissinger and Suharto in early December 1975:

The document shows that Suharto began the invasion knowing that he had the full approval of the White House.... Besides confirming that Henry Kissinger and top advisers expected an eventual Indonesian takeover of East Timor, archival material shows that the Secretary of State fully understood that the invasion of East Timor involved the "illegal" use of U.S.-supplied military equipment because it was not used in self-defense as required by law. (Burr and Evans 2001:1-2)

The US, Australia and others turned a blind eye to the invasion and subsequent human rights abuses (Nevins 2005). Geopolitically, self-determination for the East Timorese was not a priority for the major Western powers when Indonesia under Suharto was such a reliable ally.

The Indonesian Occupation

Early consideration of the priorities and nature of an independent East Timorese state were quickly overtaken by the Indonesian military invasion and ultimately its incorporation into the Republic on 17 July 1976 (Hill 2002:177). Survival and food security became the primary concern for both the resistance and the population-at-large.

By most accounts Fretilin had succeeded in capturing the voice of East Timorese nationalists following the Indonesian invasion (Hill 2002:181). With a few exceptions, parties that had initially supported integration with Indonesia became disillusioned: "The relationship between various sectors of Timorese society has thus been vitally altered by the invasion, galvanized to a unity embracing Timorese of a range of political groupings" (Jolliffe 1978:297). Fretilin, and its military wing Falintil, became the leading voice of the

opposition to occupation and through its regional structures attempted to organise community-level resistance and quasi or parallel government structures.

Between 1975 and 1978 the resistance established *bases de apoio* (support bases) in areas where the Indonesian military had not yet penetrated. In 1976 a note smuggled out by a representative from the Catholic Church estimated that the Indonesians had secured control of less than 20 percent of the territory (Hill 2002:177). In the remaining areas “Fretilin maintained its administrative role, caring for the welfare of the Timorese population and organizing the defence of villages against Indonesian incursions” (Taylor 1999b:81). One respondent estimated that the *bases de apoio* covered 75 percent of the territory, a figure consistent with estimates provided above (R103). Several respondents connect this period to a particularly idealised past when people were self-sufficient, made decisions democratically and people from all parties worked and “resisted together” (Respondents 99, 98). Food production was determined by local conditions and exchanges took place between regions (Taylor 1999b:81; R99).⁴³ While short-lived,⁴⁴ *bases de apoio* represent, for some, the beginning of a new system of self-governance, when people were perceived to have “fought exploitation, not just capitalism and colonialism, but person-to-person exploitation” (R98). Some smaller veterans groups felt particularly “disaffected and abandoned” after independence and look back fondly on this period (R102).

By 1980, despite some success, Fretilin and the population generally had suffered very significant losses. Indonesian military forces were responsible for forced disappearances and unlawful killings following the invasion. They also destroyed livestock, food stocks and agricultural tools in abandoned areas (CAVR 2005:78). The loss of food combined with the forced relocation of people into transition centres and concentration camps significantly increased the numbers of civilians killed. Between 1975 and 1999, 84,200 people died of “hunger and illness directly related to displacement,” the majority between 1975 and 1979 (CAVR 2005:72-3).⁴⁵

Indonesian soldiers were not alone in perpetrating serious crimes. In addition to the heavy loss of life during Timor-Leste’s brief civil war, Fretilin exercised a no-tolerance policy toward perceived traitors during its resistance to occupation. CAVR found that:

⁴³ For example, rice would be exchanged for coffee.

⁴⁴ The Indonesians intensified the military campaign in 1978. Fretilin areas were heavily bombarded, “chemical sprays were used to destroy crops and livestock” and people were moved into detention camps or imprisoned (Taylor 1999b:85).

⁴⁵ The figures cited by CAVR are an estimate with a quite large margin of error of +/- 11,000 (R72).

The Resistance also committed unlawful killings and disappearances ...during the whole period of the conflict [with Indonesia]...Senior Fretilin leaders and Falintil commanders ordered many of the killings reported to the Commission, and in some instances themselves perpetrated them. Although some of those killed were civilians previously associated with UDT and Apodeti, who were collaborating with the Indonesians, most of those who were killed, disappeared or died of deprivation or other kinds of ill-treatment during this period were themselves members of Fretilin or Falintil or members of the civilian population living in Fretilin bases. (CAVR 2005:59)⁴⁶

Xanana Gusmão provides additional context to the political violence of 1975:

This political factor resulted in the resurgence of old quarrels (in terms of property, land and also concerning cultural-traditional relations) and consequently feeding into a desire for vengeance. So, the attacks and counter attacks, between two parties or nationalist movements with their existing ideological struggles, was then taken advantage of to carry out acts of violence, hatred and vengeance. However, and it is important to clarify, that soon after the revenge, calm was then the reality throughout the whole territory. Besides the arrests that took place, populations lived again their day-to-day life without much concern of who belonged to this or that party. (Gusmão 2001:2)

The final Truth and Reconciliation Commission report added that many more Timorese died than would have been the case had Fretilin not prevented civilians from surrendering to the Indonesians, a policy that remained until 1978 (CAVR 2005:79). The negative impact on the population of the resistance's strategy prompted introspection and a change of course. By the mid-1980s Xanana Gusmão had succeeded in dividing the political from the military front of the resistance, de-linking Falintil from Fretilin and establishing a national resistance guerrilla movement for all East Timorese (Kammen 2003:81). This created an enduring schism between him and Fretilin but did advance unity among East Timorese in the resistance, including enemies of Fretilin. Gusmão has noted that he was very displeased with the violent approach taken against individuals perceived as traitors to the resistance and desired "to broaden the struggle to encompass all social and political participants in the National Resistance, [and as such] an attempt was made to imbue the struggle with a new spirit" (Gusmão 2000:51, 214). Steps were taken toward a UDT/Fretilin alliance in 1986, shortly before the creation of the National Council of Maubere Resistance (CNRM) (Gusmão 2000:214; Taylor 1999b:208).⁴⁷

⁴⁶ CAVR also notes that the vast majority of crimes perpetrated by Timorese against Timorese, 49 percent of reported killings, took place during the civil war. Fretilin/Falintil perpetrated 'only' 16.6 percent of documented killings between 1976 and 1984 (CAVR 2005:59).

⁴⁷ Despite nominal Convergence, as the alliance was called, there remained outstanding divisions among the leadership of UDT and Fretilin. Some perceived the CNRM as a new political party rather than an umbrella organisation for all those in favour of independence. UDT allegedly refused to join because they rejected the use of the term *Maubere* in the title. Ramos-Horta, Gusmão and others agreed in 1998 to change the name to the National Council of Timorese Resistance (CNRT) in order to bring all parties together.

The resistance increasingly benefited from the youth who contributed through a variety of small networks, at first inside the territory but increasingly through linkages with human rights organisations and student solidarity groups in Indonesia. Recognising the potential threat posed by the youth to the Indonesian regime, efforts were made to co-opt young people, to provide resources in an environment where formal jobs were scarce and to involve them in martial arts and other groups that had links to the Indonesian military. “People began receiving money in exchange for information on the resistance. As a consequence, the breakdown of the resistance network, although in a small scale, continued to take place almost everywhere” (Gusmão 2001:3).

The Indonesian military began opening the territory to ‘approved’ foreigners in the late 1980s. The Pope visited in 1989 and, following Mass, protesters raised flags and banners saying “Long live the Pope!”, “Long live free East Timor!” (Pinto and Jardine 1997:110). This small but important demonstration emboldened young Timorese who had, before then, been afraid to demonstrate. It also served to embarrass the Indonesians in front of a major international figure, raising the profile of the struggle (Pinto and Jardine 1997:110-11). This demonstration was soon followed by another at the hotel of the visiting American ambassador to Indonesia. In this context, over the course of several months, young members of the resistance began preparations for the visit of a Portuguese parliamentary delegation, scheduled for 3 November 1991 (Fernandes 2011:87). According to Amy Goodman and Allan Nairn, two journalists in Dili in preparation for the delegation, the East Timorese hoped that the visit “would finally lead to UN action and enforcement of the Security Council resolutions calling on Indonesia to withdraw from East Timor” (Goodman and Nairn 2002). Instead, according to Goodman, the delegation was cancelled under pressure from the United States.

On 27 October, 1991, the Indonesians stormed the Motael Church seeking resistance members they suspected of underground activities linked to the planned visit. Fighting broke out and a young activist, Sebastião Gomes, was killed (Fernandes 2011:89; Goodman and Nairn 2002).

On November 12, 1991, a memorial mass for Gomes took place at Motael Church after which a procession led mourners to the Santa Cruz cemetery. The timing of the mass and procession coincided with the visit of the UN Special Rapporteur on Torture, Pieter Kooijmans. Thousands of people joined the procession, during which banners calling for

Indonesia to leave East Timor, similar to those presented to the Pope and that had been prepared for the aborted parliamentary delegation vision, were unfurled and people started chanting (Fernandes 2011:89; Goodman and Nairn 2002). Nairn estimated that up to 5000 people had joined the procession by the time it reached the cemetery. It was then that hundreds of Indonesian soldiers approached and opened fire directly into the crowd, killing at least 271 people and injuring many more. Despite being foreign journalists, Goodman and Nairn were badly beaten by soldiers. Journalist Max Stahl was also in the cemetery and was able to capture the events on film before being arrested. In the days following the massacre Indonesian troops arrested and tortured many more people they suspected of involvement in the demonstrations (Pinto and Jardine 1997:191-6).

Notwithstanding the devastating impact of what became known as the Santa Cruz massacre, the incident became a turning point for the East Timorese struggle for independence. The documentary evidence of the violence was smuggled out of the country and appeared on the evening news in the West. Adding to international pressure on Indonesia, in 1996 Ramos-Horta and Bishop Belo shared the Nobel Prize for Peace. Kofi Anan followed Boutros-Ghali and continued efforts to negotiate an agreement on the status of East Timor.

In 1998 UN-sponsored talks continued, this time in the context of the Asian financial crisis and political change in Indonesia. Suharto's replacement by B. J. Habibie opened the door for renewed negotiations; in January 1999, not long after coming to office, Habibie offered the East Timorese "special status" within Indonesia that included wide-ranging autonomy "in all areas of government except defense, foreign affairs and monetary policy" (Henke, n.d.:155).

Whereas the Portuguese and Indonesians are reported to have come to an agreement to "hold in-depth discussions" on the proposal for 'special autonomy' (Lloyd 2000:81), by June 1998 the five largest political parties had rejected the offer and reiterated their demand for a popular vote on the matter of self-determination (Taylor 1999b:222).

It was not until 12 March, 1999 that the UN Secretary-General announced that Indonesia and Portugal had agreed to consult the East Timorese on the question of greater autonomy via direct ballot (UN, press release SG/SM/6922). The Tripartite negotiations led to the signing of the May 5th Agreement between the governments of Portugal and Indonesia, and

established a mechanism for the August UN-led national ballot on the future status of Timor-Leste in which over 78 percent of the population voted for independence, leading directly to preparations for independence as stipulated in the May 5th accord.

This achievement, however, was marred by the violent conflict that escalated throughout the period as Indonesian military operatives and their East Timorese militia proxies sought to intimidate pro-independence supporters across the territory.⁴⁸ The release of the results of the ballot sparked widespread violence, property destruction and displacement. With minimal preparation an Australian-led multinational force, INTERFET, was deployed on 20 September to restore order and provide security while a UN transitional administration could be established.

The scars left by the violence continued to affect relationships among East Timorese even after independence in 2002. Jolliffe quotes an East Timorese author who had served as a child soldier on the lingering consequences of the struggle for independence: “The ending of the slaughter, the huge relief, the appalling losses, the sheer energy needed for survival and resistance meant the whole of my country, *Maubere* people and leaders, suffered post-traumatic stress. The country’s energy plummeted” (Rei 2008:229 cited in Jolliffe 2008:3).

In addition to the impact of the violence and trauma associated with occupation, respondents also noted that the legacy of the purges, arrests, suspicion and intra-Timorese violence during the years of resistance continued in the post-independence period. Respondents spoke of the lack of trust evident within society and the fear of election-related violence. While the Indonesian occupation interrupted the evolution of a political settlement in Timor-Leste, its end did not result in the resumption of negotiations toward the development of a stable political settlement. This process was again interrupted by the period of UN administration and subsequent international assistance in which the mechanisms used severely curbed the ability of local actors to drive the process of strategic decision-making and policy formulation.

⁴⁸ Indonesian government insistence that they maintain responsibility for the provision of security, despite overwhelming evidence of violence and the military’s inability to and/or lack of interest in curbing it, demonstrated a serious failing in international diplomacy. However, according to one political observer “The general consensus among East Timorese and international diplomats at the time was that there would have been no agreement if there had been an insistence on armed international peacekeepers” (R17).

Conclusion

This very limited review of Timor-Leste's history serves to highlight its colonial past, the legacy of multiple occupations and the tenacity of the resistance movement. It also underscores the many schisms, identities and domestic interests within the territory. Portuguese preparations for a phased decolonisation process triggered positioning among East Timorese elites and the formation of political parties with divergent views of the country's post-colonial political arrangements. Propelled partially by external political interventions that capitalised on the discord within Timor-Leste's nascent political system, a violent civil conflict resulted in high numbers of casualties, thousands displaced and interrupted the process by which a domestic political settlement could be reached. That interruption arguably continued through the 2006 political crisis as a result of mechanisms employed by international development partners.

The strategies adopted to resist Indonesian occupation were contested within the resistance. In addition to those killed and tortured and who died of hunger and illnesses related to displacement, intra-Timorese disagreements and distrust led to Timorese perpetrated detentions and killings.

In 1999, the UN-administered ballot on the future status of East Timor resulted in overwhelming support for independence. Gusmão captured the impact of the years of resistance when he said: "the sense of freedom has a sour taste, not only because of what happened but especially because of the present expectations" (Gusmão 2001:5). The challenges of building a unified nation with a shared sense of purpose and direction were many. Although representatives from across all East Timorese political parties joined forces during the late 1980s and 1990s in a somewhat unified front through the CNRM and later the CNRT, these umbrella organisations masked the differences of opinions and distrust that existed among many who had fought from within the territory or from the Diaspora. There were also those who had benefited from the occupation and believed that the half-island could not survive economically without incorporation into its much larger neighbour.

When the international community arrived to support the reconstruction and state-building process, the many cleavages mentioned above were ignored in the belief that the only enemy of stability had fled over the border with the arrival of INTERFET troops. This was the first in a series of missteps that contributed to a state-building project devoid of

both national context and recognition of the necessity of an intra-East Timorese dialogue about the nature of the post-occupation political settlement and the resultant nature of the state, necessary to stabilise any consensus reached. That is, the Timorese required space and autonomy to control the resumption of the process begun prior to the brief civil war, which now would also require the incorporation of the dynamics of the resistance and the interests of those who benefited from the occupation.

The following chapter explores the factors that informed elite formation in the country including the impact of the occupation on divergent interests and expectations among the population. It examines the conflict dynamics present in the state-building process and how the mechanisms used by the international community resulted in policies that exacerbated tensions among the elites and distanced the population from the state.

Chapter 5 An Unstable Political Settlement: Internal and External Influences

Introduction

Modern conceptions of East Timorese national and political identity have been shaped by centuries of Portuguese colonial practices, Indonesian occupation, and a global anti-colonial discourse. In 1986, Xanana Gusmão reflected on the consequences of the interruption of Timor-Leste's nation-building trajectory by colonisation. In a message to the youth, Gusmão sought to create a historical narrative supportive of an indigenous nation-building process that had been interrupted on numerous occasions:

The historical identity of East Timor dates back to long before the arrival of the Portuguese. If it had not been for the intrusion of Portuguese colonialism, the people of East Timor would have followed their own path; they would have created a socio-political structure defined by the essence of one people and one nation. With the arrival of the colonists, this march was halted because the necessity of exploring [*sic*; exploiting] our wealth caused a war of pacification that put a stop to the struggles between the diverse kingdoms, each one wanting to take a position of ascendancy and domination over the others. The ascendancy of one of these tribes would have determined the formation of a great kingdom—the embryo of the Maubere Homeland! (cited in Kammen 2003:72)

The Portuguese colonial experience indeed raises an interesting paradox as the process of colonialism may have introduced the idea of nationalism and helped to foster national identity among the East Timorese. Benedict Anderson notes a similar phenomenon in former colonies where the political, institutional and economic structures introduced by the colonial experience worked to foster new communication between groups, eroded language barriers and thus began the formation of a national identity among formerly disparate peoples (Anderson 2006:52).

With particular regard to the Indonesian influence on the rise of East Timorese nationalism following the invasion, Anderson notes:

A profound sense of commonality emerged from the gaze of the colonial state. Indonesian power is infinitely more penetrating, infinitely more widespread, than Portuguese colonial power ever was. It is there in the smallest villages, and is represented by hundreds of military posts and a huge intelligence apparatus. Thus the consciousness of being East Timorese has spread rapidly since 1975 precisely because of the state's expansion, new schools and development projects also being part of this. (Anderson 1993:4)

Gusmão's references to the determinant nature of the colonial experience on the complex pre-colonial socio-economic and political relations of the island are in concert with historical documentation. Timor-Leste is a diverse society with more than a dozen

languages and a complex ritual structure has existed since pre-colonial times (Hägerdal 2006:49).

Between the eighteenth and twentieth centuries the Portuguese gradually expanded their trade in sandalwood and increased inland control in the form of head taxes and forced labour on coffee plantations. The Portuguese divide and rule strategy also resulted in various chiefs and *liurais*⁴⁹ benefiting from the colonial encounter as some were able to exchange money and slaves for imported luxury goods (Kammen 2003:75). While limited, Portuguese colonial rule had:

the support of the *liurais* who in the meantime rose within the colonial order to the rank of major and lieutenant colonel of the second rank! This first elite was basically made up of *liurais* and *datos*⁵⁰ who little by little submitted to the colonial yoke. This elite did not lose anything when it made a pact with colonialism. On the contrary, in addition to the powers which the traditional society recognised or was forced to recognise—judicial, administrative, military, etc.—new powers were conferred on them by colonialism. (de Araujo cited in Kammen 2003:75)

This chapter uses interview-based and historical evidence to examine how historical factors interacted with local institutions and shaped expectations of the role of the state at independence in 2002. The following sections explore the emergence of and differentiation among diverse social groups in Timor-Leste. The divergent experiences and expectations of these groups culminated in significant differences in their understanding of the role of the state and therefore of the anticipated social contract to be established after independence. The chapter analyses how the varying conceptions of the role of the state and the meaning of sovereignty within East Timorese society, the international community, and between them, influenced the policy responses and the structure of international engagement.

It is argued that the international community failed to adequately consider important divergences within East Timorese society. The potentially conflictual nature of socio-economic and power dynamics inherent in post-conflict nation-building was overlooked by the prevalent peace-building paradigm. The international community assumed that stabilisation of the security environment, establishment of democratic institutions and economic growth were sufficient to ensure the stability of the state-building process. It is

⁴⁹ A *liurai* is “a hereditary ruler, ‘lord of the land’... The *liurai*’s authority emanates from a social and political system that is guided by *uma lisan*. *Uma lisan* refers both to physical structures, literally ‘sacred houses’, but also to social structures that guide relationships between members and between the natural, social and ancestral worlds (Tilman 2012:192).

⁵⁰ “...head of a *suco*, who also holds a specific portfolio in the domain as an aid (*sic*) to the *liurai*” (Babo-Soares 2003:xvii).

argued that the international community conflated state-building with nation-building, the latter being much more contentious and less amenable to ‘technical’ solutions divorced from underlying political realities. Overall, the chapter explores how pre-independence power and group dynamics evolved into tensions and unfulfilled expectations during the first years of international intervention, thus setting the stage for the violent crisis in 2006.

Group Formation and Expectations

In 2001, 16 parties competed for power in the elections that would lead to Timor-Leste’s first independent government (Guterres 2006:45).⁵¹ While all parties campaigned on a ‘democracy platform’, the popular understanding and interpretation of democracy requires careful examination. Brown and Gusmão (2009) suggest, for example, that in the drive to transfer power to the East Timorese through the establishment of democratic institutions, the international community risked undermining social cohesion by not imagining a hybrid political system where governance models are informed by local customs, culture and experience. They note: “In East Timor, supporting state-building in the name of peace runs the risk of producing a state from which people feel alienated in fundamental ways. This may not prove to be a path to democracy, effective government, or peace” (Brown and Gusmão 2009:61-2).

The Constituent Assembly elections in 2001 raised questions for a population that had no experience with a genuinely representative national government. Voting behaviour was linked to individual interpretations of the past, preconceptions about the future and affiliations with party leaders and/or symbols employed during the campaign period. A member of the first government, for example, reflected that he joined his party because it was the party of his family.⁵² Others were loyal to parties not because of their political platform but because of the party’s activities during the resistance. As discussed in the previous chapter, political leaders also found support in geographical areas with familial ties.

Campaign slogans and party platforms from this period reveal the complicated relationship between past and present; identity, history and personality; notions of democracy,

⁵¹ The Constituent Assembly was charged with drafting the Constitution. As a result of budgetary and logistical constraints, combined with pressure on the UN to expedite its handover of power to the East Timorese, this Assembly was legislated to become the first national parliament upon independence in 2002 (Regulation No. 2001/2 of 26 February, Regulation No. 2002/3 of 23 March, and Regulation No. 2001/11 of 13 July).

⁵² Private conversation, 2006.

participation, rule of law and human rights; and how narratives and symbols of the past can be re-appropriated for political identity formation. There were, for example, disagreements over the design of the national flag due to its similarities to the Fretilin flag which some considered conveyed a message that independence was closely associated with one party and not with the nation as a whole. This was particularly of concern to those who felt they had suffered at the hands of Fretilin during the civil war and in the violent purges that took place during the resistance, as discussed in the previous chapter.

East Timorese returning from exile abroad often held views shaped by their experiences overseas (including exposure to liberation movements in Angola and Mozambique) and influenced by internal conflicts dating back to the 1970s. Members of the resistance and others who directly experienced the Indonesian occupation and its system of governance held views shaped by those experiences. Needless to say, whether returning from the Diaspora or having lived solely within the territory or even in Indonesia, no group is monolithic. That said, one can look to history and experience to inform one's understanding of preferences in the lead-up to independence.

The positions and perceptions of elites and other organised groups within society are of particular interest given their capacity to garner support according to kinship, patronage, and other personal or political allegiances. As noted by Khan, elite formation and its interaction with other political elements is an essential part of the evolution of a political settlement generally (Di John and Putzel 2009:4). Burton and Higley add, "Elite settlements are relatively rare events in which warring national elite factions suddenly and deliberately reorganize their relations by negotiating compromises on their most basic disagreements" (Burton and Higley 1987:295). This chapter explores the nature of elite and other group formation and the relationship between divergent groups within society.

In Timor-Leste, elites had backed a range of political parties in 1974-5 and held divergent positions during the Indonesian occupation. Those who grew up in the midst of the resistance were strongly influenced by the stories of the civil war and post-invasion periods while those born towards the end of the 1990s had a more limited awareness of these periods. Drawing on respondent interviews, personal archives, historical documents, journal articles and news media, the following sections seek to disaggregate political and social affiliations and expectations across diverse social structures in an attempt to shed light on popular and elite expectations of the independent state.

Elites: Traditional and 'Political'

Social structures in Timor-Leste today continue to be informed and shaped by relationships between the owners of land and/or animals, those with political and ritual authority and those who are descended from slaves. Ritual and political elites co-exist in East Timorese society and are often descendants of a limited number of families and clan groups. Reflecting on the intersection between culture, history and the democratic state-building process, a local businessman said:

In our struggle we defended our land, our culture, our forests; if we don't now defend our culture, our independence has no roots, no foundation. Many people come bringing their customs and ideas, but we also have customs and ideas. If we just follow other people, our independence has no principle, so who are we? If we...lose our roots, our road, we will have lost our identity...Now modern government leaders use traditional leaders at the grassroots to gain power. When they gain power, that's all (they no longer show respect to traditional leaders or practices)... (Brown and Gusmão 2009:63)

There is a close correlation between the privileges associated with traditional elites and political advancement. The urban elites⁵³ who sought to define the immediate post-colonial political transformation and subsequently led the resistance to Indonesian occupation were often⁵⁴ from *liurai* lineages and/or descendants from Portuguese lineages or spoke Portuguese (*assimilados*)⁵⁵ and so benefited from access to education and other privileges. Within this context, while urban political elites have maintained strong emotional and cultural ties with the traditional elite of their 'rural area of origin', it is not always clear that the interests of these two groups coincide. The Kota party, for example, re-established in 2000 by representatives from *liurai* families in all thirteen districts of Timor-Leste, was wary of Western influence and proposed a formal role for traditional elders. Some members advocated the creation of a constitutional monarchy overseen by a council of elders (Walsh 2001:14).

There is also a distinction between the leaders of the resistance who led from within the territory and those who led and supported the 'diplomatic front' from the Diaspora. Perceptions of the Diaspora (including refugees from the internal conflict and the invasion and subsequent violence) on the role and appropriate functions of a state vary according to

⁵³ Examples include Jose Ramos-Horta; the father of Nicolau and Rogerio Lobato; and Francisco Xavier do Amaral.

⁵⁴ Business people (often of Chinese origin) are a separate but equally relevant part of the elite structure.

⁵⁵ For example, Xanana Gusmão's father (Gusmão 2000:5). He was a teacher and therefore highly respected (R95).

the influences of and opportunities provided by exile in (mainly) Portugal, Mozambique, Angola and Australia, but they shared a vastly different experience of the resistance period from those who experienced occupation. Upon their return to the country following the 1999 independence referendum, several Diaspora members became instrumental in shaping the post-independence state. The prominent role played by the Diaspora was a source of grievance for many who believed that those who had suffered through the occupation were more entitled to positions of authority and job stability.⁵⁶

When imagining a stable political settlement, divisions within and between elites become relevant. Elites can be divided along urban/rural, political/ritual, Diaspora/internal, pro-autonomy/pro-independence lines, but with often overlapping identities. Historical documents discussed in the previous chapter suggest that urban political elites in the 1970s shared a vision of a proactive state that would ensure provision of education, health and economic welfare for the population. How to achieve the ideal state and how much to formulate its structure based on Indonesian, Portuguese or other models was a matter of great contention among the Timorese urban elite leading up to and after independence. Internal negotiations through formal political party mechanisms were aborted during the occupation and only resumed in earnest in the late 1990s. The process was, however, once again interrupted by the post-referendum violence and destruction and the establishment of UNTAET. In the event, the mechanisms used by the international community to deliver much-needed financial, technical and human resource assistance fundamentally shaped the state's design and severely limited the scope for political negotiations among Timorese elites and other important groups.

As mentioned above, the preoccupations of those working to establish the formal institutions of the state in the capital may not have always been consistent with the desires and expectations of rural elites who were embedded in a structure of informal institutions upon which society depended - particularly in the post-Indonesian governance vacuum. Informal institutions were of critical importance to public order and national identity: "Since the end of Indonesian rule, there has been a resurgence of customary ceremonies and gatherings, previously suppressed by the Indonesian military" with *liurais* taking responsibility for political matters and *datos* managing relations with the spiritual world of the ancestors (Brown and Gusmão 2009:62).

⁵⁶ Citing a member of CNRT, R72 explained: one of the great advantages Fretilin had was that when Indonesians interrogated people they tried to learn if they were really a part of Fretilin, "so this kept it alive in people's minds" and when people started to return from the Diaspora, they found the grassroots organisation still existed.

A distance in perspectives about the role of tradition in the new state thus arose from the renaissance of traditional customs in rural areas and the desire to construct a ‘modern’ state along the lines of European parliamentary democracies in the capital. This tension also existed within the urban elite who continued to respect traditional authority and informal institutions while simultaneously aiming to adapt to or adopt ‘modern’ practices. For example, some high-ranking government officials, while keen to maintain traditions and highlight the importance of East Timorese cultural identity, suggested that the state regulate the amount of money spent on traditional ceremonies associated with lifecycle events.⁵⁷

New Elites: Veterans, Clandestinos and the Gerasaun Foun

During the resistance era, a new elite began to emerge from within the corps of the armed resistance and clandestine movements. Unlike monarchical and other inherited positions of power, the new elites assumed recognition and status based on services rendered in the name of the struggle. While many of these natural leaders came from traditional elite families, it was also the case that membership in the resistance was far less exclusive. Indeed, there was an expectation that everyone should contribute according to his/her capacity. In 1986, for example, Gusmão asserted that: “participation in the struggle for national liberation is a moral duty, and above all it is a political and historical obligation” (cited in Kammen 2003:72).

The armed resistance and clandestine fronts thus had a coalescing effect across social groupings, in that there were no barriers to entry, even though the control and command decision-making structure was far from participatory. The resistance brought together, if only through necessity, a variety of groups, including women, who were encouraged, and at times compelled, to contribute to a common cause. As Pinto notes, “everyone who engages in the struggle for liberation is a member of the resistance. In this sense, the vast majority of the East Timorese people are members of the resistance” (Pinto and Jardine

⁵⁷ Belun reported that ritual exchange could be “incredibly beneficial for the economic life of the community, as families come together for joint labor such as work in the rice fields or the building of houses. The *barlake* system is meant to offer a means of sharing one family’s resources with another through the exchange of livestock and other material goods. It also forms an integral and inherent social support system between families, particularly as additional resources are required when family members pass through significant milestones in their lives. While the requirements can sometimes be challenging for the families that are obligated to provide support, it is often greatly appreciated by the recipient family. However, research conducted in all 13 districts revealed that in reality, *fetosaa-umane* obligations can often place excessive economic burdens on families, depriving them of opportunities to allocate resources for improvement of their livelihoods” (Belun 2011:18).

1997:97). Consistent with Hirschman's perspective discussed in Chapter Three that conflict could have positive consequences, resistance to Indonesian occupation actually provided a vehicle for greater intra-East Timorese cohesion.⁵⁸

Veterans of the resistance and members of the clandestine front form a considerable percentage of today's adult population in Timor-Leste. It is difficult to find a person above a certain age who does not claim to have been a member of either the Falintil guerrilla force or a clandestine agent, who hid, fed, clothed, financed, sent messages to and from the guerrillas in the mountains, or simply sympathised with the cause.

Unfortunately, while the narrative of national unity and common pursuit of victory was constructed by political leaders as a strategy to persuade greater international engagement on the question of Timor-Leste, beneath the rhetoric questions about collaboration, self-interest, role in the internal purges and sacrifice continued to affect perceptions of national unity and social and power relations. Society was severely tested during the years of Indonesian occupation; relationships were strained as survival became paramount. The clandestine structure was intentionally fragmented and information shared on a need-to-know basis in order to limit damage caused by arrests. Pinto notes: "there was no centralized network for all the underground groups. Each had its own connections, with David Alex, Maun Hudo, Xanana Gusmão, or other guerrilla fighters in the jungle" (Pinto and Jardine 1997:98). Moreover, while individuals worked to gather information for the Falintil forces, they may have had to perform duties for the Indonesian forces. It was certainly the case that in order to gain the trust of the Indonesian regime, would-be informants committed offences, both major and minor, that they may have deemed a necessary price to pay in support of the larger goal of independence.

A number of deponents in the CAVR hearings made it clear that they had no choice but to join paramilitary units or become informants for Indonesia despite being supporters of Fretilin and/or Falintil (Kammen 2003:82). Indeed, as is the case in other conflict-affected states, the question of who 'qualifies' as a legitimate veteran remains highly contentious. Kriger notes that the question of veterans has been critical to the political settlement in Zimbabwe, adding: "Since independence, veterans, other liberation war activists, the media, and the party have used a discourse about who is an authentic veteran as a political

⁵⁸ The Indonesian regime also mandated that the East Timorese adopt a formal religion, which in turn led to widespread conversions to Catholicism and the adoption of Tetum as the "lingua franca" throughout the territory. This further led to a shared national identity and sense of otherness from the Indonesian occupiers (Anderson 1993:4).

weapon” (Kriger 2003:192). CAVR’s final report “presciently warned that ‘the deep divisions in our society from 25 years of conflict, and the violence which entered East Timorese political life in 1975, remain a potential stumbling block to the development of a sustainable culture of democracy and peace in Timor-Leste’” (Nevins 2007:164). This playing of both sides resulted in lost trust among members of society who may not have realised the true intentions of the perceived or actual collaborators.

There were others who, for a variety of reasons, were sympathetic to the Indonesians or simply found that relationships with Indonesians served their private interests whether or not they were politically aligned. According to Gunter, Fretilin imprisoned and executed non-Fretilin *liurais* and other elites from Uatolari who had backed Apodeti. After the Indonesian invasion, the population of the district sought refuge on the slopes of Mount Matebian and survived in large part on buffalo owned by the same Uatolari clans that had been affected by the purge, thus increasing the already strong sense of victimisation among this group. Gunter added, “When the civilian surrender and descent from Matebian occurred in late November 1978, these ‘victimised’ Naueti leaders suddenly found themselves able to reap the benefits of their political alignment with Indonesia, in terms of mobility, educational opportunity and jobs” (Gunter 2007:36). These privileges lasted through the remainder of the occupation.

Gusmão also spoke of the impact of the Indonesian military tactics and strategy on the mentality of the youth and how this would prove a very significant challenge in the post-occupation era. The Indonesian military created opportunities for young people to join martial arts groups and paid others to provide information on the activities of the resistance. These practices were allegedly repeated during the 2006 crisis but with new political objectives. One former member of government alluded to the practice of paying young people to demonstrate and otherwise advance political objectives and noted that violence in 2006 was “orchestrated and organized”, adding that after the crisis the agitators were rewarded: “Let’s say that the merchants of conflict are no longer jobless” (R38).

According to Kammen the social background of East Timorese informants and militia members from the resistance period is unknown. That said, there is some evidence to

suggest that some of the recruits, particularly in Lautem and Liquiça,⁵⁹ were descendants of slave labourers or other less privileged classes. Adding to the complexity, Kammen adds:

In the course of community reconciliation processes in 2002-2003, a number of deponents have argued that they cannot simply discuss their involvement as militia members in 1999, but instead must begin with 1975. They explain that during the late 1970s they had been “Fretilin” or even members of FALINTIL, but following their surrender they were forced to participate in paramilitary organizations or become informants for the Indonesian military. In other words, they are arguing that the phrase “militia member,” used to tag an individual, is not necessarily synonymous with “pro-autonomy” or “traitor”. (Kammen 2003:82)

Among the youth there were also those who performed a critical service for the independence movement inside and outside the territory. This group of youth formed their own martial arts and ritual groups to counter Indonesian-backed groups, defend their neighbourhoods and support the resistance.⁶⁰ It was the young people of this generation that coordinated risky demonstrations during foreign delegation visits to Dili, including the demonstration after the Pope’s Mass in 1989. The *gerasaun foun*, or new generation as it was called, was responsible for organising the march that ended with the Santa Cruz massacre, a turning point in the struggle as already noted in Chapter Four (Jolliffe 2011). Jolliffe notes that many of these young organisers were arrested and tortured by Indonesian forces. Commenting on the *gerasaun foun* she adds “...they spelled doom for military planners in Jakarta who realised that all attempts to indoctrinate the younger generation had failed and that a second generation of resistance fighters would replace the old” (Jolliffe 2011).

Kohen concurred: “The Indonesian Army could contain the relatively small number of guerrillas left in remote areas, but the young people were something else entirely” (Kohen 1999:151). Benedict Anderson recalled discussions with senior members of the Indonesian security forces in the late 1970s in which they assured him that the situation would be under control in a matter of weeks. These officers could not imagine that a new generation, with no memories of the Portuguese colonial experience, and who spoke Bahasa Indonesia, would continue the struggle of their parents’ generation (Anderson 1995:137).

Those fortunate enough to study at Indonesian universities joined forces with a growing human rights movement in Indonesia and began campaigning to raise awareness of the

⁵⁹ Liquiça was known for the use of forced labour on coffee plantations while Lautem is the only district in Timor-Leste to have a caste system.

⁶⁰ These practices were also resuscitated during the crisis; neighbourhood watch groups were established and martial arts groups used to defend territory, markets and personal honour, for example.

East Timorese plight. These young people strongly identified with the independence movement and were part of the vanguard of activism against the Indonesian forces.

Youth began appearing as a demanding stronghold [through the 1980s and 1990s]. The youth resistance organization was ... more or less unified and their activities reached a peak with the events of 12 November 1991; a massive demonstration with an extraordinary political and diplomatic impact...It is important to recall that more than one third of the population died during these years [1975-1999] caused by bombardments, bullets, hunger, disease and massacres, often perpetuated in collective acts, and the majority of this one third were adults. The youth appeared then, in the eyes of the invaders, as the most dangerous segment of society. (Gusmão 2001)

Despite their contributions to the resistance, the *gerasaun foun* felt increasingly sidelined after independence. This sense of disenfranchisement can be linked, *inter alia*, to the government's implementation of the new language policy in Timor-Leste. "The choice of Portuguese [as an official language] raised fears of their exclusion from symbolic sources of power and cultural identity in an independent East Timor" (Leach 2008:145). Educated in Bahasa Indonesia, many of this generation could not speak Portuguese, one of the two designated official languages.⁶¹ Jolliffe explains:

The alienated Santa Cruz generation has difficulty adjusting to the rapid social change underway in the land they fought to save. They see a large foreign community which works for the public good on the one hand—and for this is welcomed by the average Timorese—but contributes daily to the systematic degradation of its cultural heritage on the other. (Jolliffe 2011)

The young supporters of independence found it difficult to secure jobs in the internationally mandated streamlined civil service. As will be discussed in Chapter Eight, those that led resistance-oriented organisations to counter occupation also had to decide how to refocus their energies now that their goals had been achieved.

Despite the internal divisions discussed in the previous chapter, veterans and *clandestinos* carried great expectations into the post-occupation era. Given the suffering endured during the occupation and the promises given of rewards for the sacrifices made, this group believed that independence would deliver a better life for them and the generations to follow. One East Timorese serving in a prominent position in a state institution recalled:

One of my uncles used to tell the elders, 'One day if we get independence, you won't have to dress like that or sit on the floor anymore. You will be the ones who'll rule', and those sorts of things...But once we live in reality and find things are different, you become so demoralised...People thought that after independence we will get our hands on oil and it will be easy to sell our coffee. People say Arabic

⁶¹ Tetum is the second official language. Bahasa Indonesia and English are working languages.

coffee is the best in the world so we will get a lot of income and we will all be rich. We will have our own car and a good house. Even my dad told me that. (R76)

Once independence was achieved many of the youth of the resistance continued to identify themselves as such well into the first few years of independence. In Timor-Leste, the term 'youth' (*jovem*) is used to categorise people well into the (physical) age of adulthood. Adulthood in Timor-Leste is not defined strictly by age, but rather is inclusive of one's social position. This categorisation is internalised by individuals and in the case of the *gerasaun foun* is also related to a feeling of 'not yet coming of age' in the new state and related social structures. For the purposes of this paper, this stratum of society is strongly associated with the 'new elites', along with veterans and *clandestinos*.

Any post-independence political settlement needed to consider how these new elites would be integrated into a social framework and how past actions were to be reconciled with new political realities. The pursuit of a stable political settlement would require the replacement of the international community's concerns with 'youth unemployment', based on preconceived and rigid notions of 'youth', with an approach sensitive to the youth's interaction with the political and economic system.

Children of Independence

In 2001, "about 48.1% [of the population was] below the age of 17" (Planning Commission 2002:18). Young people with little or no memory of the occupation comprise an increasingly relevant group within Timor-Leste. As Respondent 78, a prominent journalist, suggested, many of the younger people fail to understand how the struggle was won, the sacrifices made and what people had to do to achieve independence. For many young people today, democracy is about rights to do as one pleases and independence about jobs, money and opportunity. According to a representative from a local NGO, "kids also threaten their parents because in a democracy [they think] 'I can do as I please'" (R32). A government official from Vemasse, commenting on perceptions of democracy in Timor-Leste, said: "Now we are living in a democracy. Now people throw stones or hit someone or even try to kill the President and say that 'this is democracy'" (cited in Brown and Gusmão 2009:65).

For the young people, increasingly exposed to a materialist culture through, for example, Indonesian media and the presence of well-paid international staff, democracy seems to have become associated with consumption and entitlement. What many young people

'know' is that they fought for independence and won. Now, they question the rewards of that victory and beyond that, whether the victory has brought about the promised stability, peace and associated wellbeing.

Young and often unemployed men were the principal targets of mobilisation during the 2006 crisis. Complicating the capacity to exert parental or traditional control over this demographic was their participation in sacred and martial arts groups that build on a desire for security and belonging. In the context of rapid youth rural-to-urban migration after 1999, group membership served to create a sense of belonging, these new informal institutions replacing and eroding traditional authority in urban areas.

Sacred or ritual groups are built on the myths of local legend and many believe these offer protection and spiritual advancement. Martial arts groups were formed as early as during the Portuguese administration. That said, they are now normally associated with the Indonesian era during which, as mentioned above, several were formed as a quasi-militia supported by the Indonesian military. Others were organised around an independence agenda. Scambary writes:

...there are 15–20 martial arts groups in East Timor, with registered members estimated at around 20,000 and unregistered members at around 90,000. One study has estimated that as many as 70 per cent of East Timorese males are members of martial arts groups, including members of the police, army and political and economic elite. (Scambary 2009:271)

These myriad groups often provide a vigorous response to conflicts that may initially be of a very personal nature as they rely on the principle that any attack on a member is an attack on the group. In moments of a security vacuum, as in the 2006 crisis, it was these groups that often mobilised at the village or sub-village level to provide very localised 'security'.

In 2001 it was estimated that the unemployment rate stood at 30 percent of the urban population. Open unemployment, a recent phenomenon, among young people between 15 and 21 exceeded 16 percent (Planning Commission 2002:18) and these figures deteriorated after independence. While, as Cramer argues: "there are no grounds empirically for the commonly made claims that there is a strong, automatic causal connection from unemployment, underemployment, or low productivity employment to violence and war" (Cramer 2010:2), the position of young people and their perceptions of not-belonging were important factors in shaping the evolution of the political settlement in post-independence

Timor-Leste. Examining the complexities around unemployment, masculinity and stability

Cramer notes:

The wider features of structural change, social institutions (including police and family), and ideologies of race and masculinity may be more important than unemployment per se. Or rather, these are the ecological context within which employment and unemployment experiences have to be understood. (Cramer 2010:12)

In this regard, questions of urbanisation, youth unemployment viewed from the context of belonging, identity, and relationships between the modern and the traditional are of relevance to conflict dynamics in Timor-Leste. Contrary to Cramer's view, the international community tended to assume a simple, causal and linear relationship between youth unemployment and instability.

While the social categories described above were fluid, evolving over time in response to changes in the internal and external environment, they are nonetheless useful. They shed light on important social dynamics and allow an evaluation of how background, socio-economic and political positions informed individuals' perceptions of place and allegiance within an independent state.

Independence: Signs of Disenfranchisement and Distress

In 2001, Gusmão expressed his concern that social, political and economic disenfranchisement, particularly among the youth, could be used by disgruntled groups to incite violence (Gusmão 2001:6). One hundred days after independence, he requested patience from those who wanted to create a "crisis" and from the population-at-large who were not satisfied with the pace of change and he outlined an extensive list of requirements that the state needed to fulfil to address popular frustrations (Gusmão 2002:1). He was concerned about popular perceptions that the state and its institutions were detached from the daily struggles of the population. Gusmão identified the lack of popular involvement in decision-making and the inability of the state to provide assistance to its citizens, particularly in remote rural communities, as key in creating what he perceived was the discontent of citizens with the state. The president noted the slow pace of development and the need for all state institutions and representatives to better serve the people.

Respondent 101, a member of the *gerasaun foun*, reflected on Gusmão's position at the time and suggested his criticism of the pace of development was a demonstration of solidarity with the people who felt conditions were worse after independence. The respondent also

highlighted popular perceptions that independence had merely brought well-paid international staff to the country while the local people were “knocked by the reality that [conditions were much] harder than what people were expecting”. He added that it was at this time that some people in rural areas started illegally supplementing their meagre incomes by collecting money through makeshift roadblocks. Gusmão’s remarks reflect the frustration felt by many with the new government as it itself faced substantial challenges with very limited resources. Respondent 101 noted: “we were pushed to a certain point where we couldn’t do much, only knowing that expectations are mountainous compared with the resources available”.

On 28 November, 2002, during a ceremony to commemorate Timor-Leste’s first declaration of independence in 1975, President Gusmão “attacked East Timor’s politicians, condemn[ed] the inefficiency and corruption of the Fretilin-dominated government and demand[ed] that the Internal Affairs Minister, Rogerio Lobato, be sacked” (Jolliffe 2002a).⁶² The Associated Press reported Gusmão as saying during the same event: “Even though we are free, we are still dependent on wealthy countries” (Belo 2002). The notion of dependence on foreigners despite formal independence continues to resonate and was mentioned as cause for concern by many respondents when discussing the 2006 crisis.

Underscoring the time-frame required and complexities inherent in promoting development and eradicating poverty, former prime minister Mari Alkatiri would later argue in an interview with the author that “even from the top level they could not understand that although we had elections for parliament and for president, and had a government, in reality we didn’t have the state as an institution.” Frustration with the capacity of the state was compounded by the competition it faced from informal institutions associated with the resistance and local traditional order. Reflecting on Gusmão’s remarks, Alkatiri added that his impatience was evidence that even “he [Gusmão]...did not know how to combat poverty; he thought we can do it through a miracle.” The president’s remarks, however, served to highlight tensions and distrust among the leadership that would increasingly be a source of instability leading up to the

⁶² Timor Post and STL news archives from 3 December 2002 also reported Kota MP Tilman supporting the President’s call for Lobato’s replacement. In a separate article on the same day, the Social Democratic Party president also argued that “Mari Alkatiri must take into consideration the critical remarks made by President Gusmão about the government, especially in regards to MIA [Minister of Internal Administration], Rogério Lobato in order to resolve some of the problems and avoid a crisis.” Bishop Belo agreed that the government should seriously consider acting on publicly reported concerns. In January 2004 Prime Minister Alkatiri restructured the government, handing responsibility for internal administration to Ana Pessoa. Lobato, however, retained control over the police force (personal archive).

2006 crisis. The president's continued leveraging of the old resistance networks (R1) served to maintain high expectations and perhaps antagonise this constituency and propel it to further distrust the state.

Gusmão's November 2002 remarks can best be understood when considered within the context of growing disaffection among those who were not experiencing the anticipated peace dividend. While the international community continued its business as usual, supporting the formal institutional development of the state and funding *ad hoc* development projects across the country, internal political developments were increasingly fraught. As will be discussed in Chapter Six, the international community continued to act on the premise that institutional strengthening, democratisation, and economic development would be sufficient to ensure stability and peace. It thus largely ignored the increasingly conflictual dynamics of the country's evolving political settlement. Indeed, the structure and operation of the mechanisms used by the international community to pursue its development objectives, rather than alleviating the above-mentioned pressures, limited the space available for Timorese stakeholders within formal institutions and thus constrained the local construction and adaptation of the emerging political settlement.

Feelings of disenfranchisement and disaffection were not solely linked to the lack of economic opportunities *per se*. As seen above, tensions arose from a disjunction between the imagined pre-independence state and its post-independence reality. The creation of the nation's armed forces and police, institutions of important symbolic value, were also sites of intense contestation.

As mentioned previously, Falintil was popularly credited with the victory over Indonesia and was thus a highly respected institution. The UN administration, following its regulations concerning its relationship with armed movements, required the cantonment of the armed resistance prior to its demobilisation, leaving many former fighters feeling demoralised and disrespected. The demobilisation process was implemented by the International Organization for Migration (IOM) through the Falintil Reinsertion Programme (FRAP). The programme sought to address the potential destabilising impact of disgruntled former guerrilla fighters by providing a reintegration package to those who were not selected for, or opted not to join, the country's new defence force, the *Falintil-Forças de Defesa de Timor-Leste* (F-FDTL). The name of the new defence force is evidence of the symbolic value attributed to the Falintil and exemplifies the intra-East Timorese

struggle to accommodate the construction of an acceptable narrative of the resistance adapted to the new formal structures of the state.

FRAP beneficiaries received \$500 and reintegration support. In addition to the unpopular cantonment measure, the selection processes used for integration of former guerrillas into the F-FDTL and for participation in FRAP were early causes of discontent. Citing Rees, Scambary notes: “Chief among the complaints made about this process was the appointment to the F-FDTL High Command of loyalists to ex-FALINTIL Commander, and then national President, Kay Rala ‘Xanana’ Gusmão (popularly known as Xanana). The F-FDTL selection process was equally contentious” (Scambary 2009:268). Rees adds that the F-FDTL selection process was influenced by personal relationships, loyalties, and ideological differences, thus resulting in the exclusion of hundreds or thousands depending on how Falintil members are counted (Rees 2004:48). Only 650 Falintil fighters were selected to form the first battalion of the F-FDTL (Scambary 2009:268). This is a low and contentious figure given that people joined the resistance at different times, served in a range of capacities and, as noted above, a significantly higher number of people believed they had contributed in various ways to the resistance.

Meanwhile, some former Falintil fighters were neither recruited into the new military force nor demobilised through FRAP. Budgetary and other constraints meant that many who thought they were eligible were not included in the list of FRAP beneficiaries compiled by the Falintil High Command (Rees 2004:48). “It can certainly be argued that this was not just about money and jobs but about people wanting symbolic recognition for their contribution to independence” (Scambary 2009:268).

The importance of the discontent generated by the processes described above was evident in the attempted co-optation of disgruntled former guerrillas and *clandestinos* by groups vying for power and support. Between 2001 and 2003, for example, Rogerio Lobato periodically mobilised disaffected veterans to undermine the F-FDTL. “[M]arches were a thinly veiled threat by Lobato, that he could mobilise large numbers of men if he was not given a share of political power.” The association of ex-combatants led by Lobato also became a focal point for activism against the UN and the UN police (Rees 2004:23, 50, 52).

Concerned with maintaining internal security, the UN focused its attention on the establishment of a national police force. In response to the perceived lack of experienced

non-Indonesian-era East Timorese police officers, the UN took a pragmatic position on police recruitment. Together with the CNRT, it vetted former Indonesian-era officers for human rights abuses and established that many had clandestinely supported the resistance prior to recruitment. The new police force eventually recruited 370 ex-Indonesian police force (Polri) officers out of an initial 2,000 recruits (OHCHR 2006:57).

Despite the precautions taken and justifications provided by the UN, the recruitment of ex-Polri to mainly senior positions in the new East Timorese police force (including chief of police) caused anger among many who felt that it was an injustice for Indonesian-era ‘enforcers’ to be given scarce jobs and positions of power (Rees 2004:52; Rees 2003:1). A senior government official compared the UN placing Indonesian-era police officers in the newly established PNTL, as “equivalent to rebuilding the police force of West Germany after WWII by putting Nazis in there” (R61). The Portuguese national news agency reported that Minister Lobato also criticised UN recruitment criteria adding: “priority should be given to former nationalist guerrillas, rather than to officers who gained experience under Indonesian occupation” (Lusa 2002). The same report added that Prime Minister Alkatiri associated Lobato’s comments with a subsequent attack by former guerrilla fighters and others on the Baucau police headquarters. As discussed in Chapter Three, when external commentators and academics cite international complicity in the 2006 crisis, it is often with regard to the nature of international interventions in the security sector (Wilson 2010:155; Nixon 2008:268).

As mentioned above, the president called for Rogerio Lobato’s resignation for allegedly orchestrating demonstrations against the police and the military in May, August and November 2002,⁶³ and for inciting violence against police throughout the districts (Rees 2003:1-2). Supported by Lobato, disenfranchised veterans had led the charge against what they perceived to be the UN’s neo-colonialism and the lack of recognition of veterans in the newly established defence and police forces.⁶⁴ They were also frustrated by the perceived lack of tangible benefits resulting from the internationally-led development process.

⁶³ Demonstrations corresponded with the restoration of independence (May), Falintil Day (August) and the commemoration of the 1975 unilateral declaration of independence (November).

⁶⁴ Rees contends that: “UNTAET (and the international community) must assume a significant amount of the blame for this situation having overseen the recruitment into these institutions. Moreover, it failed to provide for, or at least to insist upon, adequate bureaucratic support for, and civilian oversight of, the F-FDTL and PNTL” (Rees 2003:2).

On 4 December, 2002, only a few days after the president's speech, riots broke out in the capital triggered by the attempted arrest of a university student by the national police (Jolliffe 2002b). Rioters burnt down the largest Australian-owned grocery store, Hello Mister,⁶⁵ before proceeding to burn the prime minister's house and two other of his family's properties (The Age 2002). A hotel and the local mosque were also damaged during the riots and two students were killed. Two commissions of inquiry were established to investigate the event. Relating to the violence, the Associated Press quoted Agio Pereira, Gusmão's chief of staff, as saying: "the new government is working hard to build a state structure and achieve political stability.' Yet he acknowledged that the euphoria of independence has not been matched by economic achievements on the ground. 'Sometimes people's expectations are too high'" (AP 2002).

The riots were remarkable in that they were the first post-independence mass demonstration in the capital that also involved looting, burning and loss of life. Some speculated that the events did not reflect a spontaneous eruption of anger but rather were orchestrated by political agitators in an effort to destabilise the government. One government official was quoted at the time saying:

Last week's violence shows there is deep resentment towards the Prime Minister and we cannot just dismiss it...If the Prime Minister insists on staying, I don't think this is going to stop. The problem for Fretilin is that it needs to find a more consensual and competent person, but there is no obvious alternative and Alkatiri is determined to fight to hold onto the job. (The Age 2002)

The official indicated that there were deep divisions within the ruling party including between the returning Diaspora and those who had remained behind to fight and suffer. Scambary also notes that *Sagrada Familia*,⁶⁶ the quasi-religious sect active during the resistance and led by ex-Falintil commander Cornelio Gama (more commonly known as L-7), "rejects the government's legitimacy and has said that a new civil war is possible". (Scambary 2006:13)

⁶⁵ While not substantiated, rumours at the time suggested that Hello Mister was targeted because it symbolised the perceived excesses of the international community and disparity in wealth between foreigners and local citizens. The riots also occurred at the time of tense Timor Sea boundary negotiations between Timor-Leste and Australia, which would have significant implications for the future distribution of petroleum revenue. A senior diplomat present in the government palace just a few feet away from the demonstrations provided an alternative theory: "I think it was more of an opportunistic target which happened to be near the epicenter of the original disturbance. Hotel Resende next door, which had no Aussie connections, was also burned" (R17).

⁶⁶ R50, a veteran and responsible for establishing *Sagrada Familia* networks in selected areas described it as "part of the resistance struggle for independence even in Oecussi... This [structure from the city to the villages] enabled us to send money and messages to the jungle."

Others used the event as a reminder of the disenfranchisement of the youth and the extreme poverty afflicting the nation, highlighting the continued need for development partner support to the fragile nation.⁶⁷ Sidney Jones, then Indonesia director of the Brussels-based International Crisis Group (ICG), stated: “There’s no question that a place with 80 per cent unemployment is a tinderbox...But it’s not just a lack of opportunity and a lack of jobs. There are a lot of political grievances in East Timor that are rooted in the past” (AP 2002). The UN’s legitimacy was called into question as it was unable to control the rioters, despite its overall responsibility for security at the time.

Respondent 76 claimed that the students who initiated the protests had no intention of burning down properties in the capital, expressing the unverified but common perception that ‘outsiders’ took advantage of the situation to protest against the government and, in particular, the prime minister. The findings of the commissions of inquiry have never been released to the public, leaving many to speculate on the rationale for the selection of the rioters’ targets and about the political nature of the events. In addition to perceptions that the political opposition orchestrated the civil unrest (Teixeira 2013:3), targets were associated with “symbols of the government leadership and their foreign partners—the UN and Australia” (Molnar 2009:115). The UN Secretary-General described the protesters as being “manipulated by elements that directed those involved to targets that were apparently selected to undermine the authority and legitimacy of the Government”. (UNSC 2003:2)

One sub-district administrator reflecting on the 2006 crisis noted: “We could see that even before the 2006 crisis, tensions were increasing that could cause a bigger crisis. No solution was found for those issues. People did not sit together to try to resolve them” (R24). The respondent listed a number of events: the 2002 riots; 2004 veterans’ march and the 2005 anti-government Church-led demonstrations. These incidents coincided with the gradual

⁶⁷ The riots occurred only days before the scheduled Timor-Leste Development Partners Meeting (TLDPM). According to the meeting minutes the president reminded the delegates that whilst this phase of the development process in Timor-Leste was only three years old, “expectations however have existed for two decades and have been intensely experienced since the end of 1999”. At the meeting the prime minister informed development partners that of the 300 special advisory posts required, only half had been funded, with consequences for the delivery of services throughout the country. Development partners all acknowledged myriad challenges facing the state, particularly in terms of service delivery, employment generation and institutional capacity building, highlighted the importance of veterans’ issues, echoed Gusmão’s call for a national dialogue and provided an overview of what they were doing to assist the state in the development process. Remarkably, the Minister of Finance “announce[d] the Government’s achievement in reducing the 2002-03 Budget... The Minister explained the donor pledges for the 2002-03 Consolidated Fund of East Timor (CFET) Budget [were] revised from \$35.4m to \$29.3m. Consequently the Government...reduced the CFET Budget and associated expenditures by \$3.5m to \$74.2m... whilst maintaining an overall “core budget” of \$70m.” (RDTL 2002b)

downsizing of the UN presence and a reduction in international economic support to the country. Respondent 24 added: “The link between all the incidents was that no solution was found for each issue. Only temporary solutions were found until the big crisis emerged.”

Whereas for many of the foreigners working in Timor-Leste, the risks to instability were perceived to originate from West Timor (R17), for many East Timorese distrust among the East Timorese population was considered an equally serious threat to national unity even after independence (Respondents 18, 80, 1).⁶⁸ The 2004 CICR conflict assessment found, for example, that “*mistrust, lack of shared experiences, and weak social cohesion* between and among communities” [emphasis in original] (Cutter et al. 2004:6) were contributing to the conflict dynamics in Timor-Leste and required attention.

The 2002 riots revealed signs of deep-seated trauma that were largely ignored by the international community⁶⁹ and that would resurface more acutely during the 2006 crisis. Dr Rui Araujo, the first minister of health and the son and brother of former political prisoners, clearly linked contemporary challenges in the country to a legacy of violence and trauma. During a speech on the International Day Against Torture, he highlighted the continued prevalence of violence in Timorese society and that it was commonplace in the home, schoolhouse, and Church and “underlined the need to break a vicious cycle of violence passed generationally” (Jolliffe 2008:1-2).⁷⁰ The head of a district-based NGO concurred: “There is violence from the culture, the economy. We are born into violence. We see it everywhere, including in the family” (R23).

According to reports of the UN Secretary-General to the Security Council, the number of significant and violent incidents gradually increased between 2002 and 2005. In particular, a number of violent incidents were reported throughout the period that reflected both increased criminal activity and posturing between groups seeking to assert their political preferences in the context of the new state structure (UNSC 2003:3). Periodic incidents

⁶⁸ In my eight years working in Timor-Leste the issue of intra-Timorese mistrust was raised frequently and in connection with the fear of renewed violence given perceptions that grievances remained unresolved and were being compounded by the development process.

⁶⁹ A November 2000 national psychosocial needs assessment found that “97% [of] respondents...had experienced at least one traumatic event” (AP 2002). Despite this, only two organisations were explicitly mandated to work with victims of torture and others suffering from trauma. The Living Memory Video Archive project interviewed 52 former prisoners and torture victims and contains an oral history from the occupation that would otherwise be lost. “The ex-political prisoners’ association ASSEPOL reckons their current number [of victims of torture] at 10,000, but this is an informed [and probably low] guess” (Jolliffe 2008:2).

⁷⁰ Personal copy (page numbers not from book).

between the police and the armed forces escalated in 2004 when on 16 December, 2004 twenty armed soldiers attacked a police station in Dili (UNSC 2005:2). Conflict between martial arts groups also became a concern, leading the president to mediate a dialogue between rival groups and the state which led to the signing of a peace compact between factions. The efforts of the president illustrate the important role played by ‘informal’ institutions and systems during the period of transition to the modern parliamentary system in which international development assistance was anchored. The period saw several protests by veterans, one of which was dispersed by the police using tear gas (UNSC 2004:1). Conflicts on the border also caused increasing concern, leading on one occasion to an exchange of fire (UNSC 2005b:8). Violent conflict erupted between armed groups while *ninja*⁷¹ groups led night-raids, stealing property and burning homes. CPD-RDTL⁷² continued to call for a reversion to the 1975 constitution and an end to the UN presence, at times joining forces with *Sagrada Familia*. For many of the smaller disenchanted veteran groups, the memory of the self-sustaining communities or *bases de apoio* was an ideal worthy of reconstitution (R98).⁷³ These groups, among others, argued that the new state should have respected the past structures and founding documents. While the Secretary-General of the United Nations (UNSG) reported the myriad security related concerns to the Security Council, these were framed as isolated incidents not comprising a significant threat to overall national stability and he consistently described the situation as calm and stable.

In 2005 the Catholic Church organised convoys of protesters from the districts to the capital. Nominally protesting the government’s policy to make religious education in state schools voluntary, the protests revealed more than just a frustration with the education system.⁷⁴ Despite most senior resistance-era Fretilin members identifying as practicing

⁷¹ The label ‘ninja’ was initially used to describe Indonesian-era masked gangs associated with paramilitary and intelligence gathering operations (CAVR 2005:118). Attacks by ninjas were also reported to police after independence. One international political adviser speculated that the police could have fabricated the ninjas in order to mobilise a police response and thereby demonstrate the presence of the state that was otherwise absent in rural areas (R17).

⁷² The Council for the Defense of the Democratic Republic of Timor-Leste (CPD-RDTL) was founded in 1999 and promoted the view that Timor-Leste had been independent since Fretilin unilaterally declared independence in 1975 and the state should have adopted the original constitution, flag and other national symbols. CPD-RDTL opposed the UNTAET administration, boycotted the elections and did not consider Fretilin members returned from the Diaspora legitimate representatives of the people (Scambary 2006:12).

⁷³ One East Timorese diplomat speculated that the imagined ethos of the *bases de apoio* may continue to resonate particularly within the older generation because after this period people became isolated from each other and the resistance networks went underground. It is possible that the bases remained powerful in people’s memories because it was the last time people openly shared a political strategy (R110).

⁷⁴ The Church felt it was being sidelined in the newly independent state and feared that secularizing tendencies were on the rise, including access to contraception. The prime minister was chastised for suggesting that three percent population growth per year would render all other development efforts to have been “in vain” (Alkatiri 2006:3). As R16 noted: “There was a lot of misinformation. People did not know that the government paid for church teachers... it was hard because few people read, it was hard to get materials

Catholics, there was a tension between the perceived colonial interests of the Church and personal religious practices. During the 1970s, Fretilin's policy was to encourage freedom of religion within the context of the separation of Church and state (Hill 2002:134), a strategy adopted in order to seek a nuanced balance between the personal religious convictions of the leadership and the belief that the Church continued to serve Portuguese colonial interests.

After the invasion Church membership had quadrupled due to the Indonesian *Pancasila* doctrine, which obligated citizens to adopt one of five officially approved religions (Kohen 1999:17, 103). The Catholic Church became increasingly perceived as a place of refuge and protection and was indeed instrumental, along with influential international advocates, in mobilising support for the embattled East Timorese during the occupation through its networks. The Timorese Church leadership, however, was wary of the Vatican, which gave precedence to the institutional relationship with Indonesia (Kohen 1999:151).

While not violent, the Church-led demonstrations in 2005, which at their apex brought together thousands of people over 20 days, were a clear show of strength and an important demonstration of the Church's growing lack of support for Fretilin. The Church demonstration "presented the FRETILIN Government with its most serious internal political challenge" to date according to the commission investigating the initial months of the 2006 crisis (OHCHR 2006:20). According to a veteran and former member of parliament, there was a sense that the government was distancing itself from the Church, not demonstrating adequate respect for the institution and not respecting the opinions of the bishops (R1). As stated by a civil society activist and future government minister, the protests were indicative of broad "dissatisfaction" that went well beyond religion. The respondent suggested, "it is not about religion only, but that we were losing direction because people tended [not to consider] what sort of society we are looking for in the future" (R62). International development partner mechanisms channelled resources and resulted in policy decisions without creating space for national dialogue on the ultimate goals of policy and how these would impact social relations and power dynamics.

These seemingly small and isolated incidents cumulatively reflected fractures in society and disagreements among the leadership as to how to address grievances within the new nation.

out and lots of rumours were circulating." The respondent added that the government wanted to make religious classes optional and to include teaching on religions other than Catholicism, but people did not understand government policy. Because of its direct opposition to the government during the protests, the Church was not well placed to mediate during the 2006 crisis.

A young activist from a border community noted: “Between 1999 and 2006 people did not feel secure. There was a crisis in 1999 and we became independent but the people were still afraid even to walk [around the village]... Even though we were independent, there was no security, neither physical nor economic” (R56).

Almost immediately after his return to Timor-Leste after his release from Indonesian prison,⁷⁵ Xanana Gusmão had recognised the potential for tensions to escalate into violence. He therefore began travelling throughout the country in an effort to provide an avenue through which people could express grievances and thus strengthen connections to the state. The efforts could be characterised as an effort to link formal and informal institutions. He formalised this dialogue initiative in April 2003 when he launched the open presidency initiative (UNSC 2003b:1).

At one dialogue between the president, former combatants and ex-Falintil, L-7 expressed the frustration felt by many:

We led the country to liberation, and now there is no place for us in this new nation. I am angry...The government is lacking vision because those who struggled for independence continue to struggle. Yet there are those who committed crimes who today are in a better position. I don't understand where the loyalty of this government lies. (cited in Bowling 2004)⁷⁶

The president responded:

...the Government must ‘recognize’ the work performed ‘by those who fought the war’. The President reminded the former combatants that ‘they are the ones who have been remembered as heroes, they must try to understand today’s process, which is very difficult, because we do not have the necessary financial means to do everything we should do’.⁷⁷

The presidential dialogues were initially regarded as successful by many and did reduce immediate tensions. Unfortunately, over time, as it became clear that Gusmão lacked the power and resources to respond to many of the grievances expressed, frustrations rose again. This frustration can be linked to what respondents described as a misunderstanding about the role of the independent state combined with extraordinarily high expectations

⁷⁵ Gusmão was imprisoned between 1992-1999, found guilty under Article 108 of the Indonesian Penal Code (rebellion), Law no. 12 of 1951 (illegal possession of firearms) and Article 106 (attempting to separate part of the territory of Indonesia). He was given a life sentence, commuted to 20 years by Suharto. (Amnesty International 1997:2) Gusmão was transferred to house arrest in February 1999 and freed on 7 September 1999. (RDTL 2015)

⁷⁶ Personal archive media monitoring from 7 May 04.

⁷⁷ Timor Post, *Meeting of former combatants*, 10 May 2004. In archived media monitoring 12 May 04.

that life would “change overnight” and that the oil wealth would be distributed evenly throughout the population (R103, 101).

While the UN system and other international partners followed their development-as-usual approach, there were occasions during which concerns about “grave” threats to stability were raised (UNSC 2003a:2). The March 2003 Secretary-General’s report to the Security Council notes: “Those who seek to create difficulties can draw upon a largely youthful and unskilled population, which suffers from a very high rate of unemployment, has as yet little knowledge and experience of political mechanisms to address such problems and has had extensive exposure to violence in the past” (UNSC 2003a:3). While the analysis above echoes concerns raised by the author throughout this paper; it did not, however, result in substantive changes in approach by the UN system or other development partners. Indeed, the concerns raised were never articulated from a perspective that questioned the need to revisit the mechanisms used by the international community and, in particular, the role of the state as a development actor.

The vacuum left by the absence of the state was never an issue that received particular attention as such. Subsequent chapters will explore the division of labour between the UN, the World Bank and other development partners with regard to addressing these concerns.

In response to the 2002 riots and the growing realisation within the government that its plans and actions were not being adequately conveyed to the population, the Fretilin government began its own *Governasaun Aberta* (Open Governance) dialogue programme, a district-by-district tour whereby an entourage, including members of the council of ministers, visited the districts in large convoys to speak with the people. According to Respondent 5, the Open Governance tour was modelled on the example used by the government of Mozambique, indicating one of the influences on the East Timorese leadership from the Diaspora. *Governasaun Aberta* was designed to address complaints about the lack of information outside the capital about the government’s programme.⁷⁸ As was the case with Gusmão’s dialogue initiative, the *Governasaun Aberta* was also meant to register concerns and commentary from rural residents and thus enhance the trust of the

⁷⁸ Notably between 2002 and 2007 only five projects in the Media and Public Information sector were listed in the Humanitarian and Community Development Project database. This was despite the fact that “inadequate access to reliable information [and] poor communication between the government and communities” were among the key conflict factors cited in the 2004 CICR/Belun conflict assessment (Cutter et al. 2004:6). While this dataset is not without gaps, it is a statistically significant source of information from the period in question.

population in the state and new government. Basically, it sought to make the state more relevant to the population.

Despite these efforts, a senior diplomat commented that the meetings he witnessed “were more like shows of force, attempting to show the government’s authority in the districts” (R17). A minister in the first government lamented that the “first government had challenges with communication. We had NGO/donor meetings but the media was weak and people did not know what was planned” (R63). An international development worker who served in Timor-Leste for many years agreed: “So much of what was going on was branded by organisations with signs everywhere...And because the government had so little staff below district level they seemed completely absent. They got no credit for what was going on” (R16).

Residents in Gari-Uai told the author in 2002, that the people do not “know” the government (Engel 2003:172). This was significant in a country where people continued to operate according to the informal rules of the resistance, where trust was essential and took time and care to develop, and relationships were highly personalised. In this context ‘not knowing’ was both a reference to the system by which candidates on a party list assumed office upon electoral victory and the fact that the prime minister and many senior government officials had been out of the country during the occupation and so needed to gain trust among the population (R95).

Despite these outreach efforts and a focus on dialogue with disaffected groups, many contentious issues remained unresolved. Dialogues between the president and CPD-RDTL in August 2002, November 2002 and January 2003 were insufficient to appease the CPD-RDTL leadership, for example. In February 2003:

...the coordinator of CPD-RDTL Antonio Aitahan Matak said that after the National Dialogue held last month the country’s problem remains. He told the media on Tuesday that both the Government and UNMISSET were not clear in their explanations, which can lead to new demonstration [*sic*], reported TP [Timor Post]. He said UNMISSET’s response to the conclusion of the National Dialogue was ‘not positive’ and that the Timorese continue to be forced to look after themselves. The response from the government, he added was not positive as well because they ‘maintain their radical stand that they are the only Fretilin’.⁷⁹

Matak’s concerns about the need for the Timorese to look after themselves were directed toward the consequences of the international community’s neo-liberal approach to state-

⁷⁹ Timor Post 5 February 2003. Personal archive.

building (discussed in Chapter Six). His sentiments are also indicative of the extent to which the state became increasingly perceived by some as emasculated by its subservience to the international community. Perceived constraints on state sovereignty by international actors led the CPD-RDTL to label the UN a neo-colonial structure. Notwithstanding, a senior diplomat recalled cynically that this “did not prevent Matak from calling me frequently to ask for our [UN] help when he or his people were roughed up!” (R17). International development partners demonstrated through their actions a misguided attempt at formulating an apolitical approach to state-building that continued to prioritise the mechanics rather than the process of development and nation-building while ignoring the complexities articulated above.

The 2006 Political Crisis⁸⁰

The events leading to and encompassing the 2006 political crisis in Timor-Leste led to many assessments of the country’s status as a fragile state. The crisis challenged the state’s monopoly on the use of force and its capacity to provide for the social welfare of the population. However, despite an official appeal to Australia, Portugal, Malaysia and New Zealand to send military forces to help restore order, the resignation of the prime minister and a new wave of humanitarian assistance, the state never actually failed.

The preoccupation of state actors and institutions with the 2006 crisis and particularly with the security and humanitarian emergency situation in the capital, did not result in great disruptions in rural areas. In fact, lack of an overt state presence in rural areas since 1999 meant that life continued as usual for most of the population even as work within most ministries, save for health and social solidarity, came to a halt. The state’s response to the crisis, however, did much to reconnect the people to the state. A brief synopsis of the crisis is provided below.

On 9 January, 2006 a petition signed by 159 soldiers from the F-FDTL was sent to President Gusmão outlining grievances over perceived discrimination and mismanagement among the ranks of the defence force. When the officers and other members of this group, subsequently referred to as ‘the petitioners’, failed to receive a reply they sought an

⁸⁰ The aim of this section is not to provide an exhaustive account of the individual events comprising the crisis. For detailed analyses refer to: OHCHR (2006); Rees (2003, 2004); Scambary (2009); Engel and Vieira (2011); Engel (2007).

audience with the president on 7 February (OHCHR 2006:21). The dialogue resulted in the establishment of a commission of inquiry to investigate their grievances.⁸¹

The composition of the commission was contested by the petitioners because it included individuals they had identified as having been party to the alleged discrimination. As a result its findings were deemed unsatisfactory by the petitioners (OHCHR 2006:54). The spokesman for the petitioners publicly asked, “Why they are investigating the victims and not the suspects?”⁸² Frustrated with the process, the petitioners went AWOL (OHCHR 2006:21) and were subsequently dismissed.⁸³ In all, 594⁸⁴ soldiers were dismissed with the tacit support of the prime minister (OHCHR 2006:21).

In an address to the nation at the end of March, the president publicly disagreed with the Brigadier-General’s decision to dismiss the petitioners. He suggested that “...as the President of [the] Republic I found that the decision taken ... was incorrect, and it was not really just!” (Gusmão 2006:2). Gusmão was particularly critical of the minister of defence and his lack of careful attention to the highly political and historically-charged situation, arguing that, “[t]he 591 people [who were dismissed] show that we are not capable to solve the problems within the Institution, or that we do not want to solve it” (Gusmão 2006:5). Fanning the flames, the president went further by, perhaps unintentionally, giving credence to the claims of discrimination in the military when he made several references to the *Loromonu-Lorosae*⁸⁵ (west/east) conflict. In particular, Gusmão said that “the background and the roots of the problem [in the F-FDTL] was not to do with indiscipline but maltreatment carried out by some Veteran Commanders towards new soldiers and Timorese from [the] western part [of East Timor]” (Gusmão 2006:5).

Buoyed by the president’s remarks, the petitioners refused to accept their dismissal. With the support of sympathisers, a five-day demonstration was organised where they gave voice to their grievances. Gastão Salsinha, the petitioners’ spokesperson, explained at the time

⁸¹ This new commission can be seen in the context of long-standing grievances in the F-FDTL for the investigation of which two separate commissions had already been established in 2004 following a violent incident in Los Palos (Gusmão 2006:4).

⁸² Media monitoring. 20 April 2006. Personal email archive.

⁸³ In addition to the petitioners, at least 200 other soldiers accused of unapproved absences and other misdemeanours were dismissed at the same time (OHCHR 2006:21).

⁸⁴ Xanana Gusmão refers to 591 soldiers in the 23 March address. The figure represented approximately 40 percent of the entire defence force (Media monitoring 13 April 2006. Email 17 April 2006).

⁸⁵ Kammen explores competing historical evidence of the terms *firaku* (*loros’ae*) and *kaladi* (*loromono*) and how they became used as vehicles for contestation. From the colonial period to the present, use of the *firaku*/*kaladi* labels often reflect perceptions of exclusion from central authority. “These terms have resonated most deeply and tragically at precisely those moments when elite struggles over central authority and its perquisites have threatened regional exclusion” (Kammen 2010:246, 253, 256, 260).

“that the scheduled protest is to demand the sovereign state to speed up a solution to the problem, ... if it is not resolved within the four days we don’t know what will happen to this country. It is not we who are destroying the nation but the sovereign bodies for not wanting to resolve it.”⁸⁶ Tensions increased throughout Dili leading up to and during the protests and, on the final day, violence broke out and spread through the capital triggering new displacement and rumours of a massacre on the city’s western outskirts.⁸⁷ As violence increased, the F-FDTL was called in to support the efforts of the PNTL to restore order.

While the massacre was never substantiated, over the following weeks and months the violence increasingly assumed regional characteristics in line with petitioners’ claims of discrimination along east/west lines. Military Police Major Alfredo Reinado captured the imagination of many during this period when he abandoned the F-FDTL with weapons, fellow soldiers and members of the PNTL in protest at the government’s decision to call in the military. As he told the Commission of Inquiry, his actions were taken “...because there was no written order authorizing the use of F-FDTL to control the civilian population...” (OHCHR 2006:29-30). With the deterioration of security and widespread rumours of pending violence, people began fleeing their homes in search of refuge.

The F-FDTL distributed weapons to over 200 civilians including ex-Falintil and PNTL officers while the minister of the interior also armed civilians associated with veterans groups (OHCHR 2006:33, 39, 40).⁸⁸ Publicity surrounding the distribution of weapons to civilians hastened the resignation of the prime minister on 26 June 2006 following weeks of demonstrations in the streets. The General Commander of the PNTL abandoned his post and left with heavily armed men only after arming “trusted” western PNTL officers (OHCHR 2006:60). Police and military both tensely expected an imminent attack by the other. Between 2006 and 2008, “...up to 2,000 houses were burned and up to 140,000 people fled to the districts or to IDP [internally displaced person’s] camps around Dili” (Scambary 2009:274). By October 2006, 38 people had died and 69 had been injured (OHCHR 2006:42).⁸⁹ Civil unrest continued, albeit at varying levels of intensity, until 11 February 2008, when the near death of the then president, Jose Ramos-Horta, in an

⁸⁶ Media monitoring. 20 April 2006. Personal email archive.

⁸⁷ Evidence suggests that four people were killed on 28 April 2006, the final day of the demonstrations. Two were killed at the Government Palace and two at Rai Kotu (OHCHR 2006:46).

⁸⁸ A minister in the first government alluded to the fact that weapons had actually been distributed to civilians long before 2006 in response to the perceived failure of the UN to prevent militias crossing the border from West into East Timor (R100).

⁸⁹ It is noteworthy that despite very significant levels of displacement and thousands of properties damaged or destroyed, the actual death toll was comparatively low suggesting perhaps a more ritualised form of violence used to convey messages that were not generally life-threatening.

apparent assassination attempt, shocked the nation into a fragile truce. It was at the time of the attack on Ramos-Horta that Major Reinado was killed.⁹⁰

Timor-Leste's Crisis in Context

Violence associated with the crisis was experienced primarily in Dili but extended to other districts as well. Baucau and Ermera experienced violence, property destruction and displacement beyond that experienced in other parts of the country. Bobonaro experienced somewhat less violence but many travelled from the district to participate in demonstrations while others fled to it seeking safety. Kammen describes the violence as the tinder ignited by the “legacy of the UN presence...[during which] tens of thousands of people from east and west [were] drawn to Dili after 1999 looking for material benefits (jobs and rice) of the long-awaited independence” (Kammen 2010:264).

While Kammen's assessment is not incorrect, the complex nature of coalitions and interests that developed during the crisis are also of relevance when considering the durability of the post-independence political settlement. How the policy environment, to a significant degree imported by the international community, contributed to perceptions about the political environment must also inform any analysis of the crisis.

When considering the factors inherent in the construction of Timor-Leste's political settlement, it is useful to reflect on the fluidity of allegiances, as they became focal points for contention and violence between 2006 and 2008. This is particularly relevant given the above-mentioned existence of a diverse set of ‘traditional’, ‘new’ and ‘old’ elite groups, disaffected youth (broadly defined) and disenfranchised communities. Drawing on Bourdieu's analysis of identity and relationships, Scamary documents how groups coalesced around a common interest, dispersed as the environment shifted and then realigned according to newly perceived goals and interests (Scamary 2009:282). Cooperation among martial arts groups and political patrons early in the crisis, for example, was replaced by violence in later phases. By 2007, competition for control over markets and other avenues for patronage emerged and the experience of violence added to existing ethnic and personal grievances (Scamary 2009:276, 280-82). Scamary explains:

Groups united across ethnic lines into groups of common purpose around issues such as veterans' rights or anti-FRETILIN sentiment, and then split along regional, ethno-linguistic identities, while new alliances such as political-front groups emerged...Phase three began with such a marriage of convenience between

⁹⁰ Reinado captured the imagination of a significant portion of the disenchanted youth who continue to praise him for speaking the “truth” and confronting the power of the state.

disparate groups, but rapidly unravelled into practical kinship alliances of the smallest, most basic unit of East Timorese society: genealogically related, village-based family units. Gang or MAG [Martial Art Group] identities overlap these identities and also function independently of them, and even in conflict with them (Scambary 2009:282-283).

As the narrative above demonstrates, the common interests around which allegiances coalesced were highly complex, dynamic and not limited to material interests. History, identity, family and cultural affiliations all played a part in the process.

Chapter Two provided an overview of the primary explanations for the crisis from the mainstream literature. The common themes include: the poor state of the economy, disenfranchised youth, weak governance and government institutions particularly with regard to the security sector and a history of east/west tensions.

Respondents interviewed for this research also discussed themes closely associated with the above but in a nuanced way. For example, a veteran who served in the first parliament linked economic issues with questions of power, position and identity in the new state, suggesting that poverty makes government officials put themselves before the people, while power opens the door to “corruption, collusion and nepotism” (R1). Whereas 41 percent of respondents believed that the economy stopped (i.e., deteriorated significantly) after the arrival of the international community, 78 percent of the *gerasaun foun* interviewed stated this explicitly as did 75 percent of respondents who directly survive off of agriculture, forestry or fishing. Economic deprivation was linked to the crisis by respondents who believed that money was not reaching rural areas, that life after independence was more difficult than imagined, and that people had high expectations and were not satisfied with life after independence (R76, 100, 101, 103). One youth activist in Ermera district suggested, with nods of agreement from his colleagues, that given high levels of unemployment people felt they had no choice but to accept offers of payment to stone a house, for example (R28). One veteran added: “We threatened each other. The economy was not great. Fighting for the stomach makes us do many things” (R30). A prominent member of the resistance added that people began questioning independence asking:

Why are we having this type of life? It was very easy to mobilize people at that time. People were asking what did we fight for, why did we fight for independence if this is how things are? Part of the argument used [to encourage people to join the anti-government demonstrations] was if the government continues not to do anything, as now, why do we have to keep them? All these reasons also justified it [the unrest]. (R62)

Respondents including youth and veterans discussed the role of young people in the crisis and their relationships with martial arts groups and political parties (R50, 28, 29, 4). Yet, a member of the first government was keen to point out: “Youth don’t go out to make trouble for [the] hell of it. Usually someone is behind it. These guys were feeling they should be getting more from the process and from government and there was a lot of social jealousy around” (R38). This view was consistent with respondents who alleged that political parties aligned themselves with martial arts groups and funded attacks.

Nearly half of all East Timorese respondents cited power contestation between political groups and/or institutional weaknesses as reasons for the crisis.⁹¹ Respondents presented two dominant contrasting narratives with regard to power. According to some, the party in power “wanted to rule for 50 years” and was perceived as arrogant by many, particularly for their disregard of the veterans and the Catholic Church (R1, 49, 101, 14). According to one respondent, Fretilin also distributed weapons to civilians as a way of coercing the population to vote for them in upcoming elections (R1).

An alternative view was that the opposition was afraid that when oil revenues finally came online, the government would be able to evade international donor-imposed budget constraints and would begin to provide services to the population. According to this line of reasoning, once the government started to perform and fulfil popular expectations, it would be difficult to wrest power away from them. As a result, the opposition manufactured a crisis to overthrow Fretilin (R101, 38).

The views above about the quest for power intersected with narratives about the influence of history, including past violence and the trajectory of resistance, and perceived social injustices. As a former member of parliament noted with regard to east/west tensions:

Loros’ae/loromonu comes from the resistance, not from the people...These terms originated during the resistance where commanders fought for their own position and control of patches of land and promotions, etc. in the guerrilla system. They bred something like *loros’ae/loromonu* within resistance structures. And because the resistance was in government, in the presidency, and in the military, naturally those things overflowed into state institutions and were used in the wrong way. These bad feelings were allowed to fester in the military and police until we had an implosion. When the implosion happened, the *firaku/kaladi* delineation lines were very clear. (R14)

⁹¹ Including R56, 101, 41, 14, 18, 20, 60, 59, 58, 36, 49, 45, 26, 22, 61, 62, 63, 70, 76, 80, 110, 99, 97, 100, 103, 96, 42, 38, 15, 13, 1, 30.

In the eyes of respondents, political motivations for the crisis were closely associated with the history of the resistance. In particular, the position of veterans, the Diaspora and the Church were contested in the new state as predicted by political settlement theory and these groups were cited as critical actors in the crisis. A senior official in the president's office claimed that the elites were alienated by the government and that the "national elite could not recognize ownership in the government" (R5). Even official representatives of the government recited an elite-based, political settlement narrative. One vice-minister suggested, for example, "2006 was a conspiracy led by leaders of today's government" (R63). Prime Minister Alkatiri added, "the crisis was not from the people. People were starting to understand [what the government was trying to achieve]. But it came from some of the elite. They were rushing to be in power. Those who are now governing the country were the authors of the 2006 violence." Action was facilitated by the resilience of informal institutions, the capacity to mobilise disenfranchised constituents and the breakdown of the government's holding power as oppositional forces came to determine that conflict was a feasible mechanism to expedite a redistribution of power.

Another minister in the first government explained that he thought "there was always a group who felt that they had the right to govern. They never accepted the results of the Constituent Assembly elections" (R38). Respondents tied the crisis to unfulfilled promises from the resistance (R58, 76, 101) and to differences between the mentality of the jungle and the mentality of the city (R30, 36, 58). A veteran explained:

Those that came from the jungle to rule brought the system from the jungle...Life in the jungle has a structure and everyone has their place and had to listen according to the hierarchy. It was a commando system...In the villa [city], the good and the bad are tolerated. The system in the villa is that everyone has a right to different opinions. Now, we are learning the new 'state system' where we have new laws and rights. (R30)

This concern about the differences between the jungle and the villa as linked to the "new state system" can be tied to perceptions both of discrimination and east/west tensions. It also reflected a rapid alienation from traditional structures of power and control. Then, after independence, in addition to the mythology of easterner guerrillas and western collaborators, "some thought - we are the older ones who fought and the rest of you want to benefit from what we did for you" (R36), a reference to the prominence of the returned Diaspora. Yet, according to an East Timorese diplomat, "There was no cohesion among the Diaspora either. There were conflicts between the Mozambique clique and the Aussie

clique. There was fighting over power, resources, and who worked harder during the struggle” (R80).

Eleven respondents discussed the Church and its perceived loss of power after independence. Respondents disagreed as to the degree of the Church’s active involvement in the crisis but did agree that Church demonstrations were a “medium to show unhappiness” among the people (R14) and that there were lingering connections between the Church-led demonstrations of 2005 and the 2006 crisis. For some, particularly veterans and clandestine respondents, it was a sign that the leaders never reconciled interpersonal antagonisms that emerged after independence. Members of the resistance suggested that small individual conflicts accumulated, eventually leading to a major crisis because the underlying issues were left unaddressed (R102, 30, 70, 24). According to one veteran:

Fretilin was chosen by people to develop the country. The Church needs to stand up when they see something is not right. Padres started to rise up around 2005-2006... Xanana used the situation to create [the new] CNRT⁹² so that we would have an alternative party that would bring the Church back into the development process of the country. This is linked to past and the period of occupation. Then, there was a strong role for the church. People trusted it and they protected the people. But the last government did not give the church a voice... Veterans needed to get back together and not look to one party or another, but together save the nation (*salva nasann*)... Veterans and *clandestinos* also participated in the demonstrations [in 2006]. The objective was to remove Mari. (R1).

Perceptions of the Crisis: From the Internal to the External

When addressing the crisis, a cross section of respondents from east, west and central Timor-Leste, comprising members of government, veterans and civil society, were careful to consider the ‘internal’ and ‘external’ causes of the crisis.⁹³ This research acknowledges those who focus on the failure of institutions or governance, and those who cite historical and economic factors as causes and builds on those narratives, exploring the multifaceted nuances of respondent perspectives. This research also asks why the government was unable to provide support where it was needed. Whereas one may argue the counterfactual – that the historical, political, demographic and institutional challenges confronting the new state suggest it was ripe for violent conflict regardless of international interventions – this research argues that there is enough evidence to support an alternative view. That is, respondent interviews combined with an analysis of the mechanisms used to develop and

⁹² The political party, *Conselho Nacional de Reconstrução de Timor (CNRT)*, or National Council for Timorese Reconstruction is a play on the original CNRT, the National Council of Timorese Resistance, both led by Xanana Gusmão.

⁹³ Including R1, 12, 45, 96, 98, 100, 107.

push development partner policies and programming (Chapters 6 to 8), provide sufficient evidence to conclude that international development partner actions had an important detrimental effect on the development of the country's political settlement. This research substantiates the thesis that the mechanisms used by the international community distorted the evolution of elite relationships and negatively impacted the ability of the state to satisfactorily respond to the expectations of the population. It argues that local historical 'path dependency' did not make the crisis inevitable, regardless of the actions undertaken by the international community. Rather, the mechanisms used by international development partners were relevant and did have an impact on the nature of the path followed by the state. Thus, reflecting on the intersection between state and international actions, one prominent civil society activist said: "The first government was too careful with managing and planning. During TFET the people wanted the government to do more. The demands from the people for many things were really high. The slow process of development was linked to the crisis" (R65).

A former member of parliament added:

People were unhappy because they had no jobs, kids were not learning, we had poor quality schools, we were breeding corruption and there was a feeling that government was not listening. They [Fretilin] were arrogant and no one could tell Alkatiri he was wrong. [Yet, even while] donors were left on the margins, [they remained] sure that the money they put in...would be at least sufficiently well spent that they did not get into trouble in their home countries. (R14)

The co-dependency of the state on donors and the donor influence on the state was expressed by a civil servant:

There was a conspiracy because people were not happy, not comfortable and didn't understand that Timor did not have its own money to advance its economy...and we were dependent on donors but did not have anyone to explain this to the people. They just said that the Fretilin government did not do anything, but no one explained that government did not have its own money and had to live depending on donors...This is why I said there was a new colonialism. (R99)

Respondent 99 continued, "There was so much frustration and everyone was feeling that everything was moving so slowly and this created the crisis. And I'm happy that after 'Crisis 2006', we can rise up with international support and we can move forward". This testimony demonstrates the great nuance in the respondent's analysis and acknowledgment of certain advantages and disadvantages of international assistance. This perspective is particularly poignant in that the civil servant believed that only after the crisis did the leadership fully understand how to create a "process for how the international community

could help Timor emerge from the crisis” indicative of a broadly divergent approach of the post-crisis governments to international development partners, afforded by domestic revenue streams and reduced dependence on international aid.

The first minister of agriculture stated in an interview that it was “not only East Timorese but also some part of the international community that helped to inflame situation”. He continued:

People in rural areas, they also believed that with independence they would have a better life. But then they didn’t have that much...so the expectation for them is to have a good education for kids, health systems, maybe to have food on the table. [They expect things to be] better than what they used to have and that the institutions would be running again, including service delivery and access to health and education. But we couldn’t do that much at the time because the money wasn’t enough. We had such a small budget to be used for everything and everything was a priority and we had to prioritize the priorities.

Not only were members of government and parliament concerned about the limited and constrained budget, one person who was instrumental in coordinating the preparation of the National Development Plan (NDP) suggested both the government and development partners hindered effective implementation of the plan. Whereas the government had “power” given their position, the “donors themselves only had certain priorities which may not have been aligned with the NDP itself” (R62). The respondent suggested that the government used centralisation to create dependency on the state as the only mechanism available to assert its authority given the breadth of international constraints. Respondents 2, 18, 76 and 100 believed that the international community created dependency among East Timorese to extend the mandate of the international mission in the country. Respondent 96, working with a national NGO in the agriculture sector agreed and added: “Many organisations, they do well and many help. But some also want us to be dependent. Many international NGOs use the opportunity to get money from the UN and try to use national NGOs to get money”. Not unrelated to the above analysis, the head of an East Timorese university centre, Respondent 98, considered the new economic policy environment contributed to class formation, particularly in Dili, creating even further fragmentation within society.

Some respondents spoke more directly of international interference in the political settlement. One member of the first government believed there was “ideological opposition” to government plans to stimulate the local economy or finance additional services such as provision of free school meals. He added: “For so long bi-laterals like

Australia and the US, and to some extent Great Britain, became the advocates for the political opposition who were always complaining” (R38). Other respondents were reluctant to provide details but one went as far as saying: “I don’t want to mention any particular country but there were foreign hands interfering in Timor-Leste” (R100).

Respondents were often circumspect about the international contributions to the crisis and were generally grateful for international development assistance. Yet, even those who absolved the international community acknowledged that the underlying conditions leading people to mobilise were not solely attributable to the government. One state representative stated: “We can’t blame the international community for our weaknesses. They have to satisfy their taxpayers and satisfy their governments at home. But [the] issue is, how can we take control?” (R5). A veteran added with regard to development partner financed interventions:

The population is happy with those that act. They know who contributes. This was not a part of the crisis...but each country has its political interests... They [donors and NGOs] follow their own programmes and our government may know about these but have no ability to influence [them]. (R1)

A *chefe suco* added that the crisis was separate from development issues and proceeded to explain all the problems with development projects from poor quality to worse outcomes, even when compared to Indonesian NGOs (R41). While, when taken individually the opinions expressed above may seem to merit only passing consideration; the aggregation of similar outlooks across a variety of constituencies provides an essential window into the perspective of important actors in the construction of the country’s political settlement. The analysis of the interviews conducted for this research proves that it is difficult and unwise to disassociate the impact of the development partner policy framework from the outcomes of the political settlement negotiations in Timor-Leste.

New Opportunities for a Political Settlement?

States do not emerge spontaneously, but are formed slowly over time (Chabal 1983:108). They are shaped by the nature of the political settlement and the perceptions of those involved. These factors interact with each other and respond to internal and external stimuli. Ideas about the state are therefore highly contingent and inform the nature of the social contract envisioned.

In Timor-Leste, discussions about the nature of the state and the social contract were interrupted by the Indonesian occupation. Prior to occupation, however, the process of

party formation in 1975 provided an opportunity for the East Timorese to conceive of an end to colonialism and spurred intensive discussions leading to the production of party manifestos. The occupation resulted in a reorientation away from the planning of the structure of the independent state and toward the needs of the resistance.

Planning for a post-independence reality re-emerged in earnest in April 1998 with the formation of the National Council of Timorese Resistance (CNRT) at a meeting of the East Timorese representatives in the Diaspora in Portugal (Walsh 1999:2). This reunion of nationalists began planning the broad outlines of a new state including the adoption of the ‘*Magna Carta* concerning Freedoms, Rights, Duties and Guarantees for the People of East Timor’.

The *Magna Carta* recognised the failure of the international community to guarantee Timor-Leste’s “inalienable right to self-determination and independence”⁹⁴ and went on to set out the principles of an independent, multi-party democratic state that included, *inter alia*, the right to education and health care and social protection for the elderly, workers and the disabled. Special attention was paid to ensuring “rules that will regulate in a balanced way the complementarity between public and private interests and between social and individual goals”.⁹⁵ Building on the momentum of the April meeting and buoyed by the renewed tripartite negotiations in New York, in October 1998 the CNRT brought together East Timorese and international experts to establish guidelines for an eventual national development plan for Timor-Leste (Walsh 1999:9).

The vision of the state initially expressed by Fretilin had changed significantly by the time of these meetings, reflecting both internal and external realities, such as the fall of the Berlin Wall and the need to ensure a more united political front domestically. While those present at the meeting were careful to submit decisions to representatives in Timor-Leste for approval, the consultation process was only the first step in a long process of consensus-building on the nature of the state to be formed. As Forman explained:

Of course, there are divisions - between insiders and exiles, old and young, urban elites and rural cadres. However, CNRT was constructed as an umbrella entity that still promises and has the capacity to produce national unity if it is not undermined. The potential fault line lies not within the CNRT but between the CNRT and UNTAET. (Forman 1999)

⁹⁴ Source: <http://www.oocities.org/capitolhill/senate/7112/cnrt2.htm>. See also (Drew 2001).

⁹⁵ Source: <http://www.oocities.org/capitolhill/senate/7112/cnrt2.htm>.

While historians and many observers and actors engaged in the politics of Timor-Leste would be quick to argue that there were indeed fault lines within the CNRT, one could argue that it was important, particularly in light of the nature of the mandate upon which international action was premised, that exogenous forces not create new divisions and allegiances predicated on international support. According to two long-term Timor observers and intermittent representatives of the UN, Xanana Gusmão, Jose Ramos-Horta and Mari Alkatiri projected widely divergent views on politics. “Jose would talk about democracy and participation, Alkatiri about the state and welfare” (R71). “Xanana would probably talk about giving people a break after all the years of suffering” (R72). Any new institutions established would require recognition of domestic cleavages and the internal distribution of power. Instead, as will be explored in the following chapters, the mechanisms employed by the international development partners, all of which worked to minimise the importance given to the Timorese perspective, from the MDTF to resource allocation to policy formulation, culminated in new rules and institutions modelled on international best practice but without consideration of local conflict dynamics.

As will be discussed in more detail in subsequent chapters, the policy prescriptions of, and constraints imposed on, the government of Timor-Leste by international development partners emphasised a small efficient state whose economy would be driven by the private sector with the support of other non-state actors. This model diverged significantly from the principles outlined by the East Timorese in the *Magna Carta* and in the Constitution, particularly with regard to the role of the state in contributing to its reconstruction, national unity and social and political harmony (CNRT 1998:2).

Conclusion

The legacy of colonialism, the civil war and divergent experiences of occupation continue to shape perceptions of social cohesion, trust and post-independence entitlements. The violence and destruction that accompanied the independence referendum only served to exacerbate deep internal cleavages that emerged from the above-mentioned experiences. After independence, individual and group identities, shaped by indigenous and external influences such as the Lusophone liberation movements and Portuguese and Indonesian systems, became vehicles for political mobilisation among elites, old and new.

Between 1999 and 2006 tensions escalated in Timor-Leste, resulting in periodic episodes of violence between the police and armed forces, as well as between a number of other

disaffected groups. Some have attributed these tensions to a sense of exclusion from a national project by significant portions of the population. Whereas, for example, the Constitution aimed at inclusion and the construction of a unifying historical narrative through explicit mention of the “martyrs of the Motherland” (preamble), the “historical resistance of the Maubere people” (Section 11.1) and of the Catholic Church (Section 11.2), these limited references were considered insufficient by some. During a seminar sponsored by the Ministry of Social Solidarity on ‘Understanding Post-Crisis National Identity and National Unity’, one East Timorese explained that those designated for special recognition in the Constitution were not representative of the population as a whole. No efforts were made, for example, to include “the common person, the young, the women, the non-political, the pro-autonomy, or other minority groups”⁹⁶ in the founding documents of the new state.

Additionally, the structure of the new state itself left many feeling excluded. This was particularly the case for those who did not experience the peace dividend. According to Kammen:

Criticisms of the new government came from both the left and the right. From the right (including people who had been pro-autonomy prior to the August 1999 referendum), the new government was criticized for seeking to establish a “leftist dictatorship” modeled on Mozambique. From the left there were criticisms that the government was allowing international monetary institutions to run the country. In July 2002, for example, the cover of the socialist publication *Vanguarda* read “Timor Leste in the handcuffs of imperialists,” and a year later the journal *Libertasaun* ran a cover story titled “To free the people after obtaining a homeland”. (Kammen 2003:83)

Despite international recognition of Timor-Leste as a sovereign state in 2002, local efforts to negotiate a political settlement were interrupted by development partner interventions. International development actors failed to appreciate the impact of diverse experiences on perceptions of the political project in Timor-Leste.

In light of the unified front projected first by the umbrella organisation, CNRT, and then by a government with a strong electoral mandate, the international community did not focus on the significant efforts required to combat uncertainties about the future of the nation. Perhaps because a truth and reconciliation process was established to support community reinsertion and to establish a narrative of the past, development partners were able to compartmentalise conflict dynamics into that process. How past conflicts, both

⁹⁶ *Third Hamutuk Hari'i Futuro Retreat*. Small group discussion report: Understanding Post-Crisis National Identity and National Unity. Personal archive.

with Indonesia and between East Timorese, would affect the future of the state, and indeed perceptions of the nature of its construction, were not considered relevant to democratisation and state-building efforts.

As will be discussed in Chapter Six, development actions were undertaken in emergency mode (R60, 5), leaving little space for thoughtful analysis. Popular perceptions of reality and growing discontent did not factor into development project planning and instead institution strengthening and democratisation were considered analogous to nation-building and, thus, peace-building. Yet, as Brown and Gusmão note: “Institutional capacity, however, itself requires social legitimacy and the ability to draw on social forces and norms beyond those directly embedded in the institutions themselves” (Brown and Gusmão 2009:65).

Not only did the international community not create a holding space for negotiations over the role of the new state, the mechanisms it used in pursuit of its vision of development pre-empted the outcome of the political settlement by determining the model of the state and structure of “entitlements” to be offered. Why this happened and the forms of the interventions used are explored in the remaining chapters.

Chapter 6 Conceptual Framework of International Assistance: 1998-2006

Introduction

The previous chapters demonstrated how external political and military interventions affected social dynamics and elite formation in Timor-Leste. Experiences of Portuguese colonisation and anti-colonial movements informed the country's nascent independence movement while disagreements over the most appropriate path to independence resulted in a brief civil war. The civil war and divergent allegiances influenced socio-economic and political relations during the Indonesian occupation and continue to reverberate through independence. This chapter explores how the institutions used by the international community interacted with the political settlement dynamics that evolved from the periods of Portuguese and Indonesian occupation to the country's period of administrative stewardship and, eventually, *de jure* independence.

While East Timorese leaders were working to adapt their relationships to the post-occupation environment, development partners were invited to provide support to the reconstruction and state-building effort. The IFIs led these efforts by providing the overarching framework for institutional development and economic policy. In particular, they sought to establish formal state institutions that would supersede the informal institutions operating in the vacuum of the Indonesian withdrawal. That is, the international community sought to usurp the ongoing political settlement negotiations with a substitute founded on formal arrangements developed through 'international best practice'.

While the United Nations, UN agencies, bilateral donors and international NGOs each had their own priorities and approaches, they did not challenge the essence of the IFI conceptual framework for state-building; namely the formalisation of national institutions and determination of the economic policy framework that would guide the development trajectory of the state. Rather than providing a range of options from which the East Timorese could choose – for example, by examining the role of the state in neighbouring countries – the policy framework tended toward conformity with that prescribed by the WC.

As will be demonstrated in this and the remaining chapters, the new rules associated with the international interventions would serve to divide elites and alienate the population from

the new state. Over half (57 percent) of East Timorese respondents interviewed expressed concern that the government did not have the resources to support development and was distant from the population. Over 55 percent of veterans/members of the clandestine resistance and 91 percent of rural NGO/CBO representatives interviewed shared these perceptions. Additionally, while only 27 percent of respondents said that international actors controlled resources and development policy, 62 percent of urban state representatives interviewed who were more familiar with international financing arrangements shared this belief. This makes sense in the context where rural farmers were not as aware of international donor mechanisms as respondents living in Dili. This is also why it was natural for respondents to attribute their unmet expectations as being the fault of the government despite the highly relevant role of international development partner mechanisms.

This chapter will explore the mechanisms through which the international community exerted control over budgetary and policy decisions that were contrary to what local actors considered necessary and thus established conditions for an increasingly fragile political settlement.

In spite of a largely homogeneous proposed policy framework, development partner interventions were not tailored to fit local realities, expectations, socio-economic conditions and the history of internal fragmentation within the resistance, as discussed in the previous chapter. Instead, development partners attempted to construct an 'efficient state' based on their idealised neoliberal conception. The technical and apolitical approach to state-building resulted in a disregard for the potential contribution of the state to identity formation. Utilising a range of mechanisms discussed below to underpin the state-building project, international interventions sought to replace the normative structure of the state. The new rules associated with the interventions redefined the distribution of power, which, as demonstrated in Chapters Four and Five, was arguably in flux and highly contested. These efforts further limited the state's capacity to act as an important stabiliser in the development of the country's political settlement.

Drawing on the literature presented in Chapter Three, this chapter starts with a review of the IFIs and their underlying conceptual foundations of state-building. In particular, it explores how the neoliberal distrust and disempowerment of the state manifested in international policy prescriptions for Timor-Leste. It then explores the UN/UN agency

approaches to state-building and compares them with contributions from bilateral donors and international NGOs. The evidence suggests that the combination of technocratic state-building and the proliferation of complex systems and requirements created political realities that did not reflect the distribution of power as nationally conceived, placed excessive obligations on the state, increased the distance between the state and society, introduced new rules of engagement that were confusing to the population, contradicted well-established informal institutions and reduced the capacity of the state to negotiate a political settlement among the varied and increasingly disenfranchised groups.

Preconceptions of State-building

The International Financial Institutions

The first Chief of the World Bank mission in Timor-Leste, Sarah Cliffe, wrote that the Bretton Woods institutions helped to shape the post-occupation discourse and planning process in Timor-Leste “unusually early on”, with the aim of “ensuring that economic perspectives entered right at the beginning of the debate on reconstruction priorities and costs”. The World Bank’s position at the time was that, according to lessons from international best practice, the ideal state should be small, efficient, sustainable and professional (Cliffe 2000:236, 238-9). Technical expertise was provided to the East Timorese by the IFIs so that they could become the international model for state-building. As Prime Minister Alkatiri recalled in an interview, the international community expected East Timor to become “an example for other nations”.

In particular, the WC paradigm of a minimally interventionist state informed the IFIs’ perceptions of the ideal state. Although Joseph Stiglitz, then Senior Vice President of Development Economics and Chief Economist of the World Bank, had already presented his landmark critique of the WC in 1998 (Stiglitz 1998), it is clear from the policy recommendations to Timor-Leste that Stiglitz’s statements and the supposed policy shift within the IFIs had little impact on the ground. The WC emerged, according to John Williamson, the term’s coiner, as:

...an attempt to distil which of the policy initiatives that had emanated from Washington during the years of conservative ideology had won inclusion in the intellectual mainstream...[O]ne can view it as an attempt to summarize policies that were widely viewed as supportive of development at the end of two decades when economists had become convinced that the key to rapid economic development lay not in a country’s natural resources, or even its physical or human capital, but rather in the set of economic policies that it pursued. (Williamson 1999:2-3)

Williamson rejected over-simplified interpretations of the WC, or “market fundamentalism” (Soros 1998:xx), and other anti-state, anti-regulation, and pro-liberalization views conveyed in the name of the consensus. In practice, however, the World Bank and IMF clearly “held that good economic performance required liberalized trade, macroeconomic stability, and getting prices right” (Stiglitz 1998:1). The IMF set out to create a “basic economic institutional and legal framework” in Timor-Leste in order to “create an enabling environment for private sector development” in which the state would maintain a modest regulatory role (Valdivieso 2000:2). The IFIs, including the Asian Development Bank (ADB), used the MDTF mechanism and PMUs to provide technical assistance in support of what had become mainstream preconceptions of the efficient and effective state.

Demonstrating its early lead in reconstruction planning, the World Bank coordinated a Joint Assessment Mission (JAM) to Timor-Leste.⁹⁷ The *JAM Macro-Economics Background Paper* captured the sentiment of most international development practitioners and diplomats. It stated, “East Timor needs to start anew. The past can not serve as a good guide to the future...Any plan for the future must start from zero...There is no apparent need for pacification between different...segments of the population...In a way it would be more useful to treat the problem as a post-natural-disaster situation...” (JAM 1999:2). The physical destruction of infrastructure, displacement of much of the population and exodus of Indonesian civil servants contributed to a sense that Timor-Leste lacked both institutional memory and potentially conflictive internal discord, and would need to be built as a nation from scratch.

A JAM member, and future member of parliament, concurred: “When we arrived all was destroyed. There was no institutional memory. We couldn’t find a piece of paper or people who worked in state institutions. It was like a ghost town and office buildings were all burnt to the ground...So it meant we needed to recreate everything according to our aspirations...” (R14). The respondent did not reflect at length on the nature of national aspirations. Yet, one East Timorese respondent who worked both for the World Bank and for a bilateral donor in the first years after the Indonesian withdrawal eloquently suggested that the “international community should analyse. They have a lot of experience from many other crisis countries like Zimbabwe, Uganda, Ukraine, etc. and places that are even worse than Timor-Leste. They need to analyse the situation before you speak up or before

⁹⁷ It assessed conditions in eight sectors: community empowerment; macro-economic management; civil service; judiciary; agriculture; education; health and infrastructure (Cliffe 2000:236).

deciding to do something” (R60). Both respondents grasped the need to contextualise responses according to indigenous norms and expectations in order to achieve a stable political settlement that would be politically and economically sustainable over time (Khan 2010:4).

The blank slate paradigm masked the reality that Timor-Leste’s informal institutions remained vibrant. Despite the physical destruction of infrastructure and human displacement, or perhaps because of the seismic transitions, including the arrival of substantial international support, the country’s political settlement was constantly and quickly evolving, with different sectors of elites and their supporters seeking power, control and influence.

Forman credited JAM process for including East Timorese in the assessment team. He argued that it was “a forward looking effort to assess needs for the medium to long term” and that it was not designed to “address the notorious gap between relief and development, nor has it stemmed the tide of individual donors and agencies conducting their own assessments and undertaking their own activities” (Forman 1999:n.p.). By November 1999, at least nine foreign cooperation missions (not including UN agencies) had sent scoping missions to Timor-Leste.

One senior UN official described how diplomats and others would refer to the crisis facing Timor as a “wonderful opportunity” affirming the sentiment of a blank slate waiting to be filled with expert knowledge (R72). This notion that Timor-Leste was a *tabula rasa* (Cramer 2006:256; Chopra 2002:980), or greenfield site (R71) enabled development partners to imagine a country waiting to incorporate foreign expertise, void of institutional and historical precedent. This approach failed to seek an understanding of, or even acknowledge the human dimension of the multiple tragedies of colonialism, civil war, occupation and a divided society. Or, in reference to Respondent 14 above, there was no attempt to mediate a process that would result in an understanding of what was meant by “our aspirations”. The blank slate approach to development also failed to “take into account the complexity of the war economy” (Cramer 2006: 256), popular coping strategies and local institutions that had survived occupation. As discussed in Chapter Five, the domestic economy survived in the form of informal institutions and norms regulated by a range of domestic power brokers.

The view of the efficient state consistent with the prevailing economic ideology of the time was in complete contrast to the Indonesian model used in Timor-Leste during the occupation which was seen by the World Bank as too bureaucratic, inefficient, open to corruption, and overstaffed. The bloated civil service and heavy subsidies provided were deemed too expensive and therefore unsustainable for the East Timorese budget. The system was characterized as having a “top down organizational culture, with little community participation and marginalization of traditional local decision-making structures” (Cliffe 2000:238). As administrator of TFET, the MDTF, the World Bank was able to utilise the granting mechanisms to shape the size and priorities of the post-independence state.

A World Bank official working in Dili at the time suggested that the policy prescriptions for Timor-Leste were not ideological but practical:

I think it was a reality on the ground. The Indonesian system was one where Indonesia had been trying to get the hearts and minds of the Timorese by spending huge amounts of money by subsidizing a lot of what was happening. The Timorese estimate [the Indonesians] spent billions of dollars a year until independence so the country had nice roads and farmers had a system that allowed them to sell at fixed prices, etc. etc. But I think there was a realisation that when East Timor came to the process that led to independence, that there was no revenue... I don't think donors wanted to see this becoming a state they would have to subsidise for the next 15 years. (R85)

The respondent also considered that “if technical questions are taken care of, then you can start talking more about values, of how we want this society to evolve” (R85). However, perceiving the technical as separate from the political proved extremely costly. Perhaps the question should not have been solely about whether or not to replicate the Indonesian system in its entirety, but rather about identifying elements of the economic and governance model that would have been conducive to fostering a stable political settlement and enabling a more politically inclusive transition. In particular, international development partner failure to understand inter-group relationships and power dynamics and how these were threatened by international attempts to formalise and structure state institutions proved costly in terms of alienating domestic centres of power.

The mainstream neo-liberal small, efficient, democratising state paradigm resulted in poorly allocated resources that ultimately interfered with local power structures as they were being negotiated among divergent domestic constituencies. As noted by Cramer, “the economic transition is based on the elaborate foundations of neo-classical economic theory—it is not

based on any accurate reading of how countries historically have succeeded in industrializing and moving out of poverty” (Cramer 2006:258). Despite considerable literature questioning the empirical case for the neo-liberal concept of the state in the development process, the presumption, as stated by Cliffe to a reporter in 1999, was that a lean administration was necessary and that the World Bank would recommend a “streamlined public service with a smaller recurrent budget [than under Indonesia]” (Daley 1999). The World Bank and others used the failings of the Indonesian state, particularly concerns regarding its high levels of corruption, as the quintessential example of the rent-seeking nature of the state. The capacity of legitimate power holders to use informal mechanisms to create uncertainty among the population was not considered by the international community in its approach to policy development. As Khan explains:

In general, economic strength is important but by no means the only determinant of holding power...non-economic capabilities can play a critical role in determining holding power. The political ability to organize, the numbers of people that can be mobilized, and perceptions of legitimacy are particularly important for understanding the differential abilities of groups to inflict and absorb costs in the course of conflicts. These complexities explain why richer individuals or groups do not always win. (Khan 2010:6)

In a critique of the first government, a senior official suggested that it was precisely that:

Change must be based on trust in the process. The government needs to value legitimacy first. More than legality. Alkatiri’s mistake was being too legalistic. [The government] had to fall. Legitimacy is crucial. [The first government alienated the national elite and] the elite could not recognize ownership in the government. (R5)

The following chapters will explore particular mechanisms employed by development partners to impose constraints on the state. Timorese political leaders’ first-hand experience of the corrupt Indonesian state helps to explain a certain degree of agreement between the Timorese leadership and the World Bank on the need to avoid the duplication of such a system. The alignment of a select group of East Timorese elites with the World Bank on questions of economic policy could be compared to the backing by some within South Africa’s ANC of the Growth, Employment and Redistribution (GEAR) policy protocol. The GEAR policy represented a whole-scale departure from previously advocated economic policies premised on social welfare and economic redistribution. The new policy fit squarely within a neo-liberal, anti-state paradigm that was “fundamentally hinged on a rather implausible massive increase in private sector investment, financed through a large influx of foreign investment” (Terreblanche 1999:5).

According to Terreblanche, “Both the policies of affirmative action and black empowerment have played a strategic role in the rise of the black capitalistic orientated elite. It was quite natural for them to embrace the free market ideology of their partners in the private sector” (Terreblanche 1999:10). As one member of the first Timor-Leste government explained, the World Bank, IMF, and the UN were lucky when Fretilin came to power because, in that period the government, and Alkatiri in particular, “were open to accommodating some of their views because we thought they were useful” (R38). Despite Fretilin willingness to accommodate IFI efforts to institute a free market economy, there were also disagreements between the World Bank, for example, and the government. “We wanted to do things but we had no money. And because donors had limitations [on their resources] they pushed programmes that were in line with their priorities” rather than with our own needs assessments (R38). The respondent added:

This was a big problem we had with the way TFET was administered. The rules were set by donors and the World Bank and IMF had a big influence on outcomes. And there wasn't shared responsibility for that period of nation-building because they held the purse strings and we couldn't even annually take the budget to parliament for approval until after the donor conference. (R38)

While some respondents considered the Fretilin leadership to be aligned with policies associated with a small efficient state model demonstrated by their lack of social welfare programmes, evidence from this research suggests a more nuanced interpretation. Respondent 71 stated, “what was important was not getting into debt. Alkatiri did not want to be like the rest. He would accept other things, like if donors did not want an Indonesian-style civil service but, he thought we must not get into debt”. International and national respondents ranging from senior government members, representatives from bilateral agencies, the UN mission, and civil society cited pressure from the World Bank and ADB on the government to take loans (R15, 36, 38, 61, 63, 76, 81, 94, 99, 100, 101, 104, 109). One UN mission representative said:

Mari Alkatiri was questioned in the early years about his socialist agenda and he said he renounced socialism and believed in social democracy based on a market economy. If anything, he was more inclined toward austerity because he so adamantly believed in not taking loans from the World Bank. (R81)

The Fretilin leadership was concerned about creating dependency and perpetuating what they believed was the patronising approach of the Indonesian government. Unlike the World Bank, however, they believed in a strong role for the state in driving development. Two respondents from the first government suggested that development partners refused

to fund social support programmes recommended by the government (R61, 38). Examples will be illustrated further below.

South Korea and Taiwan are just two examples of clientelist political settlements that “gradually transformed into capitalist political settlements [by successfully] organizing growth and social transformation because growth was aligned with the interests of powerful groups” (Khan 2010:57). However, no effort was made to present the Timorese with successful regional examples of the potential beneficial role of the state in the development process, nor for that matter to highlight positive policies from Indonesia itself.

Development partners in Timor-Leste actively directed policy formulation and did not consider the sphere of influence of national actors outside the mainstream political arena. A representative from a UN agency noted some of the differences between Korea and Timor-Leste: “...in the Korea example they had lots of US financing and did not have competing international interests trying to influence developments and policies and impacting stability” (R94). In contrast, the head of a small political party added: “Yes, probably donors did have an impact on internal political dynamics. They gave importance to three big guys. And they still only focus on the big three ones at the expense of the smaller players that might have good ideas and might disagree with the big three” (R14). Other political actors acknowledge that it was difficult for the UN and IFIs to find appropriate interlocutors in Timor-Leste and perhaps speaking with Gusmão, Ramos-Horta and Alkatiri demonstrates an effort at inclusiveness. Yet, one of the key drivers of the 2006 crisis was an alienated elite and their ability to mobilise constituents. Perhaps this speaks more to the need to assess the impact of policies on informal institutions and the holding power of any political settlement.

A World Bank memorandum highlighting the challenges confronting the new nation on the eve of independence acknowledged, “...Indonesian and transition-period governance practices have already laid down a pattern of path-dependency that will shape the post-transition context” (World Bank 2002:117). Barbara Nunberg, a World Bank consultant acknowledged that the UN administration was essentially “setting up structures, rules and budgets over next few fiscal years, with various binding consequences for East Timorese government when constituted 2002-3” (Nunberg 2003). While one can argue that UNTAET-era policies were continued even after independence, these policies were not

consistent with those implemented by the Indonesian state. Rather, the legacy of Indonesian rule was starkly different from that of the UNTAET-led transition period. International advisors and many local leaders considered the Indonesian experience synonymous with corruption and inefficiency and thus to be discarded. Many East Timorese, on the other hand, expected that the end of Indonesian domination would leave daily life largely unchanged bar an end to human rights abuses and a redistribution of power and authority to the Timorese. A woman of the *gerasaun foun* with experience working with bilateral agencies and NGOs said those leading the resistance would say that when we are independent “no one can violate human rights and we will develop our small nation”, but the reality of the new post-independence systems was disappointing:

When I worked for [the water and sanitation sector] with the Indonesian government we had to make surveys. It may take months to do a plan, not a day or a week. We had to see where the water comes from, its location, who the users are... [Today,] plans may be done in one day or a half-day can be used to identify needs. There are no assessments or basic plans. [Think about the World Bank’s CEP project.] After five years the chiefs of villages took possession of all materials and if water taps are broken, no one knows about it. Communities themselves don’t understand and think this doesn’t really belong to them. They don’t keep in mind that this is support for us and should be maintained for future generations. (R60)

National and international actors failed to address the tension between the expectations of many within the state that the Indonesian-era practices would continue and the reality of newly adopted policies.

Both the World Bank and IMF concentrated on a legislative and programmatic agenda that would support the private sector as a driver of growth and provider of services, notwithstanding the IMF’s own assessment that the private sector was not focused on long-term initiatives.⁹⁸ The first prime minister recalled a conversation with the IFIs: “I told the IMF and World Bank since the beginning that we need your support and discipline in managing financial resources, but your research doesn’t work here. There is nothing to privatise. We are starting from nothing and building not restructuring.”⁹⁹ Donors refused to pay for public sector service delivery and poverty reduction programmes, items considered important by the government; instead the East Timorese were encouraged to take out

⁹⁸ An IMF assessment in November 2000 verified that the very nascent private sector was only interested in activities which would bring very high returns in the shortest possible period (World Bank 1998). For example, poor quality construction and high prices charged for hotel stays in Dili were designed to extract resources rather than contribute to a vibrant tourism industry over the medium to long-term.

⁹⁹ (R61). This quote is also instructive as it demonstrates that to some degree, even among senior Timorese leaders the perception of a blank slate prevailed. Other evidence suggests that the first government was open to some of the technical expertise made available by the IFIs and that not all advice was contested. (R38 and 109)

loans or concessional grants to fund them. While Timor-Leste was not the subject of a World Bank-led Structural Adjustment Programme (SAP),¹⁰⁰ it was in the same position as countries unable to service their debts and thus subjected to SAPs. As Patel notes, these countries, like Timor-Leste dependent on external finance, had no choice but to “agree to the conditions imposed by the Bank” (Patel 2007:4) It was not until late 2005, and as tensions increased, that the World Bank began to see the potential value of cash transfers and other social safety net programmes in support of the vulnerable and politically influential (R38).

Additional evidence of the key role played by the World Bank in guiding international development partners and the Timorese leadership following its role coordinating the JAM can be seen in its influence on the drafting of the National Development Plan (NDP) and subsequent control of its implementation as administrator of the Trust Fund for East Timor (TFET).

In terms of strategic planning, the elaboration of the NDP was a significant milestone. The NDP was produced during the UNTAET period for adoption by the first national parliament in 2002. It represented the first five-year strategic plan for the state and was drafted following an extensive district-based consultation process. The UN, bilateral donors and the World Bank seconded experts to produce it. One senior UN officer close to the process suggested that the World Bank and bilateral consultants produced the political and private sector chapters of the document, with no outside input from East Timorese or UN officials (R71). He added that consultants presented a draft document just before the final deadline, leaving no time for consultation or editing. This trend is in line with Jubilee South’s criticism that much of what passes for consultation in terms of development planning is merely cosmetic and that decision-making and timelines are driven by external actors (Patel 2007:21).

The NDP clearly illustrates the tensions between those seeking a more active role for the state, including the establishment of a social safety net, and those who wanted the private sector to drive development with the state providing regulatory safeguards. For example, the NDP “outlines how capacity can be built to enable the Government to assist in the development of a market based economy” (Planning Commission 2002b:3). Specifically, the NDP states clearly that “the principal role of Government is shifting from driving the

¹⁰⁰ For a discussion of the impact of SAPs and other international policies and systems in FCS in Africa see Osaghae (2007) and Şener (2004).

economy to creating an enabling environment...and arranging for the delivery of essential support services for the private sector to gain confidence and strength, and to become the engine of economic growth” (Planning Commission 2002b:28). The authors of the NDP recognised the possibility of market failure and that the private sector might not be able to “provide essential goods and services”, but failed to include a triggering mechanism for the state to step in to rectify the situation. This trend is consistent with Waeyenberge, Fine and Bayliss’ observations that the PWC provided the space for states to intervene to address market failures. However, state interventions in support of market mechanisms tend to remain “piecemeal” and the emphasis remains on “private participation” over government action (Bayliss, Fine and Waeyenberge 2011:7-9).

The NDP reaffirmed the World Bank’s position that the size of the civil service would be reduced (Planning Commission 2002b:29), the state would not pick winners and the economy would be open to competition (Planning Commission 2002b:60). Thus, new rules were introduced with no regard for how they would be communicated or how individuals would manage the transition. In Khan’s terms, there was a risk that powerful groups might inflict “Transition costs...the costs that parties to a conflict can inflict on each other through ‘political’ acts that can range from strikes and demonstrations to open violence” (Khan 2010:24). As formal institutions change and informal institutions are challenged, the informal institutions become “mechanisms through which social and political stability is maintained” as powerful intermediaries seek a balanced distribution of power within a stable political settlement (Khan 2010:27). As seen in the previous chapters, fundamental changes to the economic and social realities of citizens associated with the lack of government representation in rural areas and the inability of farmers to access credit and markets while confronted with cheap commodity imports led to tensions in line with the realities of an unstable political settlement.

Despite recognition within the NDP of the challenges to social stability, lingering insecurity, uncertainty about the new governance frameworks, and other vulnerabilities related to frictions created during occupation, the solution to these “security” preoccupations included intelligence-gathering, supporting communities to guard themselves, and strengthening family ties and traditional leadership structures (Planning Commission 2002c:130). While the state was being removed from public life, particularly in remote rural areas, communities were encouraged to take responsibility for improving social solidarity. As Richmond argues:

...individuals, families and communities are effectively left to fend for themselves. International actors perceive poverty as a separate problem, relating to local inadequacies, cultural proclivities, and to long-standing traditional power hierarchies and systems of patronage in which economic resources have always been extremely scarce for the masses. This apparent double standard has done much to undermine the legitimacy of the liberal peace especially in “civil society” which, ironically, is the most disadvantaged by these strategies. (Richmond 2009:162)

One *chefe suco* recalled “the first government did not even have money to pay local authorities and *chefe sucos*” (R13).

Having worked on the preparation of the NDP, Respondent 71 recalled that each consultant working on the report brought his/her institution’s policy platform into the writing: “So if it was a UNDP consultant, he gave the UN line, if it was a World Bank consultant, he gave the World Bank line, and Aussies gave an Aussie line” (R71). None were able to counter the overall tone of the NDP and the role it established for the state. The three main priorities established by the population during the nation-wide consultation process were health, education and agriculture, but in practical terms these three sectors received limited financial resources. When it was time to implement the plan, budget constraints and the East Timorese government’s refusal to indebt itself resulted in the state being unable to create a social safety net or to compensate for the limited capacity of the private sector.

In keeping with the concern for responsible planning, resource allocation and streamlined donor mechanisms, international development partners pooled resources in a World Bank-managed Trust Fund for East Timor (TFET) in support of post-conflict reconstruction and development in the country. The World Bank coordinated and co-chaired all of the Timor-Leste Development Partners Meetings (TLDPMs) and recruited large numbers of advisors across targeted sectors. Its guidelines for operations informed the parameters of policies, and programmes were implemented and paid for in line with administrative procedures often determined in Washington, DC. World Bank management of TFET had wide-ranging consequences, as it did not allow the government sovereignty over the allocation of resources, a key pillar of self-determination.

A vice-minister in the first government spoke of the role of the World Bank in exerting control of policy making in the electricity sector, arguably one of the most important indicators of development and post-conflict normalcy in the eyes of the population.

“Electricity was the priority [during the transition and the World Bank wanted] to privatize it commercially and not to provide subsidies. By 2002 we inherited a dysfunctional system. We had no money and the World Bank did not want to put money into the sector from TFET” (R63). A member of parliament suggested another consequence of the World Bank’s management of the trust fund:

We asked for the Trust Fund to be brought in line with our current budget (CFET), into the ministry of finance... But the World Bank refused. They wanted to have a big powerful role in Timor-Leste and we are still paying the cost of this today. Our capacity to execute the budget is still incredibly low and why? Because we never had an opportunity during that period to execute across all ministries...the World Bank ran all projects with separate PMUs and they became a quasi ministry of finance. (R14)

Another minister concurred:

We had a big problem with the way TFET was administered. Rules were set by donors and the World Bank and IMF had a big influence on outcomes and there wasn’t shared responsibility for that period of nation-building because they held the purse strings and we couldn’t even annually take [our budget] to parliament for approval until after donor conferences (R38).

Substantive self-determination includes “the right to economic and social development” (Drew 2001:663). “The most significant norm which has become associated with the possession of sovereign statehood is the pursuit of economic development, whether this is conceived in socialist or capitalist terms” (Williams 2000:564). Between 2002 and 2010, international donors contributed \$57.5 billion to multi-donor trust funds (IEG 2011:79). While MDTFs can be very useful for enhanced donor coordination and harmonisation (IEG 2011:80), as experienced in Timor-Leste they can also serve to advance donor priorities over those of recipient states. The IEG also found that “trust-funded activities typically do not align with countries’ priorities, and they are not necessarily well integrated into country budgeting and programs” (IEG 2011:81). Williams adds: “There is, in short, very little of developing countries’ economic, governmental, administrative, institutional, and social structures and policies which IFIs see as being beyond their purview” (Williams 2000:569-70).

The detrimental impact of the constant need for negotiations and approvals for the use of resources was exacerbated by the fact that the TFET management structures were operated in parallel and apart from those of the government, thus allowing for very little knowledge transfer (R14, 38, 68). Specific examples of the constraints created by the use of PMUs are provided in Chapters Seven and Eight.

With regard to macroeconomic policies, "...fiscal policy, monetary policy, exchange rate policy, trade policy, investment policy and wages policy...[are] framed as a consistent package that will promote growth and poverty reduction" (Planning Commission 2002:31). The IMF and World Bank macroeconomic policy package precluded subsidies for farmers, agriculture inputs and tariffs on imports; the adoption of the US dollar removed state control over interest rates; and other monetary policy and the labour market was dominated by informal and unregulated conditions. Whereas the policy package was considered necessary for "growth and poverty reduction", there was virtually no role for the state to influence outcomes. Agriculture, critical to livelihoods and social cohesion, was not a factor in the World Bank's macroeconomic policy setting in Timor-Leste.

Flexibility within and local influence on the package of policies was diminished as external experts continued to make decisions during the post-independence period with little or no technical or political input from local counterparts. This again clearly demonstrates the presentation of important and inherently political decisions as apolitical and technocratic, or as Burnham terms it, the depoliticisation of the political (Burnham 2001:145). This has obvious linkages to the erosion of sovereignty mentioned above and, consequently, with the ability of the state to mediate and guide the development of the emerging political settlement. Proposed policy packages were tied to a projected state budget, to which donor contributions were essential. Any changes to the policy framework considered by Timorese officials would require re-negotiation of the budget and subsequent agreement by bi- and multilateral donors. The contradictions between this scheme and the very concept of state sovereignty eluded discussion or consideration (Drew 2001).

National budgets were first discussed and approved by development partners and then submitted to the National Parliament by the Council of Ministers. Budget Paper No. 1 from 2003 explains in its introduction: "This draft Budget Paper No.1 is submitted to the Dili Timor-Leste Development Partners Meeting (TLDPM), 4 and 5 June 2003, for discussion. Following the TLDPM the Draft 2003-04 Annual Budget Law, and Budget Paper No.1 will be formally submitted to the National Parliament for consideration" (RDTL 2003:6). The preamble to the Budget Law No 3/2002 states that:

...the Government has taken a cohesive and steady stand that Ministers will make no requests for any increase in appropriations for their respective Ministries, in the course of the specialized discussion of the budget in Parliament, as such requests might flaw the budget that has been agreed upon by the donors. (RDTL 2002:1)

Respondents serving in the first government acknowledged the challenges faced by the state given that donors were prepared to withhold funds (R38). The timing for Parliamentary approval was also limited under this arrangement as the East Timorese fiscal year at independence began on July 1, only weeks after receipt of the draft budget.¹⁰¹ Where disagreements ensued, donors suggested that the state should take out loans to fund their own priorities. This was an option the leadership was not prepared to take. Mari Alkatiri added:

I'm not against loans but my capacity to manage loans is still very low. I can't really do it. They [the World Bank] didn't understand and they said they can help me manage loans. But no, this is not the way. We need to help prepare our people to manage it, but you come here and outsource everything, outsourcing money and your own experts. That means this country means nothing for you. And there will be no coherence. Do you come here to help us or to deliver your programme? If you come with your own experts, outsourcing, we are going to pay them with the very same money you were going to lend us. Taking back your money!

Despite the facts and framework outlined above, the rhetoric found in World Bank documents and used by its representatives in meetings and conversations invoked a language of participation, national ownership, and community-driven development. It may even be the case that in comparison to the UN mission and agencies, the World Bank was more proactive in terms of consulting the East Timorese leaders, particularly during the transition to independence. As the Acting Deputy SRSG for Governance and Public Administration under UNTAET acknowledged, "the World Bank provided the East Timorese with a level of decision-making engagement that was not always evident in their dealings with the UNTAET managers dealing with immediate-term actions" (Harland 2005:7). Those consulted, however, were few and consultation did not extend to the broader civil society level. In fact, 'consultations' were frequently conducted to socialise information on decisions already taken, rather than as a means to seek East Timorese feedback on and input to the decision-making process.

In 1999 Gusmão, arguably the most highly consulted East Timorese national, told the Sydney Morning Herald that "he feared that the Bank and the United Nations were pushing their own policies and not listening to the people" (Daley 1999). The World Bank also "refused to allow the UN to access some of the funds in [the] multi-donor fund" (R68), creating tension between the two institutions and challenging the notion of a

¹⁰¹ The limited time frame was made more complicated as the draft budget was, like other laws, not prepared in Tetum, the most commonly understood language among parliamentarians.

common international approach to state-building. With near total control of the budget, the World Bank was able to influence cross-sectoral programming and implementation.

A minister in the first government explained the donors “had the money and so they had pretty much the dominant position. There were conversations, but fundamentally they came back to one thing - was there money to implement what we wanted to implement? Or would we have to tailor things to the way that they wanted things to be implemented?” (R38).

Respondent 5 noted:

If you look back to the first government’s policies until 2006, and then under Jose Ramos-Horta and Estanislau [two acting Prime Ministers after Mari Alkatiri stepped down following the 2006 crisis], policies were determined by the IMF and the World Bank, not by the sovereign government. They pulled the strings of the process. We are great patriots but did not have governance experience. [We] had many advisers from the World Bank, the IMF and the UN and they, behind the scenes, moulded policy for the government.

The policies “proposed behind the scenes” were premised on a non-interventionist state, with a regulatory framework for overseeing free trade and private sector driven development (JAM 1999:5). The results of this orientation, which translated into a much-diminished presence of the state in rural areas compared with the Indonesian system, were felt throughout the country and drove perceptions that the highly centralised Government in Dili was not interested in, or able to drive, development in rural areas. Twenty-seven percent of East Timorese respondents commented that the international community controlled resources and/or development policy and 57 percent suggested that the government was distant (*do’ok*), did not care, or lacked the power to influence development outcomes.

Prime Minister Alkatiri reflected:

International institutions are needed to help us, but we need to know clearly how far we can go with them. We cannot allow them to lead us. We need to be the owner of our destiny. Once, I was in a meeting with the World Bank and IMF and they and the other donors came with their slogan that the East Timorese need to be in the driver seat. I said, I completely agree, but not to be a taxi driver.

The United Nations Mission and Agencies

The UN Transitional Administration in East Timor (UNTAET) “assumed greater governing powers over East Timor than international agencies had exercised in any previous mission, including Kosovo...” (Paris 2004) and yet remained oddly detached from economic policy interventions in line with the division of labour established with the World Bank (Neves 2007). Despite the UN’s significant and ongoing contributions to the country, arguably the World Bank informed all strategic economic policy decisions in the years following the Indonesian withdrawal.¹⁰² The effects of these economic policy decisions and the mechanisms employed for their implementation spilled over into the socio-political sphere with devastating consequences for internal cohesion and stability.

The United Nations’ Department of Political Affairs (DPA) was the prime interlocutor with the East Timorese leadership in the lead-up to the 1999 ballot. Whether the international community was unprepared for the resultant violence or powerless to confront the risk,¹⁰³ initial plans for the post-ballot transition were shelved to make way for the passage of Security Council Resolution 1264, enabling the deployment of an Australian-led multinational force.¹⁰⁴ This was quickly followed by Security Council Resolution 1272 mandating the establishment of the United Nations Transitional Administration in East Timor (UNTAET).¹⁰⁵ According to Harland, “the United Nations insisted on an UNTAET staff table that would be entirely filled by expatriates” (Harland 2005:3).

UNTAET was responsible for the administration of the territory and its head, the Special Representative of the Secretary General (SRSG), Sergio Vieira De Mello, was granted executive and legislative authority. Critical to fulfilling its mandate, UNTAET was responsible for creating the foundations of a viable state including:

To establish security and maintain law and order throughout the territory of East Timor; (b) To establish an effective administration; (c) To assist in the development of civil and social services; (d) To ensure the coordination and delivery of humanitarian assistance, rehabilitation and development assistance; (e) To support

¹⁰² The World Bank started planning for a transition in Timor-Leste in 1998 when it participated in a study coordinated by Columbia University’s CICR. This was followed by the training of East Timorese economists in Washington DC, the coordination of the JAM and implementation of JAM programmes.

¹⁰³ The risk of a violent response to the ballot was well known and violent incidents had resulted in the postponement of the ballot on three occasions. East Timorese leaders proceeded so as not to lose the historic opportunity for the vote.

¹⁰⁴ <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N99/264/81/PDF/N9926481.pdf?OpenElement>. The UNAMET mandate included an anticipated three-phased transition made infeasible in the wake of violence.

¹⁰⁵ The UNTAET Resolution was adopted on 25 October 1999. <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N99/312/77/PDF/N9931277.pdf?OpenElement>

capacity-building for self-government; [and] (f) To assist in the establishment of conditions for sustainable development.¹⁰⁶

This was the most far-reaching UN mandate to date. By many accounts the humanitarian crisis created by the violent withdrawal of the Indonesian military and the rampaging of Indonesia-backed militias was complicated by the UN's lack of the administrative experience required for the 'building of a state'. UNTAET inherited an ambitious mandate with little time to plan and extremely limited resources for programme implementation. It did not have the resources for nationwide governance and, more importantly, was not accountable to the East Timorese citizenry (Chopra 2002:990). Even once operating in the territory, a former diplomat recalled that he "couldn't see much of national inputs. [Even at] donor coordination meetings, I don't recall there were any Timorese there. If so, maybe there was one person at the end of a table not saying anything" (R17). This was notwithstanding the efforts of the political affairs office to apply a "life welfare" approach as defined in Chapter Three, "usually with limited success" (R17). Rather, the SRSG sought to meet the bureaucratic and diplomatic demands of the Security Council, which was interested primarily in ensuring regional stability, not offending Indonesia and managing a swift exit (R81).

One senior UNTAET official recalled:

The UN were not prepared to administrate a country and the handbook was written only to manage bureaucrats posted in NY. Nothing at all practical for the field and, moreover, to establish an all sectors administration in a developing world. And we did not have any flexibility. Just instructions to come with nice stories for the Daily Briefing of the Security Council. The SRSG Sergio de Mello often railed at it. (R77)

Harland confirms this perception:

The UN assessed budget had no provision for budgetary support to Timorese state institutions. UNTAET was not permitted, under the budget adopted by the U.N. member states, to buy antiseptic for nurses, pencils for schools, or fix buildings for future Timorese ministries – that was planned to come from local revenues, or from external development assistance, or from a trust fund that couldn't operate without a treasury. (Harland 2005:10)

The tripartite negotiations were managed by the DPA and the department's diplomats developed relationships with both East Timorese and international representatives. However, as a peacekeeping mission, the Department for Peacekeeping Operations (DPKO) managed UNTAET. Coordination was hampered by "friction" between the two

¹⁰⁶ <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N99/312/77/PDF/N9931277.pdf?OpenElement>

departments and resulted in the loss of “valuable knowledge of the situation in Timor-Leste, gleaned by the Department of Political Affairs” over the preceding period (Harland 2005:3).¹⁰⁷

UNTAET’s exit strategy was contingent upon maintaining border security and establishing the foundations of a state structure, including the management of elections for representatives who would draft a constitution and then become the representative body of the state. A senior state official described the UN’s focus in those days as being centred on “emergency issues”, namely, currency selection, taxation policies, how to “nurture [a] free market system” and, of course, elections (R5).¹⁰⁸ A UNTAET representative expressed the alignment of some UN member states’ positions with those of the World Bank when they advised the SRSB not to “work with Mari Alkatiri” because he was considered a socialist unlike Gusmão and Ramos-Horta who, with ties to Australia, were perceived as the preferred interlocutors for internationals (R81).¹⁰⁹ In practice, the IMF and World Bank prepared the economic policy documents while the UN focused on the provision of security and election preparations.

The perceived threat of cross-border violence was at the time very significant. Many respondents referred to an insecure environment even after the UN’s intervention and into the first independent government’s mandate. According to a senior UN political affairs official:

When [the UN] did its political threat analysis, [cross-border security] was our number one issue. How many militias were over there? How many incidents had we had? There were at least quarterly meetings with the Indonesian force command in Bali, and monthly technical coordination group meetings on the border. A lot of effort and assets were going to that issue. (R17)

It is important, however, to distinguish between public and internal UN documents. Excerpts from a draft internal threat assessment prepared in late 2003 show that:

Assessment of external threats to Timor Leste is inextricably tied to the country’s internal stability. Historically, external meddling in Timor-Leste has most often been linked to internal vulnerabilities and upheavals. The most effective way to minimize external threats is to develop the country’s economy, especially in the border areas and Oecussi, and to build up effective, accountable Government and security institutions while minimizing disgruntled elements who feel they have been

¹⁰⁷ See also R81.

¹⁰⁸ See also R38, 60, 61.

¹⁰⁹ R81 added “internationals were afraid of a one party state, so made sure to split the security sector because they didn’t want the forces all to be controlled by one party...They already anticipated a Fretilin landslide so made sure structurally state power was divided. There was short utility in this but it ultimately failed [as a strategy]”.

neglected or are outside the system. Failures to manage internal issues will increase the country's vulnerability to external threats.¹¹⁰

According to internal UN Political Affairs documents, semi-organised conflict was likely to continue throughout the reporting period. Presciently, the assessment also noted: “We should be especially aware of how any of our own initiatives could impact on or be perceived in terms of this ongoing competition among the political elite” [underline in original].¹¹¹ A senior UN official pointed out, however, “the UN leadership did not want to call too much attention to external or internal threats for fear of undermining the UN success story, offending Indonesia, or making things difficult with vis-à-vis the Timorese leadership. So, at times, it was difficult to even get such reports out of the mission to New York” (R17).

In hindsight it is easy for respondents to question the UN's emphasis on external security and their apparent failure to seriously consider internal security and conflict factors given the constraints mentioned above. One East Timorese government official mused on security concerns after 1999, “...we shouldn't have been worried. The UN was here” (R103). Two issues were important with respect to the UN and security. On the one hand “the presence of foreigners meant that elites had space to snipe at each other - a security blanket if you want to put it that way” (R82). Yet the opportunity provided was lost by an early focus on elections, which meant that internal East Timorese political efforts to nurture national unity through the CNRT were dismantled in favour of multi-party politics. While elections are an integral component of democracy, the mechanisms used to organise and educate for early elections in Timor-Leste only served to increase tensions and competition among the divergent elite groups within the population (R3, 9, 10, 11, 36, 69, 77, 80, 85). One party leader added:

[The] MPs on [the] list are not people who feel they have been elected themselves to contribute to or help fix the problem. They are taggers-on, on the coats of [Horta, Alkatiri and Gusmão]. They don't have their own voice and don't listen to constituents. But who even are their constituents? This is not clear because there is a national list with no boundaries. So who do the people turn to? Who is really their MP and who can represent them? (R14)

A senior member of the UN mission said:

My view is that the UN consistently ... put on priority the “democratic process” (elections) and security and failed. The “window of opportunities” period in which the population is ready for change is very short, 1-2 years maximum. During this period, we should invest massively in economic development (so agriculture). But

¹¹⁰ Personal archive.

¹¹¹ Personal archive.

the donors want elections which require huge funding and when we realize that agriculture should be put as a priority, it's too late (the best example again is Afghanistan where I spent 4.5 years after TL). (R77)

Notwithstanding historical tensions between East Timorese political parties which threatened to undermine the CNRT itself, the UN was, perhaps, too eager to encourage multiparty elections rather than encourage patience with the umbrella organisation in the name of the democratic process (R77). Respondent 85 from the World Bank acknowledged the challenges created when the “holding environment was lost” and compared this to the situation in Iraq, noting:

If you take the case of Iraq, the biggest mistake in my sense was to dissolve the Baath party, the military and to completely destroy the apparatus of a functioning state. And once you did this there was no way society could hold together. You can say, well, it was a nice ideal of creating democracy but what you've done is to create hell. I don't say this is what happened in East Timor but I think keeping this holding environment a little longer ... would have been good. (R85)

The International Center for Transitional Justice (ICTJ) described the de-Baathification in Iraq as: “Ineffective and incoherent, it polarized Iraqi politics and contributed to severe instability in the Iraqi military and government—not just in the first flush of regime change, but extending as far as the parliamentary elections of 2010, some seven years later” (Sissons and Al-Saiedi 2013:1). In Timor-Leste:

East Timorese are very apprehensive about the size and style of the UN mission, and they are troubled by what they view as their effective exclusion in both mission planning and initial execution...[Gusmão] noted that he and his colleagues were consulted neither on the content of the Consolidated (Flash) Appeal nor on the structure of UNTAET. (Forman 1999:n.p.)

Exclusion from the process, internal political competition and international pressure to measure success by democratic elections resulted in the pressure to dismantle the CNRT prematurely and to instigate competitive party politics too soon.

Respondent 77 added:

Agriculture was considered de facto as a key sector, as most of the Timorese were farmers or fishermen, but in the meantime, security and the election process were considered as priorities in term of financing...The UN missed the boat of agriculture/rural development to focus on security and election processes as in any post-conflict situation (Afghanistan, Libya, etc...)

Election planning could not substitute for establishing conditions for a stable political settlement within an economically viable state. “Minimal economic viability” is required, according to Khan, “for the system to be able to reproduce”. Indeed, “[n]o advanced

country organized this process of transition by first successfully institutionalizing a bureaucracy that would pass the test of impersonality and modernity at a time when its productive sectors were still based primarily on, say, peasant or handicraft production” (Khan 2010:20, 63). The international development partners emphasised democratic governance without complementary support for agriculture, the primary productive sector. This increased competition among those most threatened by the changing institutions and the rebalancing between formal and informal rules.

The UN did try to address latent conflict dynamics in the country through its support for the establishment of the Commission for Truth, Reception and Reconciliation or CAVR, according to its Portuguese acronym. Mandated by UNTAET Regulation 2001/10, CAVR was responsible for establishing the truth about atrocities between 1974 and 1999 and for facilitating community reconciliation meetings for less serious crimes. Laudable in many respects, particularly for its recognition of internal political conflicts associated with East Timorese political parties and their actions during the civil war and subsequent occupation (see Vieira 2012), CAVR reflected the widespread perceptions within the international community that the conflict was in the past. It was assumed that a single mechanism could be established to address grievances as if they were static and historical. CAVR did not mediate post-occupation political positioning or provide a mechanism to resolve the disputes associated with the development process, including disruptions to social and economic life under UNTAET and the new sovereign state.¹¹²

Following the mass displacement, violence and destruction that accompanied occupation and the post-referendum period, many international and East Timorese representatives did not consider a gradual and considered transition feasible. The needs were so great and the expectations so high that national leaders and international development partners alike felt a great pressure to quickly establish functioning state institutions regardless of underlying social and conflict dynamics or human resource constraints. However, as fast as the institutions were being built, they were being disempowered by the structure of the aid system. As the UN worked to build the institutions of parliamentary democracy, it outsourced to the World Bank and international donors the economic policy development and service delivery functions that arguably should have been at the core of the state itself, thereby creating a tension that would carry through to independence.

¹¹² It did recommend establishing an institution capable of mediating post-independence disputes. As of 2014 these and other recommendations were still under consideration and waiting for debate in parliament.

This sense of urgency trumped any possibility for gradual, consultative, decision-making in the build-up of new state structures. The perceived imposition of external mechanisms further resulted in a push by the East Timorese government for a hastened UN exit. A senior World Bank official recalled that little consideration was given to the divergent opinions of the returning East Timorese Diaspora about the structure of the state and the “popular expectations” of the majority of the population

who lived under Indonesian structures and what those structures create[d] in terms of expectations...Very little [was] discussed because ... of [the] violence and [because during] the period after independence [the East Timorese] had a government with relatively little internal experience of how those [Indonesian] structures worked (R79).

The respondent was referring to the first government that was dominated by returned exiles who, in addition to assuming positions of power, were unknown to the population-at-large who had stayed during the occupation.

During travels through the districts in 2002-3, the author often heard rural villagers express concern that they did not “know” the prime minister despite having voted for his party.¹¹³ The technical expertise provided to Timor-Leste by international actors did not include sponsoring intra-Timorese dialogues to develop a consensus on the nature of the social contract or the role of the new state in meeting the demands and expectations of the population. Dialogue is a particularly important informal domestic mechanism for consensus building and stability creation as evidenced by its use by political figures seeking to reduce tensions and secure social harmony. Not only is dialogue used as a dispute resolution mechanism throughout the country, it was also critical to addressing inter- and intra-communal conflict during the 2006 crisis. Institutions premised on anonymity could not accommodate the cultural importance placed by East Timorese on inter-personal relationships and of knowing the leaders.

Whether due to perceived lack of time, limited interest or faltering awareness of the implications of the task, UNTAET’s approach to state-building was technocratic and highly centralised (Ingram 2012:4; Chopra 2003:239). The World Bank criticised the UN for its disregard of East Timorese input in the development of the country because of

¹¹³ A desire to “know” the leaders of the country is not surprising in a small territory with a violent history where personal trust was essential and the social fabric considerably strained. In the town of Gari-Uai, for example, low-level conflicts continued to erupt after independence. The leaders of the clandestine movement from the area requested a dialogue with their “big brother,” Gusmão. It was only after this dialogue that tensions eased, temporarily at least. The limited constitutional powers and budget of the Office of the President limited Gusmão’s capacity to respond to needs expressed to him personally during meetings in the districts. These limitations would prove important over the longer term (Engel 2007:47).

“confusion over who constituted legitimate Timorese representatives for decision-making” (Rohland and Cliffe 2002:2). Meanwhile, as illustrated above, whatever its rhetoric and limited efforts at consultation, the Bank had its own agenda with regard to the economic profile of the state and it managed the disbursement of the resources allocated to reconstruction and state-building. According to a member of parliament in the first government:

There was a division of roles between the UN and the Bretton Woods institutions. When the Security Council gave the UN its mandate, it was on the understanding that the Bretton Woods [institutions] and ADB would help, and they were given responsibility for donor coordination and they controlled the donors and donors’ opinions and made sure all the money was channelled through them. (R14)

According to an East Timorese diplomat, East Timor’s experience with the international community gave rise to the adoption of a new motto by the Government in 2012: “Nothing About Us Without Us” (R80). This reflected deep frustration about the perceived lack, or superficial nature, of consultations with the East Timorese leadership in the drafting of Security Council Resolutions and allocation of resources essential to the nation. Defining and implementing Security Council resolutions are arguably the most significant mechanism available to the UN in terms of defining its scope for action and operating framework in a country or territory. Indeed, the motto brings to light very important questions about the nature of the sovereignty ‘granted’ to the country after its independence.

From members of civil society to the former prime minister, concerns were expressed that UN personnel represented myriad countries, each with its own model. A civil society activist and NGO representative reflected that “...because people came from so many countries, Philippines, Thailand, etc., where was the concept for Timor-Leste? Each one had their particular concept [of development/nation formation]. How will we create our own? We still need to do this. The government itself needs to think about this” (R36). Prime Minister Alkatiri echoed this: “[it] is very important to have the attention of the international community to the country. But the negative thing is people with different experiences and backgrounds, who know nothing about Timor-Leste, come here because of UN quotas.” He went on to cite examples of how UN police from Norway to Nigeria may follow different models of institution-building and police practice.

This perspective is exacerbated by inter-agency rivalries and competition over resources. Despite UN efforts to establish at its US headquarters “a Task Force on East Timor...to

ensure coordination among the Secretariat departments, agencies, funds and programmes concerned, as well as the International Monetary Fund and the World Bank” (UNSC 2000:4), there is no evidence to suggest this unit ever succeeded in its efforts or that it played any significant role on the ground. Rather, as a former American diplomat and UN official reflected, the “UN side didn’t seem all that visible in terms of coordinating mechanisms” (R17). A senior state official recalled, “All decisions were made under a veil of emergency, constrained by the Security Council resolution and plans for the UN to phase out” (R5).

There is also no evidence to suggest that the UN differentiated between state-building, nation-building and the need to harness an appreciation for a national project or identity formation. The difference between state-building and nation-building is contested in the literature. Drawing on Deutsch and Fukuyama, von Bogdandy et al. claim that: “*State-building* means the establishment, reestablishment, and strengthening of a public structure in a given territory capable of delivering public goods” [emphasis in original] (von Bogdandy et al. 2005:583-4). It is often associated with technocratic approaches to democratic participation, rule of law and support of the capacity of the state to maintain control over the security sector.

If state-building is the consolidation of state power in a manner that is socially acceptable to the population, then nation-building can be considered to be linked to processes by which the state becomes legitimate in the eyes of the people and so is not required to rule solely by force. Nation-building “is an essentially indigenous process which often not only projects a meaningful future but also draws on existing traditions, institutions, and customs, redefining them as national characteristics in order to support the nation’s claim to sovereignty and uniqueness” (von Bogdandy et al. 2005:586). The political settlement that incorporates a social contract, similarly, must draw on existing power dynamics. Khan writes:

...a stable agreement between elites (or a social order) is therefore only likely to be viable if it is underpinned at a deeper level by a viable combination of institutions and a distribution of power between organizationally powerful groups in that society...By definition, a social order defined by the absence of violence must be based on a consistent set of institutions and power relationships to achieve minimal levels of economic *and* political viability. (Khan 2010:20)

One would think then that a ‘people-centred’ approach to nation-building would seek to respond to the unique characteristics and relationships within a given society. It would also

necessitate the evolution, or rather conscious development, of a social contract as a mechanism for broadening the distribution of power and to contribute to the stabilisation of any political settlement. In contrast, as noted by Reisman, externally designed and managed state-building can be likened to neo-colonialism and “even under the auspices of the United Nations, can easily become an arrogant usurpation of the right of self-determination” (cited in von Bogdandy et al. 2005:588).

The transition period culminated in East Timor’s long-awaited *de jure* sovereignty as nation. The building of a unique understanding of national unity and purpose was essential for the East Timorese, who had only known such unity in opposition to foreign occupation and even then, within the context of dissenting voices and strategies. Instead, according to a senior UN official, during UNTAET:

No-one did anything about nation-building, and so we had all these festering wounds that were there, going back to 1974-75, that were exacerbated by what happened in 1999, and were just there. And some of the decisions that were made, with the best of intentions of UNTAET, added fuel to that particular fire. And in particular, I’m thinking of two decisions: to constitute the PNTL with unsavoury characters from the Indonesian days and in important positions; and also not to think through properly how to translate Falintil into some sort of army. That didn’t go well and part of that set the scene for 2006. (R68)

The UN did not seem cognizant of the political and historical cleavages that remained in the territory (Ingram 2012:4). It did not disagree with the World Bank policy on the small civil service (R17) and provided no alternative vision or policy framework to that of the World Bank. The Bank dominated the policy setting concerning the ‘productive’ and service delivery sectors and the UN did little to support the development of a common understanding of what was to come upon independence on 20 May 2002.

Bilateral Donors and International NGOs

As mentioned above, many governments provided funds to the World Bank-administered MDTF created for Timor-Leste. World Bank administration provided donors with the peace of mind of knowing that tendering processes would be rigorously enforced and funds would be properly disbursed and accounted for to a high international standard. MDTFs also seek to improve coordination with regard to planning and budgeting processes, reducing the burden on states which otherwise must meet with each individual donor, negotiate each contract and prepare separate reports.¹¹⁴ Local participation is not

¹¹⁴ See examples of MDTF rationale and evaluation papers. For Timor-Leste alone see Schiavo-Campo (2003), Scanteam (2007) and OECD (2010).

guaranteed, however, when it comes to identifying spending priorities, which can be driven by international actors (Barakat, Rzeszut and Martin 2012:101). The complexities of administrative systems associated with implementing projects funded by MDTFs should not be underestimated. One senior UN official suggested that World Bank procedures were not only cumbersome but also “worse than anything the UN could even think of” (R68).

As the UN mission focused on the needs and demands of the Security Council, bilateral donors often concentrated on issues of concern within *their* capitals rather than in Dili. Domestic political cycles, ideology and priorities in donor capitals often overrode the preferences of ‘partners’ in Timor-Leste. Myriad examples can be found of aid programmes that, for example, tied assistance to country-of-origin purchases, refused to fund projects deemed at odds with domestic values, and promoted neo-liberal economic policies and government structures according to particular democratic models.¹¹⁵ The United States, for example, sent a mission to Dili to study the Transitional Support Program (TSP) and the Consolidated Support Program (CSP). According to a USAID representative, the “US is leery of multilateral mechanisms...so they studied us and other anomaly countries” to try to understand why the US was contributing to it (R109).¹¹⁶

Bilateral donors also had motivations and interests informed by their own perceptions of an ideal state that took priority over the actual needs of Timor-Leste. Almost half of the funding spent on reconstruction projects in Timor-Leste was spent outside of TFET (Barakat, Rzeszut and Martin 2012:125). This can be explained in part because of ideological reluctance by some to cooperate multilaterally.¹¹⁷ An embassy representative elaborated on his government’s decision to fund programmes directly and characterised his experience working with the World Bank as being “less rewarding and less successful and

¹¹⁵ For example, USAID required grant recipients to purchase American vehicles and to fly American airlines even when these were more expensive and when spare parts were more difficult to procure. In line with its domestic policy preferences, the US was against a publicly funded health care system in Timor-Leste (R109). EC purchasing requirements also favoured European beneficiaries. Donors funded non-state actors to provide government oversight according to perceptions that states needed monitoring against corruption. Similarly the media was used, not to shape discussion, but to hold the government accountable. The Millennium Challenge Corporation’s focus, for example, on “economic freedom” and “good governance” reflects specific criteria the US expects of recipient states. Also see R109 regarding Bush policies on family planning and US interest in free market and openness to US business interests.

¹¹⁶ The TSP and CSP provided transitional budget support to the government of Timor-Leste through World Bank administered trust funds (World Bank 2008:10).

¹¹⁷ The US provided some funding to TFET but mostly allocated resources through USAID using funds earmarked by Congress for Timor-Leste. Many respondents stated that Portugal did not like to participate in donor coordination efforts but rather preferred to work alone. In later informal donor coordination meetings hosted by the World Bank, Chinese and Cuban donor representatives working in the country were not invited.

more difficult” than efforts made bilaterally (R17). Some bilateral donors were approached to fund projects because they were able to take decisions and release funds more quickly than the World Bank.

In practice, bilateral donors followed divergent criteria for funding projects. Some assistance was provided in support of government-requested projects by channelling funds through international organisations.¹¹⁸ One respondent recalled that the government sought direct bilateral budget support in an effort to fund state priorities, speculating that funding was not provided to the state because of its limited experience managing donor funding. “Instead they [governments] go back to [the World] Bank procedures. They would say, ‘we will give money to Timor-Leste, but it has to go through a credible institution to manage it’” (R101). Smaller cash grants and/or in-kind donations were also provided to national civil society organisations while international NGOs received larger grants for projects pre-determined in donor country capitals for targeted sectors.

Development partner preference to fund non-state actors limited the potential for the state to learn-by-doing, ultimately preventing the emergence of what Hirschman described as a “creative response” which may arise when actively confronting unanticipated obstacles. In the case of a Peruvian irrigation scheme he described, technical challenges and delays led to the piloting of a revised project that subsequently became a model for similar projects implemented in other parts of the country (Hirschman 1967:12). Hirschman also noted that:

...many traits, from simple skills to administrative ability, can be slowly learned “on the job” or alongside it. The fact that these traits are not yet available in the desired quantity and quality at the inception of the project can mean simply that the cost of construction and operation of the project should make allowances for the inevitable learning process to which outside education and training will of course be expected to make an important contribution. (Hirschman 1967:136)

There is a careful analysis to be made that considers what development programmes are culturally, politically and socially acceptable in, and likely to be readily adapted to, a given country situation. At the same time, the analysis should not overly valorise the entrenched cultural traits, or indeed, as suggested by Brown, assume that they are static and fixed in the past (Brown 2012:54). Such a paternalistic approach to development can undermine the potential for learning-by-doing.

¹¹⁸ Some ministers considered it a victory when funding was provided for government priority projects even when resources were channelled through international agencies (R100, 33).

The financial disbursement methods used in Timor-Leste reinforced individual donor agency views about the limited capacity of the state and implicitly suggested that the principal agents of development are international organisations, local communities or Civil Society Organisations (CSOs). Donors placed little faith in state actors and institutions to identify priorities for programming, and funded non-state actors despite limited bilateral staffing which constrained their ability to travel extensively through the country to ensure programming responded to needs and projects were implemented properly. Rather, external consultants were often recruited from abroad to prepare calls for proposals and to evaluate completed programmes.

Eighteen East Timorese respondents¹¹⁹ complained that bilateral donors sought to replicate their own procedures and governance frameworks in Timor-Leste rather than seeking to understand the East Timorese context and building from local experiences and expectations. Many draft laws were proposed based on advisors' home country legislation with only modest amendments and place names replaced with 'Timor-Leste'.¹²⁰ The UN and others were constrained in hiring in some sectors based on nationality and donor governments competed for influence over policy decisions. One senior UNTAET official responded to a question about bilateral donor behaviour with this anecdote (among others) of unhelpful donations:

Donors come with their own agenda, don't listen to advice or worse, have no respect for the people they are supposed to help. So, some donors tried to impose their in-kind donations. I was once called by Sergio [Vieira de Mello] who had a complaint from a Scandinavian ambassador, reporting I rejected the donation of 1,000 tons of urea fertilizers. I did not have the funding to unload the bags (they were not pelleted and I had a strike later on as the dockers wanted to be paid more, etc...), to store them and more importantly to explain how to use it efficiently. The ambassador was offended that I asked his government to finance also a project for that. And the SRSG told me that I had no way but to accept it. (R77)

One aid programme representative reflected on how common it was for colleagues to explain to government officials that a given programme was highly successful in Kirgizstan or Cambodia or Kosovo. The respondent added that the donor community made substantial demands of government officials without conducting a proper study of whether a programme that was successful elsewhere would be suitable for Timor-Leste adding, "we

¹¹⁹ R1, 5, 13, 14, 21 30, 38, 58, 59, 62, 64, 65, 76, 80, 97, 100, 101, 103: including Dili-based representatives of: the national government (13), local government (1), *gerasaun foun* (7), veterans or members of the clandestine resistance (11), civil society (5), NGO/CBO (4), rural youth (1), academia (1), IFI (1), bilateral (2), UN mission or agency (2) and the Diaspora (7). As noted, respondents can fall into multiple categories reflecting multiple identities.

¹²⁰ Personal conversations with members of parliament and advisers revealed examples of cut-and-paste legislation where the original country name accidentally remained in final documents presented to parliament.

didn't do our homework" (R109). These are only selected examples respondents provided of donors either not participating in coordination meetings or blindly advocating for systems previously used in other contexts.

During the UNTAET period and the first years of the independent government, government institutions were being established, civil servants recruited and operating procedures, including regulatory frameworks, developed. Government representation at district level was limited, partly because the central government itself was concerned with the potential negative impact of decentralisation. The head of a UN agency suggested that perhaps the government's fear of decentralisation was "linked to its desire to control the relationship between the state and potentially fragmented social elements" (R94) which would make sense within the political settlement construct. According to national and international respondents, the central government believed it was necessary to prepare the people to manage the resources that would come with decentralisation (R61, 109, 87). This is also consistent with its desire to limit access to resources for those who may become a threat to the balance of power.

At the same time, however, the government was not able to provide services directly because of hiring limits imposed by donors. The belief among the development partners that the government did not have the capacity to service its population and needed to be protected from the risk of corruption was the starting point of nearly all policy papers written at the time. The tensions associated with this contradiction had damaging consequences for state-society relations and for the ability of the state to manage the inevitable shifts in the political settlement resulting from the emerging dynamics of power allocation.

Bilateral donors preferred to fund national and international NGOs to fill the service delivery gap in the hope of spurring on a nascent private sector while simultaneously providing technical support to the strengthening of central government institutions to develop a regulatory framework. However, the slow pace of civil service recruitment and its virtual absence from rural areas left state actors and institutions largely ignored during project implementation and the cooperation planned between the civil service and non-governmental sector remained just a plan.¹²¹ Emergency and development projects were

¹²¹ Meeting notes from the Small Grant Donor Network (SGDN) in 2003 reveal discussions among donors about the lack of consultation on projects with local authorities and the consequent negative impact. (Personal archive)

supported on an *ad hoc* basis, each donor conducting its own assessments and identifying its own funding priorities. These assessments were largely conducted by external consultants on short missions who lacked a contextual understanding of the country; thus, whatever consultation did take place tended toward superficiality.

The preference of bilateral donors to fund international NGOs to provide rural services was understandable in this context but also served to promote competition between international agencies and the government. Their choice again highlights the tensions faced by international and local actors in simultaneously meeting immediate demands while maintaining coherence with longer-term development strategies. It is an interesting exercise to deconstruct the intentions of the donors in the decision-making process for resource allocation. On the one hand, there was a clear preference for a small state with an active private sector providing services with government oversight. At the same time, investment in state institutions was not negligible. Donors did not need to circumvent official channels for fear of bias in service delivery.¹²² On the contrary, the structure of NGOs, their limited human resource capacities, divergent implementation methodologies and inability to reach the entire population led to gaps in service delivery and unequal provision of services. Arguably, this is part of what donors sought to avoid when they decided not to fund the state, but this ideological anti-state predisposition led to precisely the biased service delivery outcome many sought to avoid by circumventing the state in the first place. Urban and rural respondents (4, 28, 29, 42, 44, 101, 102) cited injustice, inequality, discrimination and social jealousy related to unequal access to services as drivers of the crisis. There was a missed opportunity in Timor-Leste to establish a system whereby international NGOs would complement the government as service providers and where the government would be seen to be contributing to national development in the eyes of rural residents. This will be explored in greater detail in Chapter Eight, where the example of the relationship between the ministry of health and international actors provides an alternative model.

International NGOs were perceived to be undermining government authority by marking their presence with flags and logos on reconstruction and development projects. Projects were often selected and implemented without the knowledge of the relevant local government representative, particularly during UNTAET and in the first years of the independent government. Although larger organisations may have informed ministry representatives in the capital of their programming objectives, information was rarely

¹²² One can imagine in certain places like Sri Lanka, where the government may not have an interest in protecting all citizens equally, that donors may deem it necessary to use alternative channels.

shared with district or other rural area representatives, particularly if programmes were approved in Dili. Such behaviour frustrated local authorities who felt undermined as they did not have the resources to monitor these activities, let alone implement projects in their areas of responsibility. Moreover, over time and as communities encountered difficulties with projects following their implementation (if, for example, a water tap broke after the implementing agency had closed the particular project) complaints were made to local government representatives who had no prior knowledge of the projects and no budget to respond. Similarly, it was quite common for donors to fund the rehabilitation of buildings to be used as community centres, for example, without an agreement with the government or others to provide funding for human resources, materials, electricity or other operating expenses beyond the initial infrastructure investment.¹²³

In Timor-Leste, civil society was moulded by the experiences of the occupation. Organisations operated on principles similar to the clandestine movement and so information was withheld until trust was established. Similarly, organisations had formed in a state of opposition; either to the occupying authorities or to the resistance movement. In the post-occupation era, it was challenging for CSOs to abandon informal rules of interaction for formal collaborative partnerships with the East Timorese state institutions. Representatives of these organisations did not naturally trust international development partners either and, in the event they were consulted, may have withheld active cooperation, contributing to misunderstandings and miscommunication. Given significant power imbalances, poor communication, and pre-determined funding streams, national organisations were pressured to align priorities, and even formed groups in order to access donor funds. In order to survive, CSOs would have to adhere to the rules established by donors in this new economic environment. One could argue that this phenomenon was unproductive for a civil society in the midst of a changing environment where learning to engage with the state was paramount and in which the international community's mistrust of the state probably biased the perceptions of emerging organisations.

Given the perceptions of Timor-Leste as needing to be rebuilt as if following a natural disaster, very limited attention was paid to community or national level conflict dynamics in the design of emergency and development projects. Whatever concerns may have existed were not integrated into general and strategic planning. Not only did the preference for

¹²³ There are many examples of this behaviour documented in SGDN minutes, including schools built without consideration for the subsequent availability of teachers or teaching materials, clinics rehabilitated without supplies or staff, and NGO offices rehabilitated without funds for personnel and institutional costs.

supporting non-state actors increase tensions between the government and civil society, projects themselves were framed according to technical specifications alone. For example, the rehabilitation of water supply systems did not plan or budget for ancestor-related ceremonies or lengthy negotiations between neighbouring communities when both claimed ‘rights’ to the source.¹²⁴ In reference to donor understanding of cultural preferences, the role of the Church in society and the ability of donors to adapt approaches accordingly, one long-serving international organisation representative said:

I think that culture is the huge thing that is always missing from development. We just don’t pay any attention to it. We don’t understand it. So it’s easier to say that our culture is the one we are going to try to get you to adopt. And we can say some of it is grounded in intrinsic values of human rights and participation and inclusion and stuff, but that is still cultural imperialism. We’re saying it’s a universal thing where we live. But it’s not actually universal because here you could care less about these things...Again, it’s out of our comfort zone. We like working with secular kind of like-minded folks. (R86)

As with the MDTFs, bilateral funding decisions resulted in the distancing of state institutions from the majority of the rurally-based and agriculturally active and dependent population. The proliferation of NGOs and the distribution of humanitarian assistance in the aftermath of the 1999 violence also led some to believe that this was the meaning of independence. Respondent 58 elaborated on this view based on many years supporting farmers and civil society groups throughout the country: “[many believed that] because between 2002 and 2006 so much was given for free that people thought independence was a free system and that other nations would provide for us”. Respondent 17 added: “apparently, from some accounts, one from a priest in Uato-Carabou, ‘before 1999, some pro-independence activists assured people that after independence they would not have to work any longer or take orders from anyone’”. While the perception above is interesting, it should be noted that this response was one of a multitude of interpretations resulting from the absence of the government and the prevalence of international assistance. For example, whereas 57 percent of East Timorese respondents reflected on the positive aspects of the Indonesian role in the rural economy, nearly half of all veterans and/or members of the clandestine resistance interviewed expressed concern that the economy ‘stopped’ after independence. Half of the local government representatives made similar statements in interviews.

¹²⁴ Rights in this sense refer to the perception of traditional or sacred rights, which may be at odds with constitutional rights (for example, Part IV, section 139). One CBO in Baucau district, for example, requested a water supply project to be implemented by a Dili-based NGO/INGO partnership. Initial agreements included conditions at odds with the constitution, lengthening the negotiations and challenging the role of formal versus informal institutions in the post-independence environment. Agreement was only reached between all community members living within proximity of the water source after several years of inter-community dialogue. By then, the funding was no longer available.

Xanana Gusmão had been participating in village dialogues since his return from Indonesia in 1999. As he had limited formal power and an even smaller budget, many remained frustrated that he was unable to deliver substantively despite his extraordinary moral authority in their eyes. Recognising the growing impatience among the population, in 2004 Prime Minister Alkatiri initiated an ‘Open Government’ dialogue tour throughout the country. Unfortunately, the gesture failed to increase government relevance and legitimacy given the missed opportunities in the initial years and its inability to redress concerns about the post-independence political settlement.

Implications of International Conceptualisations of the State on the Political Settlement

The evidence collected and presented above supports the thesis that the international community never appreciated the early East Timorese efforts at negotiating a stable political settlement, nor did it work to foster dialogue among the East Timorese on the creation of a vision of nationhood which the state apparatus would serve. Respondent 17 reported a 2006 conversation with a member of government who: “conceded that the Timorese leaders themselves had overestimated the degree to which a real Timorese ‘nation’ existed”. This evidence corroborates other analyses that have made related arguments that the transitional administration and the bi- and multi-lateral institutions believed the rhetoric of Timorese national unity fostered during the resistance period, and which may well have existed in opposition to the occupation. As such they overestimated the risks arising from Indonesia, as the former foe, and underestimated the risks of national political discord. There was no consideration of the possibility that donor-driven technical expertise could contribute to exacerbating the mistrust within society, something that had concerned Xanana Gusmao and other Timorese leaders as early as 1998.

The structure of assistance flowed from national capitals and the UN Security Council. Donors ensured compliance with national imperatives while the UN answered to Security Council demands and systems. At the extreme, there was an “attitude, among donors and the UN...that the silly Timorese don’t really need to be part of the process” (R68). Meanwhile, the East Timorese operated in a parallel system, internally divided in experience and expectation.

The NDP and planning documents prepared by IFI and UN consultants mention the challenges facing Timor-Leste. The documents recognise, *inter alia*, the low human resource

capacity, lack of employment opportunities, low productivity, limited capacities within the private sector and the need to develop a market economy. The rhetoric of participation, ownership and empowerment could be found in the theory of virtually all project proposals for Timor-Leste. In practice, development partners proposed what they argued were ‘apolitical’ and ‘technical’ solutions that they believed would limit rent-seeking and result in a lean and efficient state driven by the (admittedly weak) private sector. Some donors provided resources in-kind, for example the Chinese-built Ministry of Foreign Affairs, while others used PMUs and other vehicles to control allocated development project finances.

The institutions supported by development partners were modelled after western parliamentary democracies, particularly that of Portugal. Because donors had *de facto* control over the legislative and budgeting processes, political negotiations over power and resource allocation, a pillar in the development of a stable political settlement, were circumvented. There was no consideration of political realities or popular expectations of independence. A civil society activist compared the government to a child and the development partners to its aunts and uncles who were trying to guide the child and offer it support. But, the respondent added, “the government couldn’t control the donors. The government [being treated like a child] couldn’t provide direction to them to channel their support” (R36).

Neither the East Timorese nor the international community facilitated a dialogue capable of generating a unified national narrative that would have culminated in an agreement over the type of state being established and the implications of symbols, history and divergent experiences for a post-independence political settlement. No single party was able to maintain its holding power as alienated elites were able to inflict higher and higher costs on Fretilin while international development partners controlled the finances and policy-framework of the state. In a bid to erect a modern, efficient, law-abiding state, new institutions were imposed with implications for informal power brokers. The evidence suggests that this created a distance between the state and the population and undermined the establishment of a political settlement inclusive of a broadly acceptable social contract that could have eased the transition.

The next chapter will explore international interventions in practice and how the mechanisms used by international development partners undermined the stability of the

political settlement with unfortunate implications for violent conflict which became manifest in the 2006 political crisis.

Chapter 7 The Economy, Agriculture and the Indonesian Legacy

Introduction

Given the conceptual underpinnings of the international community's approach outlined in the previous chapter, this chapter examines the implications of mainstream conceptions in practice. It explores the impact of international policy prescriptions in the agriculture sector on political dynamics and the forging of a national political settlement. In line with the predominant small-state framework depicted in the previous chapter and what Oya describes as "a consistent pro-liberalisation message" (Oya 2011:149), the international community dedicated substantial resources to institution-building in an effort to curb what was considered the inherent rent seeking propensity of the state. While not discounting the possibility of a developmentally oriented state, Cliffe, Guggenheim and Kostner note that "minimizing the number of patronage and corruption opportunities occasioned by the large flow of reconstruction funds from the center to isolated areas" is of interest in fragile states with limited capacity (Cliffe, Guggenheim and Kostner 2003:9).

This chapter substantiates the claim that development partners introduced new institutions in the agriculture sector that impacted the distribution of power in Timor-Leste and thus undermined the stability of the political settlement. The state was perceived to be distant from the population and its capacity to leverage its power and gain trust among divergent and powerful elites was undermined by its lack of control of resources and policy. Over time, discontent among elites challenged the ability of the state to maintain its holding power as evidenced by the political crisis of 2006 and the ease of mobilisation of demonstrators from the countryside.

Donors prioritised strengthening the institutions of the state in the capital, presuming that strong and coherent institutions would provide a viable channel for the establishment of a stable democratic settlement. Also acknowledging the need for tangible results after the widespread destruction of infrastructure in 1999, donors likewise dedicated substantial resources to the rehabilitation of strategic infrastructure throughout the country. While rehabilitation of infrastructure was necessary and desired by the population-at-large, questions persist as to how much thought was given to issues of sustainability.

For example, a World Bank officer suggested with regard to CEP: "[One has to ask] what was the purpose, the objective? Not to build sustainable infrastructure I'd say, but to show

something is happening” (R87). The head of a national NGO said with regard to international interventions: “Everyone talks about long-term impact but mostly there is little initiative and no sustainability” (R3). An extension officer (R43), the first prime minister and a former diplomat (R17), all echoed this sentiment. According to a senior World Bank official, “The trick is to find transitional solutions that don’t block later and longer-term sustainable solutions and that don’t involve a large recurring budget” (R79).

Investment priorities were consistent with the international view that Timor-Leste could be treated as if recovering from a natural disaster rather than a political conflict. The mistrust of the local capacity to govern and a reliance on technocratic solutions to generalisable ‘development’ problems limited the developmental role for the state, and its capacity to effectively drive the evolution of the country’s changing political settlement. The policies and programmes implemented in the agriculture sector, upon which the vast majority of East Timorese depend for their welfare (Da Costa 2003:48), followed this model and are described below.

In December 2002, at the first development partners meeting (TLDPM) after independence, Xanana Gusmão warned donors not to oversimplify their political and socio-economic assessment of the development process in the country; he urged partners to establish a genuine partnership with the government; and to recognize the “interdependency of political, social and economic factors” when prioritising programmes and policies (Gusmão 2002:2). This chapter argues that development partners failed to heed the president’s advice and analyses the impact of the international community’s overly simplistic approach to the political settlement and internal conflict dynamics.

Legacies of the Indonesian Era on the Agriculture Sector

The mountainous backbone of Timor-Leste is difficult to cultivate and prone to erosion, nearly half of the territory sloping at a gradient of up to 40 percent (Pedersen and Arneberg 1999:4). Soil quality varies widely from district to district and crops are predominantly rain-fed. As a result, planting cycles are limited, particularly for rice, whose cropping had been particularly encouraged by Indonesia. The precariousness of living conditions contributes to risk aversion among farmers and an adherence to belief systems considered necessary to appease the ancestors and maintain a healthy eco-system. Social cohesion during the Indonesian occupation was sustained in part by communal practices aimed at pleasing

ancestors. These rituals were also perceived as essential in providing strength to the resistance. A veteran explained:

We were very traditional people in many ways, our traditional beliefs were very important. We used to recite the traditional prayers always, the *hamulak*, in which we called on the spirits of ancestors, the spirits of the land and the forest, to give us strength and protect us. There were elders amongst us who would perform the ceremonies, and they would come with us into battle. They would provide things like sacred swords, *belak* and *kaibauk* [warrior's crest and crown] to protect us. (cited in Grimshaw 2009:n.p.)

The Indonesian legacy in the agriculture sector can be understood through an examination of two relatively distinct phases of destruction and investment. The first phase can be characterised by mass displacement, famine and eventual transmigration of farmers from other parts of the Indonesian archipelago. Agricultural practices were interrupted by the invasion and many lost their lives between 1975 and 1980. It is estimated that between 102,000 and 201,000 people died as a result of and after the invasion in fighting or due to illness and famine that resulted from forced population movements, loss of livestock and disruption of farming practices (CAVR 2005:55, 72-3). In an effort to consolidate their rule, between 1978 and 1982 the Indonesians intensified the programme of forced relocations of East Timorese from their ancestral lands to coastal territories more easily controlled by the military and other government representatives (Pedersen and Arneberg 1999:26).¹²⁵

Although CAVR estimated that over 55 percent of surveyed households experienced displacement (CAVR 2005:44), there are no accurate data on how this affected farming families and how many were able to continue farming after displacement. Anthropological research conducted by Pannell offers some insight: “People interviewed in the Lautem district spoke of everyday survival and the years of armed resistance to the Indonesian forces as a constant movement between roadside village sites and the nearby forest or mountains” (Pannell 2011:230). Indonesian government statistics show, say Pedersen and Arneberg, that: “For the poorest half of society, agriculture is the primary occupation of over 85 per cent of household heads”, (Pedersen and Arneberg 1999:108) and so access to farmland must have been possible despite any outstanding questions of ownership and durability of the arrangements between residents in newly occupied villages.

¹²⁵ USAID estimated that 300,000 people out of a pre-invasion population of 680,000 were forced into resettlement camps before being transferred to ‘resettlement villages’ far from their original homes (Kammen 2003).

In the period 1975-1978 following the Indonesian invasion, the resistance established *bases de apoio* in areas where the Indonesian military had not yet penetrated. There “Fretilin maintained its administrative role, caring for the welfare of the Timorese population and organizing the defence of villages against Indonesian incursions” (Taylor 1999b:81). Respondent 103 estimated that the *bases de apoio* covered 75 percent of the territory. Two respondents connect this period to a particularly idealised past when people were self-sufficient, made decisions democratically and people from all parties worked and “resisted together” (R99, 98). When the *bases de apoio* existed, food production was determined by local conditions and exchanges were made with other areas (Taylor 1999b:81; R99).¹²⁶ The prospect of this ‘socialist past’ reoccurring may have caused wariness among the Church, opposition parties and certain bilateral governments when Fretilin formed its government in 2002.

When Fretilin won 55 of the 88 seats in the constituent assembly and then formed a government in 2002, some, from the Catholic Church to opposition parties and certain bilateral governments, may have been wary of a return to what was perceived as Fretilin’s socialist past.¹²⁷

Marking a transition from destruction to investment, from the early 1980s, the Indonesians began building markets, extending the road network,¹²⁸ importing cattle and developing irrigated rice fields. Agricultural extension workers were also introduced (Pedersen and Arneberg 1999:26-27). “Systems for managing new agricultural practices were instituted, such as the “techniques of mass guidance” (Bimas). During 1983-84 the first co-operatives were established in villages aimed at producing specific crops” (Pedersen and Arneberg 1999:26-27). Post-1983, Indonesian policy was designed to consolidate its rule, expand military coverage throughout the territory, and deepen Timor-Leste’s integration into the archipelago.

“Guided villages” were established in close coordination with and in proximity to Indonesian military outposts. Approximately 150,000 Indonesian immigrants were ‘incentivised’ to migrate to East Timor by the Suharto regime. Transmigration schemes benefited from World Bank financing worth over \$560 million (Anderson 2003:174).

¹²⁶ For example, rice would be exchanged for coffee.

¹²⁷ Concern about the degree to which Fretilin would promote a socialist agenda, particularly vis-à-vis land tenure, was only one of many concerns indicative of low levels of trust between parties and those who were in exile as compared with those who lived through occupation.

¹²⁸ Road development was required to aid military movements and was not solely related to facilitating the market.

Despite the challenges posed by transmigration, Indonesia's understanding of agriculture's importance to rural life and its efforts to gain the support of rural communities through investments in the sector contrasts sharply with the approach pursued by the international community in the post-independence period.

In 1967 the Suharto regime created the *Badan Urusan Logistik (BULOG)*, the Food Logistics Agency, in order to stabilise the price of rice while guaranteeing profitability for farmers (Arifin 2008:137). *BULOG* purchased rice, ensured affordable prices in urban centres, used stockpiles to guarantee surpluses in times of poor harvest and distributed rice to civil servants and the vulnerable.¹²⁹ As Timor-Leste was never fully self-sufficient in rice production, rice was also imported from other parts of the archipelago for distribution to civil servants and for sale at subsidised prices.

That the Indonesian state made substantial investments in the territory is largely acknowledged, notwithstanding the military excesses and human rights abuses. Citing Anderson, Traube wrote: "Indonesia's contributions to Timor's material development were readily acknowledged and contrasted with the chronic neglect of the colony on the part of the Portuguese rulers. Indeed, the Indonesians were determined to outdo their colonial predecessors, and they invested heavily in roads and schools, largely but not only for purposes of control" (Anderson cited in Traube 2011:128).

Conroy notes:

As one of the poorest provinces of Indonesia up to 1999, East Timor received substantial direct grants from Jakarta. In the mid-1990s these were around \$150m annually, or some 60% of provincial GDP. Thus government expenditure, rather than private investment, drove the Timorese economy" (Conroy 2005:25).

It is perhaps unsurprising that 80 percent of respondents professionally associated with agriculture, forestry and fishing discussed the positive aspects of Indonesian-era agriculture practices. Ten of eleven respondents from rural NGOs and CBOs and 64 percent of veterans and members of the resistance shared the view that the Indonesian agriculture policy was beneficial to the population and expressed concern that UNTAET and the independent government discontinued support in the form of subsidies, technical inputs

¹²⁹ In the 1970s, the World Bank supported the establishment of agriculture marketing boards, particularly in Africa, but began dismantling them in the 1980s along with other structural adjustment programme interventions (Patel 2007:7). By 1998 discussions were underway in Indonesia "regarding an agriculture sector adjustment loan to support reforms" (World Bank 1998:96).

and markets. Even respondents who criticised the Indonesian regime often lamented the institutional changes experienced following the Indonesian departure.

When discussing recollections of how people spoke of independence during the resistance period, respondents among the *gerasaun foun* said they imagined there would be a degree of continuity accompanied by significant improvement in the East Timorese standard of living. One urban young elite respondent recalled: “We thought that what worked from Indonesia we would keep, of course, free from colonialism. After independence, we thought we would not be hungry, that each family would have a home. But, in the end, this expectation was not realised” (R36). Similarly, a Bobonaro respondent added:

People expected first, a free life. Second, development of infrastructure, houses, roads. We had a dream [because] Mário Carrascalão said, that after ten years we would be happy (*bannasa*) but we cry because even in the *villa* there is still no clean water, the electricity goes on and off, many schools have no chairs and tables. Parliamentarians do not visit or provide support. (R42)

Highlighting the divergence of opinion with those who did not experience the Indonesian agriculture model first-hand, one East Timorese who returned from the Diaspora echoed the popular sentiment among this cohort: “Everyone started from the premise that there wasn’t much to keep from Indonesia” (R38). The contradictory views of the Indonesian-era would contribute to political discord and impact perceptions of the government’s capacity to lead.

A few respondents indicated that they had not benefited from Indonesian support and had not, for example, joined agricultural cooperatives. One respondent from an agricultural NGO established in the 1980s noted that whereas the *BULOG* may have encouraged farmers to form cooperatives and may have provided seeds depending on personal relations and individual agreements, ultimately it was a company that made money for Indonesians.¹³⁰ The respondent added: “most rice was imported then, just as it is today. We still import more than we grow” (R96). The vast majority of respondents, however, acknowledged benefits from technical assistance provided by Indonesian and eventually East Timorese extension workers, as well as the marketing mechanisms in place linking Timor-Leste to the larger archipelago.

¹³⁰ The Indonesian transmigration policy resulted in large communities forced to migrate to East Timor where they were provided with land particularly good for rice cultivation. An ETADEP respondent suggested that these communities benefited the most from the *BULOG* system (R96). In 1999 it was estimated that between 150,000 and 200,000 Indonesian migrants were living in the most fertile parts of East Timor (Patel 2007).

One woman from a rice-growing family summed up the internal dissonance expressed by many:

The extensionists would go to a community at cultivation time and assist farmers with how to cultivate rice to get a good result. They went every day to farmers. One village had one person or maybe if villages were close to each other they could share a PPL [abbreviation for extension worker]. When that stopped, it had a huge impact because farmers had no-one who could assist them. ... I'm not saying I want Indonesia to be here. But what I am saying is that Indonesia is bad on one part, but on the development side they are very, very smart. The problem is that their development is done jointly with their killing people and human rights violations. (R60)¹³¹

Respondents described in more detail the nature of Indonesian support to the agriculture sector. According to a farmer from Letefoho in Ermera district:

They gave us training to know the different systems and techniques. I was an extension officer for ten years. I knew how to explain to the population and how to show an example to the population...Extension workers decided what to grow and where, because we know. Otherwise the population may lose out from not knowing what to do. When we received training we also received money. We decided who should follow the trainings—who had potential and interest to learn. Not everyone could receive training. For example, they gave a training on how to grow lemons. They took a small group to Kupang [contemporary West Timor] to show their methods. When they returned they could explain the methods to others. Extension workers coordinated and helped people sell produce. (R25)¹³²

It was clear from respondent farmers that monetary and in-kind support contributed to their social status, particularly for those who had been on training courses and then replicated the new techniques locally. Farmers also consistently reported that it was easier to sell crops and to pay for minor living expenses during the Indonesian occupation. A veteran and extension officer from Ermera district added that Indonesians would test new seeds and methods, contrasting this with the UNTAET approach:

In UNTAET time, they distributed seeds but did not consider where they were from and if they would grow in this environment. They didn't test them first. They just distributed them. But in Indonesian times, they tested seeds first before they were distributed...[Also] UNTAET gave us fish to mate during the day and it didn't work. It was too sunny. It was a big failure. In Indonesian times, we mated fish in the night and that was successful. We told the people from Latin America but they didn't listen...During UNTAET times we needed to figure out for ourselves what to do. They may have come to explain once but there was no follow-up and we got no results. (R25)

¹³¹ Echoing this sentiment, Traube wrote: "People repeatedly assured me that if the Indonesians had treated them well, they could have come to accept their rule in time" (Traube 2011:128) .

¹³² R26 and 27 echoed these sentiments, adding details regarding techniques for cultivating vegetables, terracing, construction of fishponds and animal vaccinations.

As demonstrated above, the post-independence approach to technical assistance suffered from several shortcomings: it was felt to under-value local input and knowledge, did not make allowances for the need to demonstrate the effectiveness of proposed changes to a risk-averse population and lacked sufficient follow-up with affected farmers. Beyond these issues, public sector support for extension services and in-kind support to farmers were also discontinued.

A member of a rice growing cooperative from Seisal, Baucau, lamented the state of the economy post-independence:

During Indonesian times, they bought local produce. We often say [today]: Our kitchen is not in Timor but in Indonesia. If we are hungry, we have to go to Indonesia.¹³³ We gained a lot of experience in Indonesian times. We had food here then. We did not have to go there. After independence, we became dependent on Indonesia... Before, under Indonesia, there were cheap prices in the markets. Everything was controlled. When salaries for civil servants increased, prices also went up in the market. But these could not be too high or civil servants couldn't work well. Now prices go up but the salaries go down. Now, one can spend an entire salary in one week. (R9)

Another farming family from Maliana, Bobonaro, acknowledged that the Indonesians “organised us according to their technical support. We sold the results of our farming to the government during Indonesian times. They bought some of our produce but not all of it” (R46). They had not, however, received any free seeds or tools, thus not all benefited from Indonesia's strategy to ‘win the hearts and minds’ of the population. One agriculture expert who has worked with NGOs for many years explained that the Indonesian system was geared towards farmers' needs: “If they needed money, they could borrow it from the state and then repay the loan when they sold their rice. Because the state bought the results of production, they could do this” (R58).

An extension officer working in Baucau reflected:

Extension services during Indonesian times worked well. In 1999 everything stopped. Then, during UNTAET times we again had a department for agriculture and after independence we had a Minister of Agriculture, but during that period there were no extension services. These only started in 2008. ... After 1999 and until 2008 when there were no extension services, farmers did not receive technical support. Before, also, people were organised into agriculture groups but between 1999 and 2008 those groups fell apart because there was no one to organise them. (R12)

¹³³ A reference to everything being imported from Indonesia (i.e. most items for sale in a local kiosk).

Well over 50 percent of respondents from the west and central regions of the country shared similar perceptions while the highest proportion (75 percent) of respondents sharing the sentiments above came from Baucau in the east. This may be because, unlike Bobonaro, the district is far from the border and so even more directly dependent on agriculture for livelihoods.¹³⁴ Each respondent who spoke of Indonesian-era agricultural practices followed with commentary on the challenges faced by farmers post-1999 and continuing through independence. The system introduced by Indonesia went a long way to support certain very basic needs of the East Timorese society given that 75 percent of the population worked in the sector (Planning Commission 2002a:7; UNDP 2002:6), and an additional 9 percent were paid civil servants. Cramer suggested: “Indonesian policy may have been intended to win over hearts and minds; what can be said pretty clearly is that it failed to achieve that but it did succeed in winning over stomachs”.¹³⁵

The Indonesian occupation was also not without its supporters and, as discussed in Chapter Four, those who benefited by working for the regime. Some clandestine resistance supporters also benefitted economically from the occupation through access to jobs and higher quality education for their children, including Indonesian universities (R106). In the tight post-independence job market, the better-educated young people were the first to secure jobs with the UN and international organisations.

Evidence from the 2004 census indicates that easterners who migrated to Dili were more literate and had higher levels of employment than native Dili residents and migrants from the western districts (Neupert and Lopes 2007:33-34). The perception that advantages were not equally distributed throughout society during the post-independence period challenged social cohesion. As an Indonesian-era extension worker from Baucau noted: “There is social jealousy. If an NGO provides benefits to some, but others don’t receive anything, we have jealousy” (R12) This sentiment was echoed by Respondent 21, a volunteer at a youth centre in Ermera. By contrast, during the Indonesian period there were very low levels of reported internal income inequality. According to Indonesian government statistics, “The Gini coefficient, which measures inequality in expenditure between households, was 0.31 for East Timor in 1998. This compares with 0.37 for Indonesia as a whole, and is very low in comparison with other developing countries” (Pedersen and Arneberg 1999:105).

¹³⁴ Bobonaro district is also largely dependent on agriculture, particularly rice, and hosted a large transmigration programme.

¹³⁵ Personal communication.

The UN and IFIs greatly altered the nature of the local economy, in part a result of the presence of over 15,000 expatriates and the implications for the economy of catering to their needs (Lundahl and Sjöholm 2006:12). Forman warned at the time of the risk to stability. After a visit to Dili in 1999 he noted:

Cold beer became available at the Hotel Dili, where the white SUV's [*siz*] lined up at night along the same curbside where the Timorese waited at the end of each day for signs of the ferry carrying returning refugees. The double standard of living/dual economy this portends is likely to be exacerbated and could create ill-will. UNTAET and the UN agencies are refurbishing public buildings and residences for their own use - by the way initially using imported Australian crews rather than Timorese labor - while the Timorese await tarpaulins and scavenge for building materials to reconstruct their homes. (Forman 1999:n.p.)

The adoption of the US dollar contributed to inflation with mixed implications. It could be argued that, for example, especially in Dili, taxi drivers instantly doubled the price of a local fare and market-sellers that of their tomatoes. While this may have been the case, for the vast majority of the population price increases made life more difficult and increased reliance on bartering (FAO and WFP 2003:10). One rural respondent noted: "In Indonesian times the rupiah was small, but we could buy things. We had change and it could buy you something, but not a dollar" (R44).

At the same time, wages were estimated to have quadrupled with the influx of the UN and international organisations (Lundahl and Sjöholm 2006:12). As noted by a senior World Bank official, the "international presence drove up wages because of demand for skilled workers and that made it harder to create private sector job opportunities" (R79). This view is corroborated by Lundahl and Sjöholm: "This presence in fact meant that a dual economy had been created: on the one hand the traditional domestic subsistence economy, on the other hand an urban, aid-driven economy with a high purchasing power" (Lundahl and Sjöholm 2006:12).

There are no disaggregated data available as to the political affiliations of those able to access employment in the formal sector, primarily in Dili, after 1999. There were, however, competing perceptions at the time. Some Indonesian-educated felt excluded by the new state (R95) and others that the benefits of independence were given to those who had not joined the resistance struggle (R94). The tensions surrounding these perceptions mounted between 1999 and 2006.

Agriculture and the Transition 1999-2002

The UN's peacekeeping operation was ill-suited to develop and implement even an interim national strategy for the agriculture sector. Respondents who worked in close cooperation with the mission recalled that security, elections, selection of a national currency and other macroeconomic issues such as the establishment of a central bank and payment authority were of primary concern, as the mission was under pressure to accelerate its exit strategy (Beauvais 2001:1166; R81). According to a senior UN official in the sector: "For agriculture, the UN missed the boat of agriculture/rural development to focus on security and election processes as in any post-conflict situation (Afghanistan, Libya, etc...)" (R77). As Goldstone stated: "The timescale was largely UN driven...by what the Security Council's limited patience with nationbuilding would bear" (Goldstone 2004:87).

Respondents 77 and 81 added that the structure of the mission did not permit it to function as if it were itself a ministry. One adviser to the Ministry of Agriculture Forestry and Fisheries (MAFF) recalled:

The whole UN machine showed up to do capacity building. Yeah, right! Obviously some good things happened in the early days. But if you want to do capacity building every UN position should be shadowed by a Timorese. The Timorese should have been preselected based on existing capacity and who was working before, during the Indonesian days and there should be a mentoring system going on. International staff should have been given a crash course in *Tetum*. It's such an easy language. But the Timorese were expected to learn English – it was ridiculous, and there was so much miscommunication...It was a disaster. Person-to-person relationships were ok but institutional relationships were pretty shaky (R75).

The UN had the authority to lead the agriculture policy but in practice was dependent on consultants from the World Bank and other bilateral countries who each came with their own agenda (R77).¹³⁶ Consistent with the IFI position, respondents working with UNTAET's Department of Agriculture¹³⁷ agreed that the sector, in and of itself, was not a key to economic development and growth (R75). A policy framework and programme was created for the sector premised on strengthening the government institutions to provide minimal regulation while encouraging private sector principles by opening markets and introducing fees-for-service options to farmers; interim support was provided through non-state actors. This framework represented a dramatic shift from Indonesian-era policy, creating new state institutions that were poorly understood. Leaders of the resistance, among other important constituencies living in rural areas, represented a centre of informal

¹³⁶ As an example of this R77 and 100 recounted stories of Portuguese advisers who brought particularly neo-colonial attitudes to development projects in the sector.

¹³⁷ Also referred to as the Division of Agricultural Affairs (DAA).

power and created a narrative founded on the impotence of the state and benefit distribution bias. This alternative narrative of popular displeasure with the government was constructed and conveyed by urban political elites and passed on by their proxies in the countryside, ultimately reducing the holding power of the government. A state representative verified: “The elite constructed the [unhappy] narrative as a political tool to minimize the government... and the average person picked up on the message and repeated it” (R5).

The annual government (CFET) budget for the pre-independence quasi-Ministry of Agriculture, Forestry and Fisheries (MAFF) started at \$658,000 in fiscal year (FY) 1999/2000 and increased to \$888,000 by FY2001/2002. Development partners supplemented this total annually by \$5.1 million, \$13.1 million and \$14.8 million respectively (MAFF 2005c). In FY2003/2004, the ministry’s CFET budget was estimated at \$1.7 million (RDTL 2003:33). Annual government expenditures for the ministry remained at \$1.7 million in 2004/2005 while donors supplemented this by \$8.27 million (RDTL 2005:96).¹³⁸ According to the RDTL general state budget paper for 2005/2006, between FY1999/2000 and FY2003/2004 donors and government spent \$72.5 million in the sector. Livestock and agriculture accounted for \$66 million, 92 percent of which was funded by development partners (RDTL 2005:97). The same document specifies that, in line with the proposed programme through FY08/09, “annual expenditures in agriculture, forestry and fisheries would decrease from about \$19 million in FY 2003/04 to about \$5.5 million from FY2007/08” (RDTL 2005:97).

According to the 2004 census, 78 percent of economically active 15 to 49 year olds worked in agriculture and fishing (245,989 people), 0.2 percent of which worked in commercial fishing or other (non-subsistence) agriculture (RDTL 2006a:170). This represents 58.6 percent of the population of 15-49 year olds (RDTL 2006a:68).

Yet, it was only after oil revenues started to come online that the government sought to increase the MAFF budget to \$4.5 million in FY2005/2006. On a combined sources basis this would have amounted to a projected \$9.7 million (RDTL 2005:47). Unfortunately, significant constraints to budget execution prevented these planned expenditures. As noted in the budget paper from 2005/2005, “It takes time to develop expenditure plans that will offer value for money and that will be executable. Importantly, execution rates on expenditure in 2004-05 are still much lower than desired, which suggests that good

¹³⁸ The combined sources budget including all reported donor assistance to the sector was \$9.9 million in 2004/2005 (RDTL 2005:96).

planning for further expenditure is essential to achieving good outcomes” (RDTL 2005:10).¹³⁹ Agriculture represented 2.3 percent of the CFET recurrent budget and 8.5 percent of the combined sources budget by NDP sector in FY 2002/2003 (RDTL 2003:35-36). By 2004/2005 the agriculture sector decreased to two percent of combined sources expenditure by NDP sector and nine percent of CFET expenditures (RDTL 2004a:46-47).

Emphasis was placed on setting a policy framework that would facilitate the private sector and small-to-medium-size enterprises. “Agriculture was considered de facto as a key sector, as most of the Timorese were farmers or fishermen, but in the meantime, [few investments were made while] security and the election process were considered to be priorities in terms of financing” (R77). Respondent 77 went on to say that at cabinet and informal meetings, both East Timorese and international colleagues claimed that the agriculture sector was of great importance, however no one other than Xanana Gusmão, according to the respondent, defended the sector when it came to mobilising the necessary financing.

According to a senior official with UNTAET’s Department of Agriculture, the first strategy paper for the sector covering 2000-2002 was developed with World Bank support. In an interview, the respondent recalled discussions with the Deputy SRSR and UNTAET’s head of finance who ‘strongly’ recommended “a budget of two million US dollars” or less despite the request for “ten times more” (R77). The rationale for minimal government financing was that the World Bank was planning to finance its own initiative, the Agriculture Rehabilitation Project (ARP) which would support the development of a regulatory framework for agriculture and the mechanisms for private sector intervention.

The first ARP was an emergency response programme designed to achieve two objectives: “(i) improving food security of selected poor households; and (ii) increasing agricultural production in selected Project areas and promoting rural growth” (World Bank 2000:6). The head of the PMU, responsible for monitoring progress on performance, was also the head of UNTAET’s Department of Agriculture. Rather than considering past policies as a starting point for developing the sector, the ARP project document acknowledges the challenges posed by the poor state of the sector and lauds Timor-Leste’s “great advantage: it is starting life with a clean slate. It can design the framework for agriculture from the

¹³⁹ The government had actually planned for an even more significant increase in appropriations for the agriculture sector in its 2006/2007 budget. A total of \$14 million was allocated to MAF (renamed to exclude forestry) in addition to \$9 million in other sources for a combined budget total of \$23 million excluding unfunded line-items (RDTL 2006:25). Due to the crisis, projections were reduced to a state budget of \$5.4 million with an additional \$8.3 million in confirmed donor funding in the government’s transition budget of 2007 (RDTL 2008:245). The fiscal year also aligned with the calendar year starting in 2007.

ground up” according to best international practice (World Bank 2000:7). From this starting point, the Bank determined that Timor-Leste would look to experiences from around the world to develop its policies before considering local expectations and experiences.

As an emergency relief project, ARP I distributed tools to selected farmers who had lost theirs in the 1999 violence. A World Bank official recalled the creativity required when reporting on the purchase of machetes, commonly used by farmers in Timor-Leste, as such items did not meet the stringent requirements of the World Bank’s procurement guidelines (R85). ARP I rehabilitated minor infrastructure and irrigation canals, particularly targeting rice producers. It also launched an animal vaccination campaign, primarily to alleviate Australian quarantine concerns. As Respondent 88 recalled: “On the surface it was good [the vaccination programme], helping all the livestock across country. We received a lot of help on that from the Australian side because they wanted another buffer for disease control. Vaccinations. That is why they pushed the programme so heavily”. Selected poor rural households also received animals to replace those killed by departing Indonesian soldiers and militia members. One thousand buffalo and one thousand Bali cattle were reportedly distributed, and over 28,000 chicks.

Respondent 75 recalled a meeting convened at the World Bank offices in Dili at which chick distribution was discussed:

I remember the World Bank chicken distribution and the laughable discussions that went on for days about whether we should distribute chickens at one day old, two days old, or seven or ten days, and weighing the pros and cons. And I was saying, ‘For god’s sake, just move on and get them to people’. And they were giving bags of feed with the chickens. So you’d get a couple of chicks and a bag of feed. And, gradually, the feed gets used up. And because they are imported foreign chickens, they thought ‘I can’t feed them anymore, so I’d better kill and eat them’. Many did that—with tiny baby chicks. You can find these problems all over the world, but that could easily have been solved.

The chicken distribution scheme was rated as unsatisfactory by the ministry’s end of programme evaluation report stating that the chickens “provided no net increase in the poultry populations” (MAFF 2005:19). The buffalo and cattle distribution were premised on a revolving scheme project design (World Bank 2000:29). As such, beneficiaries were expected to provide calves born from the project animals to other designated beneficiaries from their community within a three-year period. This cascading effect was not enforced and a review of several evaluations of the project failed to even refer to this objective.

Respondent 25, an extension worker from Ermera explained: “Before [the donors] gave chickens, goats...many things. But they never could give the calves to others to keep the chain going. People said, ‘I fought and this is my entitlement.’” For this and other reasons the anticipated contribution to overall food security was never achieved.

The final evaluation discussed the challenges of identifying recipients of cattle and buffalos in villages where hundreds of families lived in poverty. The project design sought to replace some of the animals lost during the 1999 violence but failed to consider that, relative to others in the population, animal owners had been “amongst the upper quintiles of income distribution” and so the scheme did not contribute significantly to increasing overall food security (World Bank 2003a:5). La’o Hamutuk, a prominent civil society organisation with a mandate to monitor and analyse overseas development assistance came to a similar conclusion finding that “those farmers who had little or no livestock under the Indonesian occupation have remained desperately poor under UNTAET” (La’o Hamutuk 2002:4). Similarly, while large animals are used to prepare fields prior to planting, these were mostly economic assets to be used for dowry payments, ritual-related life cycle events and an emergency source of cash. Recipient families certainly benefited from the scheme; the wider community, for the most part, did not.

Feasibility studies were designed under ARP I to identify the most strategic irrigation schemes to rehabilitate and minor road works and community irrigation rehabilitation commenced. The World Bank selected project sites according to calculations of their Economic Rate of Return (ERR) but their quantitative measurements failed to consider traditional land use patterns. The Minister of Agriculture¹⁴⁰ reflected on conversations with the World Bank at the time:

I wanted to rehabilitate the irrigation system in Uatulari first and then Caraulun and I had a very big argument with the World Bank people and they said it was because the Uatulari study of economic rate of return was lower than Caraulun. But I told them if you look at economic rates, you also have to look at people in Uatulari. They have a rice cultivation tradition—it’s part of their tradition to cultivate and have ceremonies during rice harvests, etc. but in Caraulun, in Same, not that much—I lived there when I was little. I had an uncle there. They produce there, in Baetano, predominantly maize. Rice was introduced in Same on a large scale by Indonesians and most farmers abandoned rice [after the Indonesians left]. So I said, if you look at the Caraulun area of rice plantations, it is less than what you have in Uatulari. But, in the end, the money was already earmarked for Caraulun – even now they have problems in Caraulun—the so-called high economic rate of return is really a very low rate of return.

¹⁴⁰ At the time, technically the position was Minister in the UN-led second transitional government.

The example above, also recounted by an international adviser in the ministry (R88), was one of several disagreements between the World Bank and the soon to be independent government. Another was the plan to privatise irrigation. According to the minister:

The World Bank wanted us to privatise everything and we said no, we can't afford to do this. At one stage they even asked us to privatise irrigation and we said, 'You have to be joking!' How could you possibly privatise irrigation? With the very poor farmers in the country who is going to pay for water rights? No one will pay. (R88)

Pilot Agriculture Service Centres (ASCs) were established to invigorate the private sector and provide market-based services to farmers. Remarkably, the ASC design anticipated that centres would be built on donated communal lands,¹⁴¹ demonstrating community participation in the scheme. Once built, these were to be market-based service providers where farmers would pay for inputs, services and equipment as needed.

However, the design did not consider the structure of the local economy and that farmers would be unable or unwilling to pay for what had previously been provided by the state. It also failed to consider the conflict dynamics of the programme. Once the structures were built on communal land, the buildings were essentially appropriated by the centre managers – who simultaneously acquired valuable farming assets from the project, which if rented, could therefore contribute to an individual's personal income. This is consistent with a common practice in Timor-Leste whereby land ownership and any assets on the land are differentiated. According to Yoder, "In practice, this means that land and standing trees or buildings are usually transacted separately" (Yoder 2003:6) and as such, those who had 'responsibility' for the assets assumed a sense of 'ownership' that was consistent with the fact that they did not traditionally also have to own the land on which the assets stood.

The façade of community participation was not borne out in either the design or implementation. Rather, as Cleaver explains, "...social norms are seen to occupy a secondary place to economic rationality; social relations and participation are seen ultimately to serve the ends of economic development" (Cleaver 2001:48). Pilot ASCs were never functional. They did not incorporate transparent profit-sharing mechanisms in the design and rather created conflicts and resentment among community members. In interviews, local government officials reported that they were asked to intervene when problems arose, despite their lack of participation in the design and implementation of the centres. According to a La'o Hamututk analysis: "The cultural and economic aspects of instituting a "user pays" system in a non-monetized environment, combined with poor

¹⁴¹ Use of community land was also a feature of the CEP which paid for community centres' rehabilitation.

implementation of the system, does not bode well for the sustainability of the PASC structure” (La’o Hamutuk 2002:6). Indeed, the draft implementation completion report notes: “After several years, none of the three ASCs is able to trade profitably and cover depreciation and other business overhead charges. There is still no shareholding in the ASCs by the farmers who added their names to the lists created when the ASC program was initiated under ARP I” (MAFF 2005a:20).¹⁴²

The second phase of the ARP began in 2001 and continued the activities initiated under ARP I with an added natural resources management component in 14 pilot villages (MAFF 2005a). ARP II was designed as a two-year project but overly ambitious targets delayed its completion until 2005. As such, there was an overlap in programming between ARP II and III. According to the completion report, few of the lessons learned from ARP I were applied to the design of ARP II. As in ARP I, infrastructure rehabilitation and training were prioritised without consideration of local farming systems and the immediate needs of farmers. The design neglected to consider whether farmers would increase the number of hectares of farmland used as a result of newly rehabilitated irrigation systems. Projects assumed that damage to the systems in the 1999 violence hindered economic activity and reduced food security. The reality was more complicated. Farmers were less likely to invest time and resources in food production beyond subsistence levels with a collapsed internal market flooded with cheap imports. As Patel notes, the experience of rice surges is common after states follow World Bank policy prescriptions of market liberalisation: “An FAO study, which covered 23 food groups in 102 developing countries from 1980 to 2003, documents an astounding frequency of import surges - between 7,132 to 12,167, depending on method of calculation” (Patel 2007:8). Nor did project design in the agriculture sector make allowances for a transition period for the farmers. Agriculture Minister da Silva reflected on his conversation with the World Bank: “We told them we will have to continue to produce rice even if it is not enough.... It is what they know. [But when faced with cheap imports, farmers decide] it is a waste of time so they abandon their land...”. A ministry adviser added: “In the districts people were angry that imported rice was cheaper than what they could produce rice for locally and people wouldn’t buy local rice if they could get cheaper imported rice” (R73). A senior UN official was more cynical when reflecting on the impact of cheap rice imports: “Regarding rice, the farmers were not

¹⁴² Draft version, 25 February 05.

encouraged to grow [because of cheap imports] as they thought ‘Well, if we have no production, the internationals will anyway feed us’” (R77).¹⁴³

UNTAET approached its role in Timor-Leste with a certain degree of reticence, recognising that it lacked the legitimacy of a sovereign representative government and sought to defer important political decisions until a national government was elected. UNTAET’s head of political affairs from 1999-2001 said the SRSG “adopted a philosophy of...deferring as many decisions as possible to an elected East Timorese government” (Galbraith 2003:211).¹⁴⁴ While feasible in theory, the line between the technical and the political was blurred. As noted, supposedly purely technical approaches to the development of the rural economy, for example, could not be divorced from the evolving political context. In those early stages all decisions would have political implications and society-wide consequences. Indeed, the interpretation of technical assistance as even potentially apolitical and neutral has been rightly criticised from a variety of perspectives. As Chang notes, “no institution, however ‘natural’ it may look, can be regarded as such... markets are in the end political” (Chang 2003:53-4).

One example was UNTAET Regulation 17/2000 banning illegal logging and burning of forests. Legitimate environmental concerns about deforestation and soil erosion had prompted the legislative initiatives and there was a desire to protect the remaining supply of sandalwood, previously one of Timor-Leste’s most valuable exports, as it was feared to be near depletion (McWilliam 2001:17).¹⁴⁵ An adviser in the forestry unit described how the state was virtually absent from rural areas with the exception of its imposition of bans, such as this (R75). Thus, rather than being perceived as supportive of rural development, this approach further weakened the links between the state and rural communities. While there were exceptions to the regulation and approval mechanisms designed to accommodate private needs for wood, many disregarded the regulations altogether; no complementary policy was developed to provide affordable alternative fuels.

¹⁴³ An adviser to the agriculture sector noted that after the 2006 crisis the government tried to reinstitute certain Indonesian-era policies in the sector, including provision of rice to civil servants. “At the time it was a double whammy to the sector because it was those relatively middle class people who got government salaries who would have spent money on local rice. So not only were rice farmers undermined by cheap imports but they lost a key sector of the market because that market was receiving free rice anyway and it was all imported” (R73).

¹⁴⁴ For a nuanced account of divergent opinions on UNTAET’s authority to act as a ‘sovereign’ authority, see Goldstone (2004:92).

¹⁴⁵ Allegedly, senior East Timorese benefited from the selling of sandalwood and so there was an intra-East Timorese political and economic aspect to the regulations as well (personal archive).

UNTAET was treated as a sovereign state by the World Bank and was signatory to grant agreements with it, including that for the ARP (World Bank and UNTAET 2000). As Respondent 85 suggested to the author, while normally “you never have something called a World Bank project”, in the case of the agriculture sector in Timor-Leste, it played a significant role in helping to review the UN proposals, specifically “helping them improve it and providing supervision for the financing” (R85). In practice, this meant that the World Bank-designed ARP would become the core government agriculture programme, notwithstanding other UN preferences. Interestingly, UNTAET and the East Timorese had proposed a public abattoir and a grain silo, both rejected by the World Bank (Anderson 2003:176). According to the World Bank’s Project Appraisal document:

To ensure a realistic project design and implementation program the Project did not finance certain activities proposed by UNTAET and East Timorese counterparts...Some members of UNTAET and East Timorese counterparts may not appreciate the lack of public sector command and control structures and activities and may not support the Project. (World Bank 2000:21)

The three-phase ARP project was designed by the World Bank before independence and continued until 2008. In contrast to discussions about IFI-imposed conditionality, in this case the World Bank worked from the inside to construct a policy framework consistent with its conceptual framework.

Respondent 75 who worked in the forestry unit, a part of MAFF, reported a skeletal staff structure, minimal field personnel and internal disagreements over policy priorities,¹⁴⁶ remembering “...the arguments between the forestry unit people and the World Bank and the Permaculture Institute.¹⁴⁷ There became a split between different ideas about what would be sustainable.” Disagreements centred on the nature of support to smallholder farmers with some emphasising the importance of “producing and selling” (a reference to exports) and others more concerned with the environmental and economic impact of fertilizers and other potentially expensive inputs that farmers could not afford. It is again worth noting the limited parameters of the discussions in light of Byres’ argument regarding the multiplicity of mechanisms through which agricultural transformation can proceed (Byres 2003). These go well beyond issues of environmental impact and instead focus on the role of agriculture in the development process itself.

¹⁴⁶ For example, there were 25 forestry personnel compared with 200 during the Indonesian period (R75).

¹⁴⁷ The Permaculture Institute, later PERMATIL, was an NGO that lobbied for environmentally sustainable policies in the sector.

A split within the department arose between those who had been trained by Indonesians and so had a favourable opinion of Indonesian practices in the sector and external advisers, including more senior representatives of the nascent East Timorese government (R71, 75), who did not want to adopt any of the Indonesian policies or practices. In the early days, according to an adviser to the UN, “there was no successful approach to agriculture”; different donors proposed various strategies, while there were also “people at the local level who thought it’s all wrong and think they should go back to the way it was in the Indonesian period” (R71). According to Respondent 71, the gulf in views between development partners and national civil servants at the ministry implied that little was in fact accomplished in this very crucial sector. Estanislau da Silva, the first minister of agriculture recalled that when the ministry was being established “one of the issues they [the civil servants] brought to our attention was, ‘Why don’t we have a *BULOG*?’...So people thought we could do everything and buy tractors but we didn’t have enough money, [our budget was] so small”. An agriculture expert with professional experience with national and international NGOs conveyed a popular sentiment in his choice of words: “After independence this [Indonesian agriculture] system did not yet work” (R58). The use of ‘not yet’ indicated that even among the urban professional elite with sectoral experience, the expectation of a return to Indonesian-era agriculture practices remained.

Meanwhile, political frustration at the lack of service delivery in the districts coincided with a desire to modernise and mechanise the sector. The government was supportive of modernisation efforts and also of the UNDP initiative to distribute tractors to rural farmers as a means of generating good will and demonstrating action. While respondents did not always agree as to the prime driver of the tractor distribution scheme, and whether it was a concession to the then president who wanted to deliver tangible support to rural communities (R79) or a part of the World Bank development strategy to improve productivity (R75), the reality remained that many of the tractors rusted by the side of the road as there was no strategy for their maintenance. Conflicts over ownership (R73) and fuel costs meant that their use did not make economic sense.¹⁴⁸

The head of the department also recalled disagreements with bilateral donors over programming, reporting and exclusivity agreements. Certain donors, for example, pledged support to a given geographical area on the understanding that they would secure exclusive

¹⁴⁸ Ironically, the Indonesian efforts to mechanise agriculture through the distribution of tractors had met with a similar fate. According to Pedersen and Arneberg, “larger tractors have by and large proven to be a failure, mainly because of lack of spare parts and as a result of misuse” (Pedersen and Arneberg 1999:32). Hand tractors were reportedly more successfully adopted in Timor-Leste.

rights to work in their area of interest (R77). Respondent 77 also noted the impact of competition for influence among donors. Because of the UN's lack of resources and the inefficiency of recruitment processes, the UN depended on World Bank and bilaterally sourced experts who, in his view, may have had their own "interests".

This 'flag waving' and quest for policy influence had negative consequences that should have been foreseen. Unfortunately, this dynamic was not limited to the agriculture sector, as will be seen in Chapter Eight. The competition undermined community perceptions that the nascent state was providing services and other benefits to the population as a whole, an important element in the construction of the social contract. The prominence of international organisations fostered a sense of competition between the state and non-governmental organisations for resources, leading to *ad hoc* development strategies based on individual agencies and donors' perceptions of needs rather than a structured approach in response to the state's NDP. As these same donors and international agencies were constrained by operational capacity and short project timeframes, large geographical areas went without any coverage or support.

Agriculture and Independence

This research places particular importance on the three Agriculture Rehabilitation Projects (ARPs) due to their size and scope of operations in the country. They were also ostensibly state-run projects, first managed by UNTAET and handed over to the government of Timor-Leste after independence. These programmes represented the core state agriculture policies and practices between 2000 and 2006. The ARPs constituted the "major program of donor assistance to MAFF since 2000, starting with the then-Division of Agriculture Affairs" (World Bank 2004:2). Over the course of the three-phase programme (2000-2007), TFET provided US\$17.8 million in grant funds, part of which was used to sub-contract international NGOs and other development partners (see Chapter Eight). The aim was to limit direct government service delivery while augmenting the role of non-state actors and the private sector. This is precisely contrary to the author's perception of what the post-conflict nation-building required.

Respondent interviews suggest that international support to the agriculture sector notwithstanding, the population, particularly in rural areas, felt unsupported by the state. Nearly 60 percent of respondents discussed their perceptions that the government was distant from, and did not provide services to, the population, particularly in rural areas, a

view held by 75 percent of respondents who explicitly associated themselves with agriculture, forestry or fishing.¹⁴⁹ Tellingly, 74 percent of respondents who shared this perception were rurally based members of civil society while 91 percent were associated with rural NGOs or CBOs. A full 68 percent of rural women shared the view that the government was distant, did not care or did not have the resources to provide services, including extension support to agriculture. These high figures cut across geographical boundaries with nearly 60 percent of respondents in Ermera and Bobonaro sharing this view and a full 100 percent in Baucau expressing frustration with the government between 2002 and 2006. This is notable as key respondents in Baucau expressed their political affinity for Fretilin, the ruling party at the time.

Respondents expressed nuanced views and did not fall into monolithic categories of identification, thus demonstrating their capacity to both support a party and disagree with its policies. A village leader in Baucau and veteran of the resistance said, for example, that a delegation was prepared to counter the protests of the “westerners” who were seeking to bring down the government, even though the community had protested against the Fretilin government during the Church-led demonstrations. The respondent added that the first government did “not provide necessities to farmers [because] they had no money...we understood” (R13). The high proportion of respondents in Baucau that expressed the sentiment that the government was absent can perhaps be explained because the district was not included in a decentralisation scheme piloted in Bobonaro after independence and so received fewer government-led services than some communities there. Ermera did not have such a scheme either, but it is possible that proximity to Dili influenced respondent perceptions of the distance between themselves and representatives of the state.

Over half (56 percent) of respondents who served in the resistance struggle also agreed with this sentiment, crossing geographical boundaries from east to west of the country. This was perhaps a reflection of higher expectations of the state given past experiences and the anticipation of a peace dividend in the form of recognition and remuneration for their sacrifice.

Even those who felt that the government had good intentions (R13, 9, 10, 11, 41, 59) believed that the state was either constrained by lack of resources or overwhelmed by the

¹⁴⁹ This figure includes those who were employed as extension officers either during the Indonesian occupation or in the post-2007 government and others who work as part of farming or fishing CBOs. It does not include respondents who, like the majority of East Timorese, depend on agriculture, forestry or fishing for livelihoods and/or subsistence survival.

challenges of moving between planning and implementation. Respondents ranging from village chiefs, Indonesian-era extension workers and veterans added that while promises were made and plans conceived, the government did not have resources to implement them. There is a close correlation with the perception that the government lacked resources and the view that donors controlled the resources and so made decisions about how money was spent. About three-quarters of the respondents who said the government was distant also felt the development partners controlled resources.

Related to the perception that the government was distant and did not provide services to the population was the view that external actors played a significant role in service delivery. This outcome is consistent with the dominant Washington Consensus-based policy doctrine employed in Timor-Leste. While some respondents suggested that international development partners had good intentions (20 percent), 57 percent of local authorities, 62 percent of urban state officials, 63 percent of urban professional elites, and 68 percent of East Timorese NGO/CBO respondents (urban and rural combined) expressed the sentiment that international development partners had a bad or negligible impact. Over 50 percent of respondents in Baucau and Ermera and over 80 percent of respondents in Bobonaro shared this view, including 60 percent of female respondents.

In particular, 64 percent of respondents suggested that international development partners had a negative/negligible impact at the community level. One young member of civil society expressed a sentiment shared by several respondents: “There is no impact from the international community in Ermera” (R22). Meanwhile, a veteran of the resistance from Bobonaro district was more nuanced:

Many international NGOs came to support us. Many gave money or created activities to help improve the household economy. There was good interest from international organisations to help people live well. But they did not really have an impact. They had a good objective but I think they did not really have an impact. Maybe some people are still happy because it was not a negative impact. During the first government’s time, no place was developing—there was no progress anywhere. (R49)

A veteran and agriculture expert from Baucau shared his perspectives on the question of the international development community and the tendency to focus on agency interests rather than community needs:

International agency impact depended upon the agency and how they socialised their programme and how their staff worked. They have targets. The government does not have targets, they have programmes. The difference is that when you work according to targets, you spend money on projects. When the money is

finished and you realise the desired benefits, everything is finished. The project ends...NGOs or agencies first look at what programme they have to bring. Then they assess who should be the beneficiaries, in which areas to work and how many can receive the programme. Then many times – I also worked eight years in an NGO – they determine where the good roads are and work near them. (R12)

Seventy-three percent of rural NGO/CBO respondents expressed this view along with 66 percent of veterans and *clandestinos*. Among the *gerasaun foun*, 74 percent presented this opinion as did 100 percent of those who had been employed by IFIs and/or bilateral donors.

As mentioned above, only 20 percent actively suggested the international community had a positive impact and half simultaneously expressed the sentiment that the international community had negligible impact, indicating a degree of ambiguity in respondent perceptions. For example, several respondents discussed the positive and negative aspects of international agencies. The veteran cited above added: “International organisations help people do what they want to do and add technical capacity. But there are always negative and positive impacts” (R12). He criticised short-term agency project cycles, limited beneficiary numbers and narrow geographical scope of operations.

A full 71 percent of those respondents who acknowledged the positive role of international agencies also expressed concern that the government was distant from the population, reinforcing the perception that the international community presented itself at the forefront of development efforts in line with policy advice relegating the state to a regulatory function.

The third ARP project began before ARP II came to an end. ARP III deviated slightly from the previous projects by emphasising the role of the ministry and the importance of sustainability. It aimed to “*strengthen the capacity of the Ministry of Agriculture, Forestry and Fisheries and its key development partners to assist rural communities in increasing their production and income in a sustainable way*” [emphasis in original] (World Bank 2004b:2). In 2002-2003, \$1.6 million, or approximately 2.3 percent of the total state budget, was allocated to MAFF (RDTL 2003:17, 36). The combined sources budget for agriculture totalled 8.5 percent of sectoral spending, inclusive of contributions from TFET, UN assessed contributions, bi- and multilateral assistance and CFET (RDTL 2003:35). In fiscal year 2002-3, the first year of an independent state budget, the ministry had \$411,000 for capital expenditure of which

\$101,000 was earmarked for rehabilitation of irrigation schemes (RDTL 2003:42, 119).¹⁵⁰ Fisheries and irrigation received the bulk of the funding for capital development. The Government contributed US\$0.73 million to ARP II (MAFF 2005a:13), and \$1.5 million to ARP III (World Bank 2004b). ARP III also received \$6.9 million in funding from the European Commission (World Bank 2004b:2).

During the design of ARP III significant pressure was placed on the World Bank by the European Union (EU) to engage the ministry more directly in decision-making and management. As Respondent 88 recalled, ARP III “gave far more management control to the Ministry of Agriculture, basically to Estanislau... That was an eye opener for Estanislau because he hadn’t quite realised what the EU had put in there.”¹⁵¹ That it was a surprise to the minister responsible for this important sector illustrates the nature of international agency discussions over the development of Timor-Leste. Often, well-intentioned individuals, according to Mosse, “...are constrained by organizational systems and procedures (for example, budgeting time-frames, procedures for approval, sanctioning, fund disbursement and procurement)” (Mosse 2001:24). Even those advocating for a greater role for the East Timorese in the process may not have included national representatives in meetings and strategic conversations among development partners. Everyday ‘implementation’ and ‘delivery’ pressures conspired against activities that well-intentioned individuals understood were in keeping with and necessary to accomplish ‘international best practice’ and ensure ‘partnerships’.

As discussed above, the agriculture sector strategy was “based on the principles of community and private sector empowerment, limiting public sector intervention to the formulation of sector policies, the creation of enabling environments and market-based growth” (World Bank 2000:16). The World Bank identified these principles as the added value of IDA assistance in the sector. According to the World Bank “adopting market-based policies for the growth of the agriculture sector” (World Bank 2000:16) was a priority in World Bank assistance to UNTAET and the CNRT.¹⁵² It explicitly sought to limit the size of the public sector and its scope for engagement beyond establishing a regulatory framework for the benefit of private sector operators. This was despite recognition by the ministry that this approach was inappropriate for Timor-Leste, was not

¹⁵⁰ The capital and development line item decreased after 2002-03 to \$216,000 in 2003-04, and was estimated to rise to \$530,000 in 2004-05 and \$750,000 in 05-06 (RDTL 2003:119).

¹⁵¹ Estanislau Da Silva served as the first Minister of Agriculture after independence.

¹⁵² Actually, only TFET funds were allocated to the agriculture sector by the World Bank. No IDA, DGF or IDF funds were mobilised for agriculture.

responsive to the real challenges faced by the agriculture-dependent rural poor, and despite what Respondent 88 referred to as there being “quite a lot of support for the Indonesian system” from among members of the first independent government. The inadequacy of the World Bank’s approach can be seen by the fact that even East Timorese broadly supportive of a more prominent role for the private sector recognised the need for a gradual approach in which the state would be required, for some time, to address ‘market failures.’

It may be useful to consider the contrast between Indonesian experiences in the agriculture sector with developments in Timor-Leste, particularly in light of IFI policy recommendations. Under pressure from the World Bank and IMF, Indonesia transformed its BULOG support system following the Asian financial crisis (Patel 2007:8). A World Bank Country Assistance Note stated that: “the crisis has provided an opportunity for the Bank to move on structural reforms...[These include] abolition of the monopoly of the state trading agency, BULOG, over the importation and distribution of essential food items” (World Bank 1999:10). In 1998, Indonesia signed a memorandum of understanding with the IMF stipulating “that rice imports be liberalized, removing BULOG’s monopoly on rice trade” (Arifin 2008:148). BULOG was transformed into a profit-making enterprise while retaining a public service function in the form of targeted rice distribution to the poor (Sidik 2004:8).

The policy shift resulted in increased rice imports and the loss of Indonesia’s self-sufficiency in rice production. Arifin suggests “Per capita rice production was nearly 10 percent higher in the years immediately preceding liberalization than in the 3 subsequent years of liberalized rice trade” (Arifin 2008:152). The new policy presented myriad challenges in terms of its social implications and impact on the poor, leading the Indonesian government to impose import tariffs on rice. Despite government perceptions that liberalisation was a mistake, counter-balancing measures have proven extremely challenging (Arifin 2008:164).

Whereas the World Bank and the IMF have been calling on developing countries to open the agriculture sector to market-led competition since the 1980s, it has been noted that:

The European Union (EU) under its Common Agricultural Policy (CAP) program spends over 40% of its budget to subsidize European farmers. [Meanwhile,] the 2008 Economic Development in Africa Report has stated the absence of direct government intervention in agriculture and the removal of subsidies to farmers are

some of the reasons that account for Ghana's inability to develop its agricultural sector." (Andoh-Appiah 2014)

Indonesia also queried the "fairness" of liberalising their agriculture market while industrialised countries maintained high levels of subsidies and agriculture protections in their home markets (Arifin 2008:150). Additionally, the Bank's approach in Timor-Leste failed to take into consideration the expectations of the population regarding the role of state in the post-independence period, particularly in light of the level of support provided to the agricultural sector during occupation. Respondent 17 went as far as suggesting that the World Bank and UNTAET were "trying to apply templates from elsewhere that didn't seem all that appropriate and not really understanding Timorese culture". One could add that they were particularly inappropriate for a nation undergoing a process of nation and identity building.

Despite its newly acquired *de jure* sovereignty, the state of Timor-Leste had limited control over the structure of its institutions, its policies for development and the financing necessary to implement its priorities derived in part from the development of the National Development Plan. The state's agriculture sector inheritance at independence demonstrates the degree to which the international community had become embedded in the new state structure and defined its parameters for action, or policy space. The international community was unable to appreciate that "the international presence itself forms an important part of post-conflict statebuilding (and that, by extension, the policies and actions of outsiders feed back into and do themselves play a critical role in shaping the character and dynamics of conflict-ridden societies) (Berdal and Zaum 2013:5).

As in other sectors, development partners established priorities according to the funding they were able or willing to earmark. Respondent 88 suggested that the World Bank designed all ARP phases, but acknowledged that the ministry was expected to take the lead on design of ARP III although it still relied heavily on advisers due to donor-imposed time constraints.

A turning point came toward the end of 2004/early 2005, when the ministry initiated internal planning processes. It was at this time that two forces converged, namely the recognition that perceptions of ineffective service delivery in rural areas were bringing the legitimacy of the state into question, and the recognition that the state continued to suffer from the limited human and financial resources at its disposal. This tension informed

MAFF's Policy and Strategy Framework initially drafted in mid-2004. Throughout this document, one can read of the ministry's frustration with the very limited resources received by MAFF through the state budget (MAFF 2004:14-15), the challenges faced by farmers trying to adapt to a market-based system, and the limited success of strategies to improve food security and economic gains from improved infrastructure and asset replacement. The government articulated a desire to shift its support in favour of "a distinct focus on the social functions of agriculture" (MAFF 2005b:2). The ministry further articulated the expectations of the government that it "be more than a regulatory and data-gathering agency" (MAFF 2004:20), as previously suggested by, *inter alia*, the World Bank.

Recognising that the majority of poor, subsistence farmers were located in upland areas without access to rice crops, the 2004 strategy framework reoriented government support away from rice production toward highland farmers and producers of maize and cassava, the national food staples. As noted earlier, data relating to the extent of migration 'back to the highland or ancestral lands' are not available. That said, Yoder notes:

Many enforced resettlements throughout East Timor were temporary, and people were allowed to return to their home areas during the late 1980s and 1990s, but others were required to remain where they were until 1999. Today, the relatively well-developed infrastructure, public services, and agricultural investments people made in resettlement areas are an important factor in keeping them from returning to their pre-1975 land, although many individuals and whole communities are indeed returning and rebuilding their former homes. (Yoder 2003:10)

It is noteworthy that, consistent with Byres' analysis, the government sought to meet the needs of diverse sets of farmers, showing an understanding of the heterogeneity in these groups often not differentiated by policymakers (Byres 2003:243).

Ironically, despite support provided to rice farmers under ARP I and II, the results were undermined by World Bank advice to open Timor-Leste's market to cheap rice imports. This policy prescription was based on the analysis, common at the time, that it is better for the majority of poor consumers to have access to cheap imports than it is to support a smaller group of famers with subsidies (R2a). According to the World Development Report: "Liberalization of imports of food staples can also be pro-poor because often the largest number of poor, including smallholders, are net food buyers" (World Bank 2007:10).

The government's preference to support upland farmers was later reflected in the ministry's first Sector Investment Programme (SIP) in early 2005.¹⁵³ However, many criticised the SIP process as being externally driven and bureaucratic, particularly given that these plans were only starting to come online at the time of the 2006 crisis, and several were never completed. Respondent 73 added that the major donors controlled the process and merely added their existing and planned programmes to the SIPs according to previously earmarked funding commitments. Several respondents suggested that the government was loath to turn down funding, even when projects contradicted their policies (R73, 89, 33).

Despite the challenges to SIP preparation, it is evident that the government was beginning to exert its own voice in these planning documents and therefore sought more direct influence on the development process. As Respondent 5, a senior East Timorese official recalled, the sector priorities were the best thing the first government produced despite the fact that they were unfinished and the lack of domestic technical experience meant that the bulk of policies prior to 2006 were determined by the World Bank and IMF.

Prime Minister Alkatiri acknowledged the chaotic nature of the international presence in Timor-Leste but suggested that they agreed to adopt the SIPs, not as a sign of acquiescence to an international idea, but "to avoid overlapping programmes and to avoid others making decisions for us". While one might expect the prime minister to support a programme designed to avoid overlap, his appropriation of this donor process reflected increasing levels of frustration with international dominance of planning processes, although at the same time he acknowledged that some advice was welcomed. It could be argued that the SIPs were not a problem in and of themselves, but rather the more significant issue was one of funding. According to Respondent 62, a key figure in the national planning process, the SIPs became a "wish list" as donors had already determined what they were prepared to fund. If priorities overlapped, the document would reflect a donor's name by the proposed project line whereas other priorities were often left blank due to a lack of external funding commitments and interest.

The SIP process notwithstanding, ARP III was designed without significant reference to the new MAFF policy framework. It continued to operate according to the previous paradigm of a small policy-oriented ministry, reliant on NGOs and the private sector to

¹⁵³ MAFF was selected to be the first ministry to complete the SIP process and to be a model for other ministries (R73).

lead poverty eradication efforts and farmers paying for services. This policy orientation continued into the 2005-06 budget documents in which it was stated: “First, the main source of growth in a [*sic*] long run will be in the private sector, with private investment in commercial agriculture and non-farm private activity being very important...Government will promote this by creating a pro-business legal and regulatory environment...” (RDTL 2005:14).

Conclusion

The evidence from interviews conducted for this research suggests that there is a correlation between those most impacted by agriculture sector policy shifts and new institutional arrangements after the Indonesian withdrawal and those who orchestrated the 2006 demonstrations and/or were readily mobilised in advance of the 2006 violence. According to key national and international informants, including those who actively joined the demonstrations and those who were solicited to provide financial support to the demonstration organisers, those who challenged the power of the state directly by orchestrating the demonstrations included former veterans and those who worked as part of the clandestine resistance movement and other sectors of the political opposition. Divergent elite groups were able to mobilise young demonstrators by building on perceptions that the government was distant, the economy collapsed and the international development partners either controlled the development process or prevented the government from adequately supporting the population. These themes will be expanded in the following chapter.

The perceptions of a distant state controlled by international organisations expressed by respondents across geographical and demographic boundaries in Timor-Leste are a direct result of the development philosophy and mechanisms employed by international development partners. The World Bank set the policy agenda for the agriculture sector in Timor-Leste according to ideological conceptions of the supremacy and global applicability of the liberal-democratic model based on a market economy. In keeping with this model, subsidies were removed and farmers were expected to pay for fertiliser, seeds and rental of farming tools and equipment, notwithstanding the limited circulation of US dollars in the countryside and other local barriers to the immediate implementation of such a system. Contrary to recommendations from government and other local actors, upland farmers were neglected in favour of rice producers. Meanwhile, the use of animal distribution schemes as a principal rural poverty-reduction strategy failed in its objective. As

administrator of the MDTF, the World Bank exerted significant control over the policy framework of the development partners, particularly in the agriculture sector where it was central to policy formulation as pertaining to the ARPs. Timorese members of government were not the only ones likely to perceive Bank advice as ‘state of the art’, technically rigorous policy prescriptions. Indeed, UNDP staff and other development actors often voiced the alleged superiority of Bank ‘knowledge’ with barely disguised envy.

After the Indonesian departure, farmers lost their market and consumers lost access to civil service wages. Farmers could not compete with cheaper rice imports from around the region and found it challenging to adapt to the shock therapy imposed by the international community. According to the head of a local agriculture NGO, this resulted in a greater dependency on subsistence economy whereby farmers reduced the area of land farmed and prioritised production for immediate consumption.¹⁵⁴

Civil servants also lost their jobs and access to subsidised rice when the IFIs determined that Timor-Leste could not afford a bloated and inefficient public sector that would be vulnerable to corruption and rent seeking (R85). The IMF reiterated the policy of maintaining the ceiling on civil servant hiring and wages in their 2004 Staff Report (IMF 2004:12) and this reduced the proportion of the population in rural areas with purchasing capacity, leading to further contractions in the local economy.

The state virtually vanished from rural areas and for many, particularly young men, the best option was to migrate to Dili, the hub of economic activity. Census data from 2001, 2004 and 2010 confirm that Dili’s population increased from 57,080, or 7.2 percent of the country’s population in 2001 to 175,730 in 2004 (19 percent) to 234,026 (22 percent) in 2010.¹⁵⁵ Even with international agencies operating predominantly out of Dili, employment was limited and reserved for those who spoke English or Portuguese and who had had access to higher education, preferably overseas. The effect of a widely held sentiment that the state was distant or ineffective, coupled with a devastated economy perceived to be subject to the directives of foreigners, led to the construction of a ‘new colonial era’ narrative. Those seeking to alter the existing political settlement used the narrative of subjugation to capitalise on widespread discontent and to mobilise significant numbers of people in an effort to challenge the state.

¹⁵⁴ Personal correspondence. Substantiated by R73.

¹⁵⁵ As mentioned in the methodology chapter, census data, particularly for 2001, are rough estimates. The population was estimated to have increased by 13.43% between 2004 and 2010.

The period between 1999 and 2006 was one of significant change and uncertainty for the people of Timor-Leste. Senior officials who worked in the first government, including in the Ministry of Agriculture, lamented that little attention was paid to high expectations at independence: “Everyone who fought for independence - many, not all, but many - thought independence would resolve every problem and bring everything” (R100). Senior government officials themselves may have underestimated the impact of neo-liberal policies on the economic conditions of rural farmers and the political implications of alienation.

An agriculture expert with the University of Timor-Leste (UNTL) argued that:

In terms of production sectors like economy, trade, agriculture – to modernise agriculture - we failed to do that in spite of good intentions and huge donor support and by our own government budget interventions. I mean, a lot of public works in agriculture weren’t hitting the right target. Although slowly, gradually we are getting there, but I think there is no value for money. We spend a lot, but returns are very small. (R97)

Respondent 77 highlighted the efforts of Xanana Gusmão and Bishop Nascimento, who both advocated for more direct support to farmers. The World Bank and IMF sought to reduce the size and scope of the state despite discord with the government regarding the level of assistance the state should provide to farmers. While allegedly some senior officials were sympathetic to the IFIs, most respondents interviewed suggested a more nuanced view. Senior officials indicated that they wanted to establish a “social market economy” to assist farmers to transition out of the heavily subsidised Indonesian system and into a more market-friendly environment. The Fretilin leadership spoke of wanting to reinforce self-sufficiency over dependence, but recognised that communities could not pay for services immediately.¹⁵⁶

With very limited resources of its own, and dependent on donor financing, the state was only able to begin budgeting for an increased role in the development process when oil income came online in late 2004-5. Unfortunately, planning processes proved slow, donor coordination complicated and the government was unable to make significant gains in terms of strengthening its presence in rural areas before the 2006 crisis.

¹⁵⁶ R109 provided an example of government pushback when requested to implement a cost recovery scheme for electricity. The respondent recalled that the government insisted that they needed to get the basic system up and running and delivering electricity “before we ask people to pay. If we try to collect money but keep shutting [the system] down and if we can’t deliver, then what service are we asking them to pay for? Let us get the basics down. This is our plan and then yes, we agree with cost recovery, just not yet.”

The democratic process supported by international development partners in Timor-Leste, including the drafting of a constitution, holding elections and establishing state institutions, was not sufficient to enable citizens and the state to deal with post-independence power and conflict dynamics. If one combines Khan's view of a political settlement as how power is balanced or distributed "between contending social groups and social classes on which any state is based" (Di John and Putzel 2009:4), with the consideration that a political settlement can also describe "a negotiated settlement to conflict which spells out how power is to be distributed and managed in the post-conflict state" (Ingram 2014:1), two points become of interest. First, the failure to identify the existence of conflict after the Indonesian withdrawal, as discussed in Chapter Four, meant that the international community did not consider a negotiated settlement to be necessary; that is, they considered that the stability of the political settlement could be guaranteed by the strengthening of formal political structures to the detriment of the development of other institutions. Second, policy development and institution-building rarely considered any power structures outside of the government of interest and even then only the leadership was thought relevant. The experiences and perspectives of lower-level officials, as demonstrated by policy formulation in the agriculture sector was not considered relevant – often because it was associated with a corrupt Indonesian system, or with a lack of technical understanding and originating from structures with 'limited human capital'.

Despite the president's warning to development partners not to underestimate the social, political and economic complexities in Timor-Leste, the international community was principally focused on building 'state of the art' formal institutions of a liberal democratic state and with them the establishment of a competitive market economy with cost recovery a key principle of the agriculture sector. The "system of non-subsidized agriculture, where the farmers operate within a free-market system, selling their produce for market value" (La'o Hamutuk 2002:5) was inconsistent with a non-monetised economy dependent on informal rules and relationships.

This focus on formal institution building overwhelmed other efforts to consider how other mechanisms are used in achieving a negotiated settlement among disparate social classes and groups. The limited options offered by international actors to the government could be equated with a "narrow or forced bargain imposed by authoritarian regimes" (Di John and Putzel 2009:4). Efforts to establish a small efficient state model in Timor-Leste out of the ashes of a highly dominant interventionist Indonesian one failed to incorporate divergent

interests and expectations into the nation-building process. The result was the creation of an enabling environment for political discord.

Chapter 8 Non-State Actors

Introduction

The previous chapter used evidence from the agriculture sector to highlight how mechanisms employed by international development partners to reify an ideal liberal democratic state resulted in a policy framework that did not meet citizen expectations, limited the policy options available to the government and thus contributed to the destabilisation of the country's political settlement. Intra-East Timorese disagreements were also not accommodated by the policy environment. International efforts failed to adapt to the political realities prevailing in Timor-Leste after several distinct periods of conflict and occupation. While the state required assistance to navigate socio-economic and political relationships that were in flux at the time of independence, the policies proposed by international partners ultimately proved counterproductive in this important respect. Policies were proposed without adequate consideration of their impact on three important institutions; traditional society, the resistance and the Church. International mechanisms therefore did not anticipate internal conflicts over positioning, influence and power. While certain aspects of the policy framework may have resonated with individual government officials, particularly among the Diaspora elite, the process failed to encourage a national-level dialogue and negotiation over the appropriate role of the state in the development process, including how it would meet the aspirations of the country's population.

This chapter continues to explore the consequences of efforts to construct an ideal liberal democratic state, and thus constrain the developmental role of the state, through the use of aid conditionality and technical advice mechanisms in support of non-state actors. Evidence in Timor-Leste supports Moore's analysis of the World Bank's position outlined in the 1997 *World Development Report*, that the World Bank sought to "re-engineer 'the values and norms of the state and the state's relationship to the economy'" (Moore 2000:14). In particular, the World Bank sought to move Timor-Leste away from the interventionist/developmental Indonesian model and toward a modern, liberal, market-led economic and political framework. The World Bank's approach to Timor-Leste was consistent with its role in other post-conflict environments and its effort "to create 'market friendly' opportunities" (Moore 2000:11). As outlined elsewhere this approach did not incorporate the domestic population's perceptions of development and its drivers.

Together with other international development partners, efforts were made to limit state financed and implemented service delivery. During the Timor-Leste Development Partners' Meeting (TLDPM) in 2002, for example, Country Director of the World Bank, Zhu Xian "encouraged [the government to] continue [to] focus on the priorities as established in the TSP [Transition Support Programme]" (RDTL 2002:6).¹⁵⁷ Donor support for the TSP was predicated on the government assuming a "strategic and regulatory" function (World Bank 2003a:1) and the:

[g]overnment's commitment to open trade and investment policies and the maintenance of macro-economic stability...It also indicates the importance of a lean, disciplined and transparent public sector, with the private sector taking a leading role in economic development and the Government avoiding the temptation to pick winners and invest directly in commercial activities (World Bank 2003a:1).

Development partners led by the IFIs funded non-state actors to rehabilitate basic infrastructure, including the rebuilding of clinics, hospitals and schools, as a means to address human insecurity and poverty (IEG 2011:xvi).

The IEG reported poverty and unemployment increased between 2002 and 2007, the limited jobs created were unsustainable and the government's "fiscal stance was too tight" before the crisis (IEG 2011:xiv-xvi). It concluded that resources were not available to the state in order to enable it to drive the policies necessary for service delivery and poverty reduction in the face of growing dissatisfaction before the crisis. This conclusion was not necessarily consistent with the then prevalent World Bank view that the government's "macroeconomic policies were solid" (R87). Indeed on the eve of the 2006 crisis, Paul Wolfowitz described Timor-Leste as "by far the best performer [of post-conflict countries] on almost every measure" (Wolfowitz 2006a) A senior diplomat noted that:

Very similar sentiments dominated the discourse...in Washington around this same time, in late April, 2005. I recall that at a...conference, Elisabeth Huybens, the former World Bank director in Dili, and I were the only two participants to question the otherwise universally rosy presentations. (R17)

This chapter examines the role of national and international non-state actors, including the business community, in providing services and driving economic growth in Timor-Leste. Specifically, it examines the impact of policies and programming in support of non-state actors in terms of tangible deliverables, the nation-building process and contributions to the negotiation of a stable political settlement. International development partners, in line with the neoliberal state-building strategy, prioritised the provision of technical support and

¹⁵⁷ The TSP provided "bridging finance" to the state so that it could fulfil its obligations before other revenue streams, such as from oil and gas, came online (World Bank 2003a:2).

financial resources to non-state actors. This approach prevented the executive authority of the state from “acting decisively” to establish a policy framework that could draw in competing elites (Di John and Putzel 2009:15). In the process of advancing policy and programme objectives, international actors sought to align with sympathetic members of government or representatives from other state institutions (R71).¹⁵⁸ In doing so, they became party to the political process themselves, contrary to the often-stated apolitical nature and aims of external technical assistance. Development partners thus alienated various elite groups in the process. The evidence presented below demonstrates how the international development partners became the political architects of the state with only minimal and selective input from local actors and, as such, are among the parties responsible for the level of instability of the resulting political settlement.

One of the earliest and most consistent requests from civil society actors with regard to the development process was for consultation. At the December 2002 TLDPM, the NGO representatives stated: “[we] need to [have a forum to] voice community opinion and to involve the community in discussions” about the development process (RDTL 2002:7). In response, the prime minister casually referred to civil society and private sector participation in the preparation of the National Development Plan while the World Bank country director suggested that stakeholders be engaged in the ill-defined and superficial “ongoing implementation and monitoring of the NDP” (RDTL 2002:13, 18). Issues of respect and inclusion in a national project were among the concerns discussed by respondents and their views about development are conveyed in the following section. These serve as a frame of reference for the subsequent analysis of development partner use of non-state actors as agents of a liberal economic model.

Respondent views of development

Nearly fifteen years after a substantial international deployment mandated to maintain security and contribute to sustainable development in the country, interview respondents in Timor-Leste could not agree on a definition of the concept of development, nor who should be its main drivers. When asked, most respondents, from rural farmers to national political representatives, discussed either the mechanisms and prerequisites for development, or the actors or institutions most responsible for advancing (or undermining) progress toward development objectives. According to the respondents who ventured to

¹⁵⁸ This was a bi-directional relationship. State representatives also sought support for pet projects from individual donors, receipt of which would improve their standing among colleagues (R71) indicative of the international intervention in an evolving political settlement.

define development, their understanding can be paraphrased as: ‘What is needed for security’; ‘a free life’; ‘infrastructure including houses and roads’; ‘clean water’; ‘kids in school’; ‘three meals a day with meat, vegetables and rice’; ‘jobs’; ‘not being controlled’; ‘access to markets for agricultural products’; ‘when the state looks after widows, the poor and veterans and provides pensions’ (R42, 50). One rural civil society member added that development means that when things are destroyed, “...we need to work together to rebuild. Development comes from us” (R28). These definitions are unsurprising and perhaps uncontroversial. They also speak to the long list of desirable outcomes expected from development practitioners and the wide-ranging effects development is expected to have on peoples’ sense of security, identity, community and quality of life.

What was telling in interviews was that respondents openly suggested that the development discourse employed predominantly by foreigners working in the country after 1999 was confusing and led to uncertainty among many throughout the country. This was particularly the case in the early years of transition and post-independence when people were still recovering from the trauma of living through what one respondent described as “Timorese against Timorese” violence (R58). A prominent member of civil society, member of the resistance and agriculture expert recalled a conversation with rural farmers who said to him: “[We are] very emotional about independence. Many people died and not just at the hands of Indonesians, but many Timorese killed other Timorese... [It is] hard to think about development... We talk about development but we can’t yet implement it until we find the right path” (R58). According to the respondent, the “right path” was a reference to identifying those responsible for the 1999 violence, holding them to account and realigning relationships in way that would be perceived to create social order and appease the ancestors. There was also a sense that each nation and institution working for the development of Timor-Leste came with its own concept of development. A member of RENETIL, a student-based resistance movement, and NGO activist wondered, given the various models being promoted, “How will we create our own [understanding]?” (R36).

Rather than provide a definition of development, many respondents explained the requirements for it. In order to develop, it was suggested, one needs: ‘stability and a legitimate government’; ‘human resources’; ‘a sense of belonging and unity of purpose’; ‘participation in decision-making’; ‘planning followed by action’; ‘coordination’; ‘groups that work together rather than individuals working alone’; and ‘someone in charge’. Respondents emphasised the need for a regionally balanced approach to development and

the ability to learn from mistakes, possibly over many years, adding that crises, insecurity and limited human resources could impede development. Whereas there was little contradiction among respondents with regard to the multiple aspects of development, the drivers of the development process were contested.

Asked, 'who is responsible for development?' there was some disagreement. Some suggested that the Church or the people are important for the development process. Others, that international organisations and NGOs are important for their work on projects. Some, however, found NGOs to be irrelevant. In line with traditional hierarchical social norms, several older respondents noted the importance of local leaders as drivers of the development process and providers of a clear vision about what form development should take. According to certain local leaders, they should oversee the initiatives of national and international organisations. Despite the range of actors seen as necessary for development, a majority of respondents noted the centrality of the government, its ministries and national leaders as its primary drivers. Yes, there was an acknowledged need for participation and cooperation in the process, but respondents agreed that the government should be in the lead as long as it is perceived to be supporting the population as a whole and not a particular political party or selected group. The latter concern is particularly relevant in the context of the crisis and the discrimination discourse prevalent at the time. Many respondents suggested that certain groups benefitted at the perceived expense or exclusion of others.

The views above provide a unique perspective on, and insights into, the current debate about the nature and elements of development. They are valuable in that they originate from the people who are immediately impacted by the international approach to development and represent a diverse demographic. It would be fruitful to incorporate these perspectives into broader, global debates on what development is, how to measure its progression and when, and if, it can be achieved (McAuliffe and Maclachlan 2010:5).

While the views expressed by the respondents may, at first glance, appear analogous to those found among academics and practitioners, a contextual reading of the comments exposes considerable and important differences. Concerns about a national project, the importance of the construction of 'a feeling of belonging', and preoccupation with the implications of intra-Timorese violence were reflective of a sense of caution about the existing cleavages within Timorese society, and were not rooted in the vision of justice, job

creation and human rights in the normative framework adopted by the international community.

While respondent views on nation-building were shared with the author well after the 2006 crisis, it should be noted that discord associated with the identity of the nation was not new and could not be interpreted as having come to light because of the crisis. Anthropologist Susana Barnes writes of the “resurgence” of customary practices after independence and the inherent tensions in a country whose population is navigating on the one hand, a desire to respect the past, uphold tradition and valorise local customs and on the other, a desire for modernity, equity and entry into a global community of nations (Barnes 2011:23). Respondents echoed this duality during interviews. A female head of an NGO acknowledged that the international community had a positive influence where local tradition can be negative because traditionally, “only men can decide everything”. But, she added the international community can also have a negative influence when their culture goes against local tradition, for example, in the area of women’s clothing and attitudes toward pornography (R42). A coordinator of a fishing group said he was happy that, with the departure of the Indonesians, they could go back to their traditional culture. He also believed that democracy and culture were two different systems and one must be careful that they remain synchronised. For example, “in a democracy you choose people who have an education and who are smart. According to culture we choose *adat* [traditional law]. The two systems must help each other...to find solutions to problems” (R6).

In 2002 after the December riots, the deputy special representative of the secretary-general (DSRSG) called for national dialogue to discuss the “plight of disadvantaged groups” and to discuss concerns about veterans and ex-combatants (RDTL 2002:5). Rather than support the government to convene a national dialogue, UNDP launched a civic education campaign that concentrated on the mechanics of voting rather than the meaning of citizenship. It also created, along the lines of CEP, an elaborate project-based funding mechanism for vulnerable groups, the Recovery and Reemployment Programme for Ex-Combatants in Timor-Leste (RESPECT). RESPECT simultaneously undermined the government, on whose behalf the programme was designed, by failing to learn from the mistakes of CEP, and local authorities, by creating its own village structures. Like many other donor-driven project models, emphasis was placed on expenditure rather than addressing the structural causes of or potential solutions to disenfranchisement. According to *La’o Hamutuk*, the project placed the government in a “weak position...as a result of funds controlled by UNDP and the lack of community freedom to determine other

priorities because RESPECT had determined three development sectors before the implementation of the program” (La’o Hamutuk 2004:2). An extension officer in Bobonaro district described the programme as: “a big headache. They had a lot of money but no coordination” (R43). A vice minister added: “RESPECT was a big mistake” (R69).

The role of the government has long been perceived as needing to go beyond the mechanics of development. Governments in conflict-affected states must create a space for dialogue and manufacture a narrative of national unity and ‘common purpose’. Even when ostensibly recognising the importance of addressing concerns of vulnerable groups, disenfranchisement, and the need for equitable development, as the DSRSG did (RDTL 2002:5), it did not follow that the resultant projects were designed to achieve the stated objectives.

Contrary to national responses about development, international respondents working in Timor-Leste tasked with ‘delivering development’ emphasised practical concerns regarding budgetary constraints and difficult choices resulting from extraordinary needs, a very small budget and projected donor fatigue (R79, 85, 87). The international respondents, a few outliers aside, spoke of “poverty reduction”, “state-building”, and “capacity building” rather than nation-building, the evolution of culture and commitment to a national project and belonging as being central to the development process. The importance of the latter sentiments was commonly absent from the project documents and strategic country assistance plans of most development institutions. This research suggests that it is important to bridge the gap between perspectives of academics, practitioners and communities in conflict-affected states.

International discourse also emphasised impersonal, apolitical, and technocratic approaches to development. The mechanisms employed to strengthen the private sector, generate employment and cater to the most basic needs within society reflect a preference for quick impact programming that can be achieved not through the navigation of a social contract but rather through earmarking financial resources to training, infrastructure and external advice. National ‘beneficiaries’ had high expectations of the development process and were often left disappointed. The divide between development partners and non-state actors is further elaborated below through an examination of international efforts to remove the state from driving development in favour of the private sector and NGOs.

The Private Sector

As discussed, eight of eleven respondents affiliated with an NGO or CBO expressed a belief that the economy stagnated after the Indonesian withdrawal. While only 20 percent of respondents mentioned the private sector directly despite its priority and prominence in international development partner programming, unsurprisingly, discussion of the private sector was dominated by urban professional elites (28 percent), including urban state officials (29 percent), and urban NGO representatives (29 percent). Only five of thirty-seven rural respondents focused on the role of the private sector in the development process.

Civil society respondents shared various perspectives of the private sector, including that businessmen are concerned with their own self-interest. Specifically, respondents complained that they receive too many privileges, profit-seek and pay low salaries, which reduces people's interest in work (R4, 28, 29, 36, 45). Three ministerial-level respondents in the first government added that they faced international pressure to privatise but that there was nothing *to* privatise. They suggested instead that the state should prioritise taking care of the people as its primary responsibility (R61, 63, 100). Members of the *gerasaun foun* who had worked with state institutions and non-state organisations alike added that the state could not meet the expectations of the private sector because it had no resources. Unlike the Indonesian state, the Timorese state, according to respondents, was not effective because it was not permitted to intervene in the economy (R62, 103).

The international community, led by the World Bank and supported by some of the country's governing elites, expected the private sector to play a pivotal role in driving development and economic growth in Timor-Leste. The NDP, for example, envisioned "important responsibilities in the development effort" being given to the private sector. According to the plan, "[p]rivate sector investment and entrepreneurial activity, stimulated by continued reconstruction activity and donor inputs in the near-term, will be the key driver of poverty reduction and economic growth in East Timor in the medium- to long-term" (Planning Commission 2002a:224). The same planning document, however, recognised the many constraints faced by the private sector, including the lack of entrepreneurialism, inputs, land laws, high labour costs, basic infrastructure and ability to compete regionally given the strong US dollar.

The combination of these factors was recognised as creating substantial challenges to private sector driven growth (Planning Commission 2002b:25, 127). Notwithstanding the acknowledged barriers, development partners did not consider altering their analysis or proposing alternative development strategies, including the potential for a longer transitional period. The bias towards private sector-led development and growth was very much in line with the dominant PWC policy framework and the need to rely on the private sector in Timor-Leste was often justified by an inherent distrust of the state's capacity, its potential for replicating the corrupt behaviours of the Indonesian state and its inefficiencies (IEG 2011:5): Indonesia was often used as evidence in favour of the proposed market-based strategy.

Prime Minister Alkatiri recalled in an interview that the private sector was virtually non-existent at the time of independence and required substantial support from the state: "There was no private sector at all. Even the private sector, we needed to help them to set up themselves." Yet, citizens and the private sector were supposed to be the "driving force" for economic growth with the government only expected to facilitate the process (World Bank 2003a:1). The government was expected to establish an enabling environment for a prosperous private sector while popular demands for real change continued to be made of the state. There was consequently a tension between the time requirements implicit in creating 'a market friendly environment,' the ability of the private sector to thrive in the new environment and the ability of the state to deliver to its constituents the long-awaited peace dividend.

Between 2002 and 2006 employment generated by the private sector was minimal in comparison with the impact of government, international agency and NGO employment on the labour market. According to a senior government official, despite all the efforts to develop the private sector, "Ironically, when all this work was being done [to develop the private sector]...no real money or investment was coming in except for that linked to the international community and UN" (R38). Research conducted on behalf of SIDA suggested that "Timorese employment statistics are no better in 2005 than in 2002", while the IMF estimated that 20,000 new entrants were added to the labour force each year (Lundahl and Sjöholm 2006:18), (RDTL 2006b:viii). Labour statistics were limited in the early years after independence but an ILO report estimated that only 400 jobs were created in Timor-Leste per year (Vaidya 2008:9). In a 2006 Financial Sector Diagnostic report, the IMF estimated:

Among formal (i.e., registered) enterprises, while more than 70% have fewer than 10 employees, almost 20% have from 10 to 20 workers. (Urban Labor Market Survey, World Bank, 2005). Among informal enterprises (i.e., unregistered), just over 50% have only a single worker, while almost all of the remainder employ fewer than 10 workers. The distinction however is between the merely small and the very small; thus more than 90% of 'formal' entities have fewer than 20 workers. Informal (unregistered) enterprises are almost exclusively household ventures; the majority of the workers are either unpaid or paid in kind. In terms of scale, it appears that about half of informal enterprises fell below an annual turnover of less than \$1000. In the formal (registered) sector more than 15% of entities had turnover below this very modest level. (IFC 2006:3)

Conroy added that “About a quarter of formal, but fully 90% of informal, enterprises had startup capital of less than a hundred dollars (\$100)” (Conroy 2005:4). In Dili, limited employment opportunities combined with challenging living conditions and expensive commodities were leading some to recall the “positive aspects” of the Indonesian era (Moxham 2005:525). Of the rural situation, the head of a CBO in Vemasse, Baucau noted: “After independence we asked the government to see how people live and to keep an eye on the youth who are wandering around with nothing to do. We asked them not to just provide people with office jobs but with jobs that they can do in rural areas. There is money in the budget but it is not yet reaching rural areas” (R6). The sentiment that there were significant resources available, evidenced by a major international presence, but not accessible to the population living in the districts outside the capital was often heard in the East Timorese countryside.

A senior World Bank official acknowledged that there was an attempt from the outset to find a “role” for the private sector. “At the beginning, it was absolutely non-existent. [We faced a] complicated dilemma—work was reserved for the private sector because the state can’t afford to do it, but it can’t outsource either because there was no private sector” (R85). Questions about what the state could afford link back to the political negotiations necessary in any state and are particularly pertinent for states emerging from conflict. Referencing the case of Rwanda, Booth and Golooba-Mutebi suggest: “The international dominance of neoliberal ideas about trade and markets is not completely absent as a constraint on policy choice” (Booth and Golooba-Mutebi 2014:9). Senior World Bank officials acknowledged that World Bank assumptions regarding what the East Timorese government could or could not afford were premised on what donors were prepared to finance (R85).

The East Timorese view of the role of the private sector was not monolithic. One respondent involved with a major development partner noted there was a confluence between certain members of the government and the predominant development partner policy, adding:

I think...there was a core group that didn't want the Timorese government to be involved in markets because of how most people viewed how the Indonesian system was run—recognising that wasn't the model they wanted for development. Yet a lot of Timorese in the civil service, immediately that is what they knew [i.e. they were familiar with a system whereby the state is actively engaged in market activities], so possibly there was more tension within the civil service. (R109)

A minister in the first government also acknowledged a division within the Council of Ministers, noting that some government officials looked more favourably on import duties and tariffs than others. The minister suggested, however, that the promotion of the private sector “affected social dynamics to the extent that I think a lot of businesses very much thought the system was stacked against them” (R38). A prominent civil society representative added that the international community – while critical of Indonesian paternalism – fostered renewed dependency on international support and created tensions within society. The respondent explained:

At the time they were looking at the Indonesian system, but they didn't realise that they are having a big impact on the living conditions of the people at that time...In terms of business operations and connections between society, we were starting to feel like we are being divided. Being divided by the economic situation. On one side people see the currency is the dollar where people expected that we will have a better life and better conditions. But when applied to the reality of people, because it was compared to what we had during Indonesian time, then it gives a difficulty of not really developing ourselves (R62).

While there may have been interest in bolstering the private sector in the long run, several ministers and senior officials in the first government agreed that over-reliance on it was not appropriate in the short term (R100, 61, 38). Moreover, even those who wanted to move away from the Indonesian-era ‘dependency mentality’ and support producers to link to markets, for example, still wanted the state to provide a social safety net (R38, 61). The donors would not approve funds for such programmes, leading one aid agency representative to note that the first government’s “budget was so tiny – what do you do with it other than just start planning, like with the SIPs and just laying down the basics?” (R109). Decisions about resource allocation in Timor-Leste were made at a time when attitudes among key donors were definitively against states taking an active role in development. This attitude was perhaps exacerbated by fears among certain bilateral partners of East Timor’s socialist prime minister (R81).

The choice to support the private sector was not a purely technocratic decision but also political. It was estimated that in excess of US\$40 million had been invested by donors in private sector activities between 2001-2005 (Hansen and Agus 2005:37). Infrastructure rehabilitation, capacity building and technical support to state and non-state actors were considered preferable to recurrent costs for service delivery (R85; Lundahl and Sjöholm 2006:6). Yet, one respondent with family members working in the private sector noted:

Until today the World Bank (and other donors) never supported East Timorese business people. On the contrary, they ask the government for money so that foreigners can lead [major infrastructure] projects and the World Bank becomes the ‘consultant’...The most business people can do is approach private banks for loans for their projects.” (R18)¹⁵⁹

According to Di John and Putzel, by constraining the options available to the state, international development aid can affect the political settlement with unforeseen consequences (Di John and Putzel 2009:18). In Timor-Leste it pre-empted what the state could or could not support, knowing that every sector required significant investments and difficult choices were required.

Yet, private sector development and identity are interrelated. Prime Minister Alkatiri spoke of the government’s need to do a lot “with policy because we had no money...This is an economy of subsistence. And an import economy and a subsistence economy is a contradiction.” Meanwhile, the international community did nothing to ease the transition. Tying together the connections between nation-building, identity and policy making in a modern democratic state, a prominent civil society member explained that the international community has a preoccupation with quantification and models of state-building. In particular:

We need to link [the state] to reality. What are schools for? It is not just about the numbers, for example, how many schools are there? How many students? Recent conversations about student dropouts are all about the numbers. The conversation says nothing about the schools themselves, the opportunities they provide and about what kids actually learn. Another example, there is no link between agriculture development and the context. For example, statistics show more and more young people are leaving home to travel to Dili to look for work. So less and less people are on the farms. This trend will continue if Dili is the only place where you can find a job. People think education is to find a job, not to continue working in agriculture. Why can’t we link education to agriculture? (R65)

As a key driver of economic growth was perceived to be employment, agencies supported ‘cash-for-work’ schemes that would pay up to three US dollars per day for activities,

¹⁵⁹ Reference to World Bank requests for the government to allocate its own resources relates to post-2006 oil and gas revenue streams. The sentiment that donors have never supported the East Timorese business community can be understood in historical terms dating back to the time of the first government.

including street cleaning. These projects were highly controversial with some national respondents, who criticised their impact on what was regarded as the traditional role of village chiefs to mobilise community members for community service activities (R45, 59, 103). Referencing the quick impact projects that paid for short-term labour, a World Bank consultant added “you can’t mobilize people anymore without money. We damaged social participation and traditional mobilization [processes]” (R83).

A senior World Bank official noted a longer-term concern. Timor-Leste:

...did not have endowments that were job creating. They had oil, but that is not job creating. It is very isolated and the international presence in terms of trade made it more difficult for trade and not less, in that the international presence drove up wages because of demand for skilled workers and that made it harder to create private sector job opportunities. (R79)

In response to challenges, strategies to strengthen the private sector emerged including, *inter alia*, the World Bank’s Small Enterprise Project (SEP), ADB’s micro-enterprise scheme, the Community Empowerment and Local Governance Project (CEP), and multiple cash-for-work initiatives. Aspects of each of these programmes are explored below for their relevance to the evolution of conflict in Timor-Leste.

The SEP provided loans and training to entrepreneurs in order to jump-start the economy. It also funded research on issues pertinent to land and property administration and construction of Business Development Centres (BDCs) in the four district hubs of Maliana, Oecussi, Baucau and Dili. These initiatives had only a minor cumulative impact and faced myriad challenges including, *inter alia*, delayed, insufficient and ineffective training services and loan defaults of nearly 75 percent. Additionally, the research reports produced by the project were reportedly too cumbersome for government officials to digest and use effectively (World Bank 2003:4-6). The *Caixa Geral de Depositos* (CGD), the bank responsible for SEP loans, reported low rates of repayment (IFC 2006:7).

Like so many development projects at the time, rehabilitating infrastructure, particularly community and government buildings, proved far easier than ensuring their effective use and on going maintenance.¹⁶⁰ Each new building constructed required adequate staff

¹⁶⁰ There were countless examples at the time of buildings being renovated for community and youth centres, health clinics, schools, etc. For each building, significant resources were required to support the nascent organisations which often had very limited experience and certainly did not have the funding necessary to maintain the buildings, pay salaries, and run programmes. Donors were very unlikely to support these operating costs once the initial investment in the rehabilitation was completed. Many buildings were

supported by the appropriate management structures, clear roles and responsibilities, linkages back to district and national administrations and, of course, maintenance resources and strategies.¹⁶¹

While the SEP may have had laudable objectives, the lack of political and conflict analysis in the design resulted in a misunderstanding of the challenges faced by budding entrepreneurs. One colleague recounted to the author a dilemma faced by a popular restaurant owner; despite the tables being fully occupied during the lunch hour, they would have to close, as the restaurant did not earn enough to sustain the business. When prompted for more information, given the restaurant's clear popularity, the colleague explained that family and friends requested extraordinary support from the owners and threatened violence if they did not comply. The owners could not survive on what were already very thin margins. Another colleague remarked that this was a big challenge for local business owners who were pressured to adhere to 'social obligations'. While only an anecdote, this example underscores the fact that entrepreneurial development does not take place in a vacuum of cultural norms and customs. A joint RDTL and UN report noted that limited "financial literacy' among Timorese...can be seen as an aspect of a more general weakness in entrepreneurial capacity and experience" (RDTL, UNCDF, and UNDP 2007:12). The interaction between custom and social pressures on businesses in Timor-Leste was not adequately considered.

Bilateral donors including USAID and multilaterals from the World Bank to the ADB supported micro-credit projects. In 2005, it was estimated that twelve multilateral and eighteen bilateral government institutions funded micro-finance projects in Timor-Leste (Hansen and Agus 2005:15). Financing institutions followed a variety of models; some institutions sought to provide credit to civil servants while others served poor rural women.

Moxham states:

Donors and NGOs alike are excited by what is a rare breed of development project—one that is friendly to neo-liberal prescriptions and manages (sometimes) to alleviate poverty. However, the correlation is always a fragile one. Simply assuming that handing out some capital and a few basic accounting skills is all that is needed for the poor to blossom into savvy micro entrepreneurs ignores the deeply rooted causes of people's poverty. (Moxham 2005:526)

eventually taken over by local families on whose claimed rights to the properties, including those built on communal land, leading to resentment by others in the communities (R60).

¹⁶¹ This is to say nothing of the fact that outside of Dili there was no electricity during the day and so generators and fuel would have also been required, thus increasing the operating costs of such centres.

This proved to be true for many micro-finance initiatives in Timor-Leste. According to a prominent international advocate for micro-finance, several of the initiatives failed to survive the turmoil in 2006. Others used the early “post-conflict” years to build capacity and learn lessons in the process of becoming “sustainable micro-finance institutions” (R108). The 2006 IFC Financial Sector Diagnostic report estimated: “Of the \$25,656 million in outstanding balances (27.8% NPLs), 81.8% are non-performing assets which are at least 270 days past due” (IFC 2006:4).

In the case of CEP, loans were provided by one arm of a programme whose other arm was providing grants which resulted in resentment between the two groups of recipients. Widows were among those vulnerable groups targeted to receive loans through the CEP. According to Moxham, women most often used the funds to open kiosks. An evaluation of the programme revealed that up to 70 percent of them would not have made sufficient profits to repay the initial loan (Moxham 2005:522-3). Fortunately for them and others, repayment obligations were poorly enforced and the women were not forced into greater poverty as a result of repayment schedules. According to researchers working for the Association of Microfinance Institutions in Timor-Leste (AMFITIL):

The reasons for this failure are many, but relate perhaps primarily to the weak and ill-enforced lending practices including the disassociation of credit risk from lending decisions; poor monitoring and repayment enforcement; and human capacity deficiencies. ... [CEP] did not meet any reasonable standard of sustainability, and cannot be said to have supported the emergence of a sound credit culture in rural Timor-Leste. (Hansen and Agus 2005:16)

The post-1999 crisis created a series of challenges including destroyed assets, inflationary pressures from the transition to the US dollar and the removal of Indonesian era-salaries and subsidies. Day-to-day obligations remained, however, and cash was increasingly required to repair damaged homes, purchase school uniforms and service other daily obligations. Rural farmers, international agriculture advisers and urban academics explained to the author that in rural areas people relied primarily on a barter economy after 1999 (R26, 27, 73, 97). Urban households were impacted more significantly by the loss of income in light of their limited capacity to barter. The relationship between an increasingly alienated nascent urban middle class and a rural farming population deprived of their anticipated peace dividend foreshadowed pressure points on the holding power of the post-independence political settlement and emerging challenges to the distribution or power within the state. Given the limited employment opportunities in both areas, many sought access to loans or small grants. The latter is discussed in the section below.

Money borrowed for purposes such as those listed above was never going to serve as seed capital for productive, if small scale, investment in the economy. In a 2005 report for the World Bank and RDTL Conroy suggests “[o]verall, it seems likely there is a considerable consumption component in total bank lending, much of it payroll-based” (Conroy 2005:50).¹⁶² In post-1999 Timor-Leste virtually the only financing available was that for small businesses and NGOs. As a result, individuals formed groups according to the criteria of financing organisations. In the event funding was secured, it was often used to meet daily needs. According to a 2007 joint UN-Government of Timor-Leste report:

Market value chains in Timor-Leste are relatively flat, with limited activity and cash circulation. Poverty limits payment capacity for products and services, depresses demand and impedes the opportunities available for rural income generation, and market linkages are very limited. Despite the many unmet demands in the rural communities, the historical legacy of pervasive subsidization of real costs of services has stunted entrepreneurial drive and left the population unfamiliar with self-reliant – and self-financed – development (RDTL, UNCDF and UNDP 2007:8).

This practice bears some resemblance to the current situation in the West where wage stagnation and the retrenchment of the state are forcing people to meet daily needs through debt (Kotz 2009:4). According to Kotz, when

...consumer spending by workers is restrained by the stagnation or decline in real wages, and the expansion of state spending is restrained by cuts in social spending and pressures from tax cuts on business and the rich...[t]his problem was solved under neoliberal capitalism in the only way possible -- by some group spending more than its income. That is, long expansions were possible through growing borrowing (Kotz 2009:9).

In Timor-Leste borrowing became a survival mechanism for many and loan repayment schedules were consequently largely ignored.¹⁶³ An assessment of the sector revealed that even those seeking to run profitable micro-businesses faced daunting challenges given the limited market, lack of supporting infrastructure and poor conditions (health, education, nutrition and skills) to compete in a challenging environment (Hansen and Agus 2005:36). Meanwhile, no fewer than eleven government ministries were responsible for setting policy for the private sector. While some evaluations were critical of the government’s capacity to provide sufficient oversight and coordination support to the sector (IMF 2004:15; Hansen

¹⁶² Use of payroll-based loans to purchase taxis and small buses was also of concern to those supporting microfinance in Timor-Leste, partially because of fear of over-supply but also because these were not responding to the needs of the rural poor (Conroy 2005:34).

¹⁶³ It may have been feasible for larger institutions to write off loans when repayments were not made. Respondents, however, discussed the impact of debt in some communities. A member of civil society reported: “suicides are increasing in Ermera and are considered linked to high debts” (R18).

and Agus 2005:37-8), the IEG faulted the IFIs for their poor performance in the sector (IEG 2011:xviii). The IEG evaluation of the World Bank Group's support to Timor-Leste stated:

Given the absence of entrepreneurial tradition and skills, the lack of any obvious areas of comparative advantage, the small agriculture-based subsistence economy, and the total destruction of all non-agriculture production facilities in 1999, a lot more than a "right" legal environment was needed to have the meagre private sector become the engine of growth. (IEG 2011:74).

Local experiences of working with the Indonesian business sector also resulted in particular views about the appropriate relationship between business enterprises and the state.

According to a senior World Bank official:

...we would get very strong resistance from the [East Timorese] private sector to the creation of a transparent and competitive system. Strangely, they were the ones who would say 'why should this be competitive? Contracts should be awarded on an individual basis'. ... But when you think about the context in which these people had been operating, well, it made a lot of sense. So there was a whole programme to try to strengthen contractors, to give them credit so they could buy capital equipment, to distribute the contracts so that we could grow at least two to three [businesses] so that it would be a little competitive rather than just have one bidder for every single contract. (R85)

One may gather from the above that recognition that the expectations of the business sector were not in line with IFI prescriptions resulted in bemusement, but not a re-evaluation of the policy framework. Even with support in the form of training programmes and access to credit, the private sector was unable to compete for the majority of government tenders. While analysts suggest that the private sector remained dependent on the public sector for contracts (Thomas et al. 2007:4), several respondents, including members of parliament and government representatives, acknowledged that the standards of procurement established under strong pressure from the World Bank were so high that the local business community was essentially excluded from bidding. A member of the first government reflected:

The procurement system mandated by the World Bank included international competitive bidding, which really forced out any Timorese businesses because the standards were too high. At that stage, the World Bank could cancel a procurement process if they didn't like it or, if there was an allegation of irregularity, then money would not be transferred (R38).

It was perhaps not surprising that after the crisis the AMP government "reverted completely away from the procurement system that the World Bank established" according to a senior member of the new Council of Ministers (R5). The real challenge, according to Respondent 5, was the need for a "private sector with social consciousness" that could

contribute to developing the nation and to social cohesion. This latter point was articulated to some degree in the private sector development SIP. In particular, harkening back to early political documents dating from 1975 and referenced again in 1999, and to segments of the NDP, there was recognition of the need for equitable social and economic development of the country “that includes human development and employment creation” (RDTL 2006b:11, 9). While statements about equity and justice in East Timorese founding political documents can be considered merely empty political rhetoric as one international observer (R82) suggested, statements relating to solidarity and common struggle could also be interpreted as a true commitment to equity and a realisation by the leadership that a satisfactory political settlement hinges on meeting the expectations of various constituencies. Indeed, a member of the AMP government noted the risks to a state where solidarity is under valued. Acknowledging the role played “behind the scenes”, the respondent added:

Gusmão and the AMP succeeded in mobilising the entire elite of the country to move mountains to solve the very complex problems [that led to the crisis]. We used the elite because this is how politics works – not parties – they don’t control power. Power is in the hands of elites and if they don’t like how things are going, they cook things behind the scenes and create a distasteful environment (R5).

Contrary to the rhetoric about the centrality of the private sector for development, development partner financing mechanisms often precluded the financing of private entrepreneurs. With the exception of the small micro-finance initiatives mentioned above (including income-generating activities associated with the maintenance of rehabilitated infrastructure),¹⁶⁴ bilateral donors preferred to finance small grant programmes that were considered less likely to be perceived as benefiting individual or family interests (Belun 2005:52-100). Embassy small grant funds earmarked for sustainable livelihood activities could support economic reform, rehabilitation of infrastructure, training and service delivery, but not private enterprise outright (Belun 2005:18-19).¹⁶⁵

¹⁶⁴ ARP supported the formation, for example, of Water Users Associations (WUAs) and some INGOs formed Income Generating Associations (IGAs). Both types of groups were mandated to collect money from project beneficiaries to pay for future maintenance costs associated with the initial donor investment but were not regulated in terms of their ‘tax collection’ role. The practice led to questions such as, ‘If a beneficiary refused to pay, would they then lose access to the water supply or other service?’ The World Bank acknowledged that “WUAs are mostly conducting minor maintenance and generally there are major expectations of Government support on maintenance work...the achievements in terms of operation and maintenance standards are limited [and the] support provided to WUAs was one of the weakest aspects in the project” (World Bank 2009:17, 10, 22).

¹⁶⁵ New Zealand Aid accepted proposals to develop management and business plans. CIDA (Canada) included private sector development in their list of approved programme areas (Belun 2005:89, 70).

An assessment of the financial services sector in Timor-Leste suggested that donor-funded grants and in-kind donations had “distortional effects on the development of a sound private sector market” which negatively affected the potential for sustainability of the financial services sector (Hansen and Agus 2005:17). The IFC Financial Sector Diagnostic Report concurred that grants in the agriculture sector were displacing private sector debt financing.

The World Bank-designed agriculture policy prohibited subsidies and promoted fee-based agriculture service delivery. At the same time, donor grants to farmers contradicted the fee-for-service model and undermined the former. Neither strategy addressed the key crisis confronted by farmers. The diminished civil service and withdrawal of government subsidies/markets reduced the cash circulating in the economy affecting purchasing power and thus demand for agricultural production. Training on terracing techniques and other initiatives supported by grants for farming NGOs and CBOs may have, in some cases, increased production but they did not result in increased sales, incomes and capital investments. A UN agriculture adviser shared one experience:

I was not impressed with what I saw. A friend was an expat in charge of agriculture in Liquiça [district]...He was a good guy. As you go through to the far end, toward the border, you arrive at an area of big irrigation and a river and paddy fields. So they decided to produce surplus for sale. [My colleague] spoke with communities and organised the necessary inputs and they produced a surplus. But, oh shit! They didn't have a market. So the farmers were all upset that they were asked to do all the work, but did not have a market. They had all these parts and mechanisation programmes with tractors and tools, and parts were sent up to Liquiça but they ended up sitting in town in an administration building going rusty because no one knew what to do with them. It was a complete waste of time and money. (R75)

Reflecting on the Indonesian occupation, another agriculture expert and adviser to the government added: “One big difference was [the] salaried middle class and salaried teachers. In district and sub-district towns there were bigger Indonesian markets in all locations. Today people lament the lack of markets because then they had a larger middle class who could buy things” (R35). Emphasis on private sector driven development could not compensate for lost markets and state intervention in the economy.

As Chang (among many others) has noted, “Markets are in the end political constructs, in the sense that they are defined by a range of formal and informal institutions that embody certain rights and obligations, whose legitimacy (and therefore contestability) is ultimately determined in the realm of politics” (Chang 2003:54). Donors used funding mechanisms in an effort to create a reality distinct from local political processes and respondents working

in the agriculture sector suggested farmers were confused by post-1999 donor policies. Meanwhile, a civil society leader and eventual minister suggested development partner promotion of their own priorities contributed to justifications for the crisis. He added: “People were asking ‘what did we fight for? Why did we fight for independence if this is how things are?’” (R62). Frustration with the state led some to question the unquestionable – the struggle for independence. This further contributed to the loss of the government’s ability to maintain its holding power, opening the door for opposition groups with an alternative narrative.

Another perceived overt challenge to the success of the private sector was the lack of established property rights and an inability to enforce contracts. The World Bank and USAID were particularly active in trying to support the legal policy framework of the Land and Property Directorate within the Ministry of Justice. In 2003 a land law was passed regulating the use of public property. However, it skirted more complicated cases involving private and communal land, and ultimately was unable to regulate land used as collateral (IEG 2011:76).

Di John and Putzel suggest: “Political settlements manifest themselves in the structure of property rights and entitlements, which give some social actors more distributional advantages than others, and in the regulatory structure of the state” (Di John and Putzel 2009:4). Any negotiation resulting in the primacy of one legal system over another¹⁶⁶ was an inherently fraught political issue that would have affected leaders from different parties and the Church in significant ways. Rather than serving as independent facilitators of a national political dialogue, the development partners who worked on land rights issues had a very particular agenda, to improve the business environment by enabling people to use land as collateral for their loans and to ensure the “certainty of contracts” (R109).

The NDP stated that the government should only become involved in commercial activity in the event of market failure (Planning Commission 2002:29), but failed to cover when and how to invoke said market failure. Representatives of the East Timorese government worked across multiple ministries to formulate policies to promote private sector-driven growth but the basic infrastructure needed did not exist. For example, the financial

¹⁶⁶ Land rights were particularly complicated in Timor-Leste. There were multiple levels of competing claims stemming from pre-colonial, through the Portuguese and Indonesian periods. As a result, there may have been multiple claims on one property. Most public and private records were also destroyed in the 1999 violence. For a deeper analysis of land and property issues see Fitzpatrick (2012), Fitzpatrick McWilliam, and Barnes (2008) and Hohe and Nixon (2003).

resources needed to support underlying concerns about health, education and other basic needs were not available. In line with the Scanteam findings, the perception that independence was not accompanied by tangible improvements to daily life increased popular frustrations with the state and perceptions of disenfranchisement. This also could be interpreted as fostering what Galtung described as “negative peace” (Galtung 1969:183). The state’s capacity to curtail the rise of potential rivals through the formation of a broad-based coalition was also diminished which, as Khan notes, would have been among the necessary components of a stable political settlement (Khan 2012:6).

Development partners provided international and national NGOs with financing for service delivery simultaneously with their support to the nascent private sector. It is possible that an underlying assumption was made that some organisations would eventually be able to charge for their services when donor funding was no longer available. Donor funding was also considered a temporary or humanitarian emergency response that would be taken over by the private sector once conditions improved. The implications of support for NGOs and CBOs are discussed further below.

One could argue that cultural constraints and the lack of domestic industry and skilled labour force would have existed regardless of international policies and influences and would have created obstacles for any government. International development partners, therefore, the argument goes, cannot be held responsible for a stagnant economy and the resultant dissatisfaction and ultimate unravelling of the political settlement.

Yet, when considered as a comprehensive and multifaceted package, international interventions had wide-ranging consequences. The dominance of the international community in establishing the policy framework whereby the private sector was promoted at the expense of the state resulted in increased rural to urban migration, training and capacity development workshops that raised expectations but were not accompanied by employment opportunities, loans for consumables that were not able to create entrepreneurs and an absent state unable to exert control over donor allocation of resources and thus unable to serve the population. Overall, the policy framework created perceptions of dependence on the international community despite years of sacrifice for independence and promises of self-rule.

At any rate, the argument proposing that path dependency would have made the 2006 crisis inevitable seems to reject any notion of a potential positive international contribution and questions the very premise of international interventions in fragile and conflict-affected states generally. In light of the fact that a substantial international intervention did take place and further interventions are sure to follow, it is surely proper to evaluate the intervention's ability to meet its objectives according to its own terms. It is from this perspective that the current research maintains that the mechanisms used by the international community to exert its influence and achieve its stated objectives in Timor-Leste were, to a significant extent, counter-productive and contributed to the establishment of the environment that led to the 2006 civil unrest. The following section explores these international mechanisms further with regard to their impact on the overarching political settlement in Timor-Leste.

CSOs: NGOs and CBOs¹⁶⁷

To better appreciate the impact of civil society support on the political settlement and conflict dynamics in Timor-Leste, this section considers selected aspects of international development support for CSOs, in particular, the implications for state-society relationships, long-term service delivery and the potential for contributing to conflict dynamics. These elements were selected based on the understanding that these factors are interlinked and affect popular perceptions of the state.

The concept of civil society has evolved over the centuries and in the context of post-conflict peace building “is mainly used to represent a Western view of non-governmental actors, citizens, individuals, subjects, workers, consumers and institutions which are empowered from above and outside to represent themselves, exercise their own agency, lobby and advocacy within the confines of political liberalism” (Richmond 2009:150). This view is consistent with the ideal democratic state which is a “romanticised version of the ‘good liberal life’ in an imagined vibrant, democratic, prosperous social, individualistic context; it is an idealised version of a civil society that rarely exists” (Richmond 2009:163). Societies are more realistically characterised by complex relationships with individuals claiming multiple associations and identities and where cultural affiliations are relevant. As Fine states, when development partners promote “the virtues of civil society to pedestal status...questions of power, conflict, the ruling elite and the systemic imperatives of (contemporary) capitalism” are ignored (Fine 2002:18).

¹⁶⁷ For the purposes of this chapter NGO refers to both international and national NGOs unless otherwise specified.

Civil society in Timor-Leste is comprised of a multitude of women's organisations, student and youth movements, the Church and other faith-based organisations, farmers' associations (some dating back to the pre-occupation period) and a nascent labour movement. Development partners predominantly funded NGOs and smaller CBOs in their efforts to realise development objectives. International NGOs received a greater number of grants and higher levels of funding than national organisations.¹⁶⁸ This is in line with the trend cited by Ottaway and Carothers that donors tend to support "professionalized NGOs" and neglect the wide-range of typical civil society organisations from sports clubs to less formal social networks (Ottaway and Carothers 2000:11).

NGOs are considered to be key participants in neoliberal state-building strategies. Used by development partners, local and international NGOs are considered "key agents of democratization" (Mercer 2002:6; Ottaway and Carothers 2000:6), and bring a human face to marketisation policies. Reviewing the history of NGO involvement in Latin America, Petras notes that the dependence of 'professionalised' NGOs on western governments has, to a large extent, prevented them from questioning the structural causes that make their programmes necessary. He argues that NGOs have subverted social movements and have become the "community face of neoliberalism" (Petras 1997:12).

NGOs are credited with compensating for short-term market failures, monitoring the actions of the state, and increasing peoples' social capital and thus their access to markets (Fowler 2000:2, 6). For some, NGOs can be useful vehicles for promoting peace and stability (Hulme and Goodhand 2000:10; Hunt 2008:31-36). In practice, little differentiation is made by donors between NGO as service provider and NGO as economic agent for development – despite the implications for their relationship with government ministries. Donors' preference for working with NGOs reveals that little consideration is given to the range and breadth of civil society actors and their position within a transitioning state vis-à-vis the government. Crucially, little consideration is given to the implicit message delivered by the preference for NGO support as it relates to the role, responsibility and capacity of the state to respond to the locally constructed social contract.

¹⁶⁸ National organisations were often solicited to become implementing partners of international organisations.

International development partners made three assumptions about the East Timorese state; namely that it was weak, ineffective and would not have the resources to provide services throughout the country. Echoing prevalent attitudes about markets, NGOs were considered a more creative and flexible alternative to the state for service delivery, particularly in the short-term. While, as Mercer, Thompson and de Araujo (2014) point out, there was indeed an opportunity for constructive state-civil society cooperation (Mercer, Thompson, and de Araujo 2014:332-3) in the case of Timor-Leste, support for NGOs was often provided at the expense of the state. The visible provision of services by well-funded NGOs and the limited number of civil servants working for the state, particularly below district-level, combined with the limited and donor endorsement-reliant state budget, contributed to the perception of a weak state. This resulted in a convergence between the perceived and actual weaknesses of the state. It is ironic that these trends took place alongside considerable international community rhetoric, and efforts, in support of state capacity development.

Fourteen NGOs founded the NGO Forum (FONGTIL) in 1999: “approximately 28-34 local NGOs were established by early 1999 and were operating programs, albeit under intensely difficult conditions” (Hunt 2008:85, 90). Indicative of the availability of resources and the inclination of donors to support non-state actors in the emergency response and development process, by 2002, 230 national and over 100 international NGOs were registered. The Ministry of Planning and Finance estimated the number had dropped to 137 by 2004, reflecting a trend in decreased donor funding (Hunt 2008:111). International donors funded over 2,300 civil society-managed humanitarian and development projects between 2002-2006 (Engel 2007:17).¹⁶⁹ According to Mercer, “the increased availability of large-scale funding has been one of the primary factors driving NGO growth since the 1980s, encouraging the proliferation of social welfare organizations that often have little or no political agenda” (Mercer 2002:14). With or without a political agenda, the majority of NGOs relied on donor funding and were limited in their capacity to influence the development partners’ state-building strategy; rather, they engaged with donors on a project-by-project basis. They were so fragmented and competitive as a group that they had little leverage in policy setting, which was mostly predetermined in country capitals. This

¹⁶⁹ It is difficult to disaggregate overall funding to Timor-Leste by recipient. Development partners did not always provide funding information to the government’s Registry of External Assistance (REA) within the National Directorate for Planning and External Assistance Coordination (NDPEAC). There was also some duplication of information as implementing organisations and the original donor may both have reported the same resources. Finally, grants from private foundations or internal core funding was not always recorded by the REA.

dynamic fits well with Petras' analysis above of the results of the professionalisation of CSOs.

Another rationale underpinning the focus of support on non-state actors was economic. After the violence and destruction of 1999, the resulting lack of cash in circulation in the economy and the need for "quick wins" vis-à-vis public expectations meant there was a desire to inject cash into the rural economy through non-state actors. One senior embassy official described the situation: "Literally, we would have someone show up with a briefcase full of cash, giving out \$10,000 to anyone who could plausibly play themselves out as an NGO. And the Timorese are smart and suddenly you have lots of people creating letterhead and stuff like that. Then, suddenly they had new motorcycles" (R17). It was hoped that the stimulus to rural economies would act as a multiplier and generate new streams of income locally, but the reality was that resources were most often used to meet basic survival needs and for purchase of imported goods rather than to jumpstart new sustainable ventures. This example highlights the inherent difficulties in 'developing' an environment conducive to the allocation of resources to 'productive' investments, particularly when these efforts take place within the context of non-existent or poor coordination with the state and other actors.

One could argue that stimulating the East Timorese economy would have been challenging under any circumstances and that international efforts were vital for economic recovery after the violence and destruction in the wake of the Indonesian withdrawal. Even allowing for the fact that the injection of funds may have had some positive economic spillover effects, these initiatives did nothing to strengthen linkages between citizens and the state. Given the lack of state presence, the focus on non-state actors in the provision of essential services contributed to an increasing popular lack of confidence in state structures. Respondents representing both the groups who participated in the 2006 demonstrations and those who were instrumental in their organisation specifically cited concerns about the absence of the state, its inability to service the needs of the population and the perception that power was therefore in the wrong hands.

The decision to finance the medium and long-term provision of services through NGOs rather than establishing a framework more clearly centred on leadership by the state had various consequences. First, the state felt as if it was competing for donor funding with NGOs. According to a prominent international NGO representative, whereas initially

substantial goodwill existed between the newly elected government and the NGO community, this evaporated quite quickly (R16). Upon realisation that NGOs were accessing resources from donors in lieu of the government, it began questioning the nature of NGOs, at times suggesting that some were in fact businesses portraying themselves as NGOs in order to receive tax exemption status. These tensions could, and should, have been interpreted as signs of a disconnect between the development partners and the government with regard to the role of the state and the private sector and the specific role for NGOs in the development process. It also should have led to a more transparent conversation between state and non-state actors about how to mutually reinforce common development objectives.

Instead, the government and their advisers established elaborate and complicated registration procedures. NGOs, in turn, were often highly critical of the state. Rather than developing a constructive approach to overcoming the nation's challenges, the state and non-state sectors found themselves at odds. There was a perception, according to an international development practitioner with over ten years of experience in Timor-Leste: "national NGOs were not being engaged. Organisations like ETADep that had agriculture experience, they were not brought in. [They] could not replace the government because they were tiny but they could have been brought together to help work out initially how to strengthen the response" (R16).

The response from some national NGOs to feeling excluded was to return to the familiar position, refined during occupation, as opposition to the state.¹⁷⁰ Such conflict between the state and civil society actors was counterproductive at a time when nation-building efforts were required and when needs were vast and mechanisms for cooperation essential. International development partners provided NGOs with resources, but only according to very narrow and predefined terms, greatly proscribing NGOs' ability to act.

Meanwhile, the structure of grant mechanisms opened the space for yet another new elite formation throughout the country. This group consisted of those able to mobilise resources from donors through successful navigation of grant-making mechanisms and the

¹⁷⁰ Clandestine networks were central to the resistance struggle. "Many of the national clandestine networks remain strong and are considered to have significant influence within communities. While the secrecy that shrouds the relationships that exist within these groups and the mystery behind how they operate often instills suspicion and skepticism in outsiders, the potential for these networks to contribute to peace should not be dismissed" (Cutter et al. 2004:33).

subsequent benefits brought to their local constituents.¹⁷¹ Ottaway and Carothers note that donors support NGOs because “These groups have, or can be trained to have, the administrative capabilities donors need for their own bureaucratic requirements” (Ottaway and Carothers 2000:13). In reality, many of the new organisations in Timor-Leste were established as a means to apply for donor funds and included close family members in their leadership structures, despite donor requirements to the contrary. According to the director of a national NGO with over 235 partner NGOs and CBOs across the country, all the groups were established “to help their families improve their daily lives, to buy food to increase nutrition, to pay school fees and associated costs for their children, etc. In addition, I can say that 65 percent sought to help the community-at-large through the groups’ activities” (R3). The respondent added that perhaps 35 percent of the groups included family members in their management structure, which as required by donors, typically consisted of a coordinator, treasurer and secretary.

Grant recipients could then reinforce or challenge community level hierarchies. Similarly, power over resources or the perception of misallocated funds often resulted in a new layer of conflict within communities. One prominent figure within civil society, who later secured a ministerial level position, reflected:

[The post-independence environment] was very confusing in fact because on the one side people were using projects to create institutions and then on the other, the government itself started to think about their own mechanisms and the community itself had its own traditional leaders that they believed in. So it was really confused. But the impact was that the one that was created by a project may exercise good influences because of the result of the work that the community could see—by having a water project in place or a rural road—and leaders become respected because they got something and got the money [for the community]. On the other side, even though someone is a leader [in the traditional sense] that person does not have a budget or status or anything to offer. So this may influence people to change their allegiance away from traditional leaders to support another who has resources. If projects then are not sustained, they lose credibility. (R62)

This new system of power ‘dispersion’ at the early stages of nation-building was ripe for discord and detracted from the state’s ability to focus on improving the implementation capacity of its bureaucracy, an important factor in ensuring the reproducibility of the

¹⁷¹ The UK Embassy required grant application forms to be completed in English. Of the embassies that accepted Bahasa Indonesia or Tetum applications, staff were required to spend a significant amount of time translating documents before they could be approved by embassy officials (Belun 2005:14). UNDP estimated that in 2002 only two per cent of the population spoke English (UNDP 2002b:3). Not only did English speakers have an advantage in terms of the grant application process, but as over half of the population were illiterate (UNDP 2002b:1), vast numbers of people were excluded from what they considered to be a very opaque process. Others very quickly learned the ‘donor discourse’. This enabled savvy organisations to write grant proposals using the key jargon donors wanted to hear. Donors complained at SGDN meetings that some organisations would send a proposal to multiple donors.

political settlement (Khan 2012:9). It also detracted from efforts to build a cooperative environment whereby national needs would be addressed systematically rather than through competition for *ad hoc* access to services, won by those most capable of lobbying for their needs. Those without the skills to apply for funds or the resources to travel to Dili to submit proposals found the new competitive and individualistic system challenging and frustrating.

Related to constraints on the effective management or construction of a stable political settlement mentioned above, the state was unable to attract support and strengthen its legitimacy through effective service delivery. In Timor-Leste, NGOs were also unable to operate as a substitute for, or effectively in support of, this function. No international or national NGO had the capacity to implement programmes with truly national scope. Funding to NGOs for service delivery was limited to discreet projects targeting select geographical areas for national and international organisations alike. As such, projects were implemented in targeted areas, usually along main roads,¹⁷² and some of the most vulnerable went without assistance simply because they lived in remote areas. This was of concern to national and local government representatives alike. One member of parliament was concerned about the proliferation of donor-funded NGO projects and, despite their achievements, believed that: “That is what winning elections are about: to deliver services to the people; to manage the economy well so we can create jobs; reduce poverty; give people better standards of living. This is the objective of being in government” (R14). A member of the first government echoed the parliamentarian’s statement that “the social utility of development” was more important than “competitiveness” as promoted by development partners (R38). Supporting the premise that broad based political solutions were necessary, the parliamentarian added that donor funding could not substitute for government and constituent engagement.

Ironically, given that there was no national approach to service delivery and insufficient funds to meet the country’s needs, at recurring TLDPMs international development partners advocated for the government to increase attention to development needs outside the capital.

¹⁷² Maps produced for a 2006 national dialogue/Open Space for civil society organisations demonstrated the trend of donor-funded development projects to be implemented along main roads. At the same NGO Open Space Gusmão criticised NGOs for their failure to reach more remote communities (Open Space Final Report accessed at Belun’s Dili office in November 2011).

As early as 5 June, 2002, INGO meeting minutes reference the request made for an INGO/World Bank meeting to explore fundraising opportunities following a development partners meeting where it was established that “the focus on a market economy, [would be] balanced by the delivery of basic social services (shared by the private sector [*sic*], which includes the church and NGOs)” (INGO Meeting Minutes 2002). Subsequent minutes in the author’s archive and correspondence with an international NGO representative (R16) indicate the meeting was never scheduled.

Inevitably there were gaps in service provision as well as duplication of efforts. Rather than attempting to structure activities and systems in ways that assisted the new nation to clarify and solidify the nascent social contract, the international community continued to provide its input amidst mixed messages, rules, approaches and priorities. For example, a senior UN official noted that the international community must share responsibility for “providing contradictory messages and contributing to problems rather than solving them” (R66). A foreign ministry representative recalled: “the international community made things confusing... [they should have] all worked together to solve the problems instead of all doing their own things with some overlap. Coordination was a problem from the beginning. Everything was a priority” (R103).

In the post-independence period before the 2006 crisis, there was no overarching coordination mechanism for the wide range of international and local agencies working to contribute to Timor-Leste’s development. Nor was there a mechanism to bring non-state actors together with development partners and representatives from state institutions. Instead there were mechanisms that predominantly served to compartmentalise development partners according to organisation type such as, *inter alia*, the convening of UN agencies (UN Country Team meetings), international NGOs (INGO Network), national NGOs (NGO Forum), and TLDPMs.

Mechanisms established for organisations to meet according to thematic issues included the Sustainable Livelihoods Network, Small Grant Donors Network, Capacity Building Network and working groups to address, *inter-alia*, violence against women. The World Bank, as administrator of various trust funds and transition support programmes, had convening capacity when support or evaluation missions came to town. The government also convened working groups through, for example, the SIPs process and the high-level

mechanism for government and NGO dialogue.¹⁷³ In January 2003 a Government–NGO monthly meeting was established and convened by the Ministry of Planning and Finance.¹⁷⁴ Despite all of these fora, the development model and its underlying assumptions, principles and constraints on national sovereignty were not discussed. Nor was the impact of divergent projects and programme approaches on the overall conflict dynamics and state–society relations. It was not until 2006 that UN agencies and international NGOs came together to discuss strategies in response to the crisis – and this was limited to larger NGOs and did not include representatives from national organisations.

The international community consists of myriad actors and institutions with mandates from a range of stakeholders and funding tied to the whims of governments, foundations, and private individuals. Working at times in small niche areas and at others on whole of government approaches to development and poverty reduction, these actors lack coherence. They are unable to offer a fragile state emerging from violent conflict a unified voice and strategy for attaining stability and prosperity (Engel 2007:44).

A senior World Bank official rejected the suggestion that support to non-state actors may have come at the expense of ensuring popular support for, and confidence in, the nascent state. Tellingly, and in line with the World Bank’s prevalent anti-state bias, the official equated public or state provision of services with general governmental tendencies toward non-participatory centralisation, whereas ‘community-driven’ service delivery represented bottom-up empowerment (R79). This statement reveals a preconception that states are not interested in the views of their citizens, will embrace power, and that people will only be empowered when they organise their own services. This raises questions about the very nature of the democratic and nation-building processes. This point of view also obviously ignores the inherently political nature of market relationships.

Lack of resources and capacity prevented the state from being present in rural areas, leading to popular frustration and a sense of exclusion from the post-independence nation-building project. Meetings convened by the author for small grant donors in Timor-Leste between 2003 and 2005 revealed that tensions existed throughout the country between

¹⁷³ For a detailed review of the different coordination mechanisms, see (Engel 2007:29-45).

¹⁷⁴ Date determined from personal archived invitation. Hunt records earlier meetings established during UNTAET and continued intermittently by the government of Timor-Leste. Meetings included national and international NGOs and mostly discussed technical legal issues including taxation, registration and import policies, rather than substantive development issues. A high-level mechanism was established by the Ministry of Planning and Finance in August 2003 (Hunt 2008:110).

local government officials and agencies implementing development projects.¹⁷⁵ The lack of consultation with local government prior to programme implementation led to state representatives feeling excluded from the development process and left them ill-placed to deal with disputes or queries; yet, when development partners and implementing agencies had completed projects and left, community members sought support from government officials when problems arose.

As discussed in previous chapters, government officials had limited personnel below the district level and severely limited operating budgets, including means of transport and fuel to visit rural project sites.¹⁷⁶ Maintaining or intervening in the after-effects of development agency projects would not have been part of their action plans and certainly the resources needed to intervene would not have been available, whatever the community expectations. “For example, a donor may pay to rehabilitate a school, but the government may have no plans (or resources) to maintain the school, much less provide teachers and materials” (Belun 2005:12). Service delivery requires more than a one-time injection of cash to rehabilitate infrastructure.¹⁷⁷ When water taps broke or clinics required nurses, medicines and electricity, communities turned to the government, which became the object of resentment when it could not, for myriad reasons, help.

As discussed in the previous chapter, 74 percent of rural civil society respondents and 91 percent of rural NGO and CBO respondents expressed the sentiment that the government was distant and did not provide services to the population. There was significant potential for the unintended consequences of internationally funded and implemented programming to result in the undermining of government departments.¹⁷⁸ Respondents serving as district administrators, sub-district administrators and village chiefs all reported feeling disrespected by the lack of consultation and burdened by the need to address challenges created by those who had not involved local leaders at the outset. They suggested that some of the difficulties could have been avoided through better and earlier communication (R13, 15, 45).

¹⁷⁵ SGDN minutes. Personal archive.

¹⁷⁶ Organisations also reported that the project design phase was generally conducted internally, based on perceptions of the needs in the field. Extensive discussions with local government and project beneficiaries were avoided for fear of “raising expectations”.

¹⁷⁷ Implementing organisations struggle to survive when donors only fund immediate project costs and not the necessary operational and management costs. The unintended consequence is that NGOs have little incentive to improve performance or develop institutionally. They also have a difficult time retaining staff and surviving between small grants. Consequently, NGOs often jump from project to project undermining any initial vision or mandate. Donor priorities determine development action rather than local knowledge, interest and expertise.

¹⁷⁸ See Cutter et al. (2004:20).

Meanwhile donors and INGOs formed income generating groups or user associations so communities could maintain their own infrastructure. This was problematic, not only because the limited cash circulating in communities was often insufficient to fund significant repairs, but because it created a parallel system of resource management and expenditure outside state control. These funds acted as an informal and unregulated tax. In addition to questions concerning the widely accepted right to water and the uncertain protections in place in the case of non-payment,¹⁷⁹ the differing systems implemented in neighbouring communities were a cause of tension and potential conflict. Respondents ranging from government officials to village chiefs to members of civil society expressed concerns about social jealousy and the potential for imbalanced development to create social division and conflict (R99, 12, 21, 41, 38, 42, 44, 45). As one government official recalled: “We can, on the one hand, develop the economy but we can [also] create social jealousy and social jealousy can create conflict and can destroy what has been built already” (R99).

The absence of the state and reliance on outside support was often lamented. One respondent noted, for example, that when organisations conducted surveys, provided seeds, or supported communities in other ways, people would:

...complain that the government never comes to do the same. This can create conflict. Communities can then start comparing organisations and the government. When the FAO¹⁸⁰ distributes seeds [for example], they can create conflict between people and the state when they complain, ‘Why does the government not help us like they do? Why doesn’t the Ministry of Agriculture help us?’ (R36)

The small size of the civil service meant that their commitment and desire notwithstanding, the “government couldn’t get out to people with the amount of staff they had...The government wasn’t seen as a main player and other organisations were filling the gap between the districts and the people” (R16).

This was borne out when, driving through the countryside, one would see flags and logos from the myriad development organisations indicating the infrastructure works supported. As a result, government ministries and departments were perceived as bystanders in the development process. Often they would only engage at the end of a process, during the

¹⁷⁹ The Guardian reported on a related matter: “Catarina de Albuquerque, the UN’s special rapporteur on safe drinking water and sanitation, said cutting off the supplies of those who cannot afford to pay “constitutes a violation of the human right to water and other international human rights” (Swaine 2014).

¹⁸⁰ Many people regularly conflated NGOs and UN agencies.

inaugural ceremony of a rehabilitated building, for example. The logos attached to public works often sent the loudest messages about who was behind the initiatives. As a prominent veteran pointed out: “The population is happy with those that act. They know who contributes” (R1). The respondent emphasised the importance of establishing relationships with the residents of remote areas and contrasted that with the budget-related trend by local officials of reducing relationships to a presence at inaugural ceremonies alone. Even then, the head of an international agency recalled that if an organisation wanted government participation they would often have to provide the transport because the officials did not have sufficient resources (R94).

When considering the evolution of the political settlement in Timor-Leste during the first years after independence, it is useful to consider the reasons why international good will and financial resources combined were insufficient to form the foundation of a stable political settlement. When considering the counterfactual, is it possible that non-state actors would have found it difficult to collaborate with the new state regardless of international interventions? National organisations, for example, had a history of dissent and opposition and no experience with a national government or with open transparent communication – rather they relied on close networks of trusted interlocutors. Many had to find a new mission because they had achieved the stated objective of independence. International NGOs did reach many communities even if services were not provided in a comprehensive manner. Perhaps this was better than what the government alone could have achieved?

Despite the arguments above, the evidence suggests the overwhelming influence of international development partners. The nature of aid spawned the establishment of hundreds of NGOs and CBOs who learned the system, competed for funding, and became skilled in the art of proposal writing to meet donor before community needs. Donors even acknowledged using granting mechanisms to inject cash into a desperate economy above and beyond establishment of extensive service delivery mechanisms (R17, 79). Power imbalances between national and international organisations, discussed further below, created unnecessary tensions and ignored traditional centres of power and authority. The government was also frustrated by NGOs that did not coordinate with them, competed for resources, and delegitimised the state in the eyes of the population.

It is also useful to consider the atomisation of communities through one-dimensional efforts at community participation by non-state actors that ignored multifaceted needs and desires across the population. Despite the many challenges associated with participatory approaches, these are often used to justify (the pre-determined in headquarters) programme decisions and project resource allocation (Mosse 2001:23). The author argues that after state-led efforts to identify the multitude of needs, expectations and concerns of its population through the preparation of the NDP, it would then have been useful for the state to seek support from non-state actors to complement government-led development initiatives rather than have non-state actors rely on *ad hoc* bilateral donor assistance. This approach would have been better aligned with other efforts to strengthen the capacity of the state, which, contrary to the approach undertaken within the context of service delivery, was indeed considered a priority by the international community. This apparent contradiction clearly illuminates the constrained role of the state as a development actor in the paradigm pursued by development partners. As a district-based agriculture director explained, the donors “played with money and killed the government” (R43).

As demonstrated above, there are potentially negative consequences resulting from an imbalance of power between the national government and international development partners. Similar dynamics applied to the relationships between donors and recipients, and international NGOs and their local implementing partners. Questions of power, power structures and dynamics are necessarily complex. Of interest here is how power imbalances between donors and NGOs and between international and national NGOs affected the broader political settlement in Timor-Leste. Of particular concern is the mechanism of aid conditionality, specifically development partners controlled resource allocation to both state and non-state actors.

Moreover, international preference for financing international organisations led to tensions between national and international organisations. Larger national organisations were forced to compete with international organisations for funding. Smaller organisations found it difficult to convey concerns about programme design and implementation to their larger ‘partners’ as these processes tended to be controlled by the larger institutions who were at times perceived as serving donor interests, or at least priorities, before those of local constituencies (R3). International organisations tended to have greater access to resources, policymakers and platforms for advocacy even if these opportunities were limited to

representatives of larger international organisations.¹⁸¹ Donors more readily provided funding to international NGOs with a strong track record of monitoring, evaluation and reporting within donor-driven ideological parameters. An evaluation of the New Zealand Aid community development fund noted the benefits of working with Oxfam because of its local relationships and sound management systems (Sheehan 2007:24).

The small grant funding channelled to national NGOs rarely covered their administration costs, making it difficult for organisations to survive between project grants. The director of an NGO recalled a conversation with a donor in 2014. He was pleased that the donor was interested in discussing community needs and tensions associated with the development process beyond the immediate infrastructure aspects of the physical rehabilitation of a water supply system. The donor was, *for the first time in ten years of investment*, considering the relational and financial implications this would have for the contracted NGO that was ready to accompany the community but required resources to do this over time (R3).

Also of concern is that funding was predicated on donor perspectives of what was necessary which resulted in applicants twisting proposals to fit donor agendas. Donors controlled resource allocation at the state and society levels and development partners sought to simultaneously define granting parameters while also seeking local-level approval for policy decisions. Socialisation of programming decisions and parameters was often framed as ‘consultation’. This instrumentalisation of the participation discourse occurred when international agencies sought civil society participation in policy formulation and popular endorsement of internationally-led initiatives. Paraphrasing Fowler (1997:99), Hailey notes: “...donors have reduced participation to a state of tokenism that is not embedded in any long-term process” (Hailey 2001:97). Those consulted were not able to meaningfully engage with or alter the parameters of decisions already predetermined in headquarters.

¹⁸¹ Michael (2005) defines power within the context of NGO-donor relationships as the “ability of local NGOs to set their own priorities, define their own agendas and exert their influence on the international development community, even in the face of opposition from government, donors, international NGOs, and other development actors” (cited in Brunger 2005:175-76). Taking the case of Timor-Leste, 13 NGOs who criticised Australian policy in the Timor Gap were blacklisted by AusAID. “The 13 NGOs are to be denied funding for ‘openly criticizing Australia’ in press releases dated 29th of September 2004 and 27th of October 2004. The press releases called for the maritime boundary to be set fairly according to international legal principles” (La’o Hamutuk 2005).

This was illustrated by this researcher's experience with the World Bank in Dili in 2002. A World Bank representative requested the author to consult FONGTIL on the contents of an Operations Manual, the contents of which took over three months to negotiate between the author's organisation and the World Bank. Considering the arduous and lengthy negotiation, there was no possibility for substantive changes to be made. It was clear to the author that the objective was to provide a veneer of participation precisely because, regardless of the feedback or concerns raised by FONGTIL, it would not have been possible to redraft the document or to renegotiate its contents with either the implementing team or the World Bank as administrator of the programme. A briefing on what had been agreed, rather than a consultation, was eventually provided to the Forum and objections were noted. 'False consultation' processes could be seen time and time again. Local organisations were angered by the limited time dedicated to discussion, the dominant use of English in meetings and the perceived disrespect for local opinions given their perception that their input would not result in policy modifications. The impact of these processes resulted in the reduction of trust between local and international institutions implementing programmes, further fragmenting the development process.

In recognition of the need to match requests to donor priorities and as a result of significant competition over scarce resources, local organisations began applying for funds for training in proposal writing. This was clearly indicative of a process that had failed to enable genuine communication and human interaction: the process of writing and explaining needs within the very specific parameters of a proposal questionnaire became more important than understanding community needs directly.¹⁸² The emphasis placed on technical solutions and formulaic requests over relational and historical processes resulted in the substitution of building infrastructure for building national unity. It is clear that while building infrastructure was important and should have been rightly prioritised, the mechanisms used to that end were in many ways in conflict with the equally important nation-building process. It fostered divisions between those able to access grants and those rejected and sent the message that not everyone was eligible for support for reconstruction and service delivery in the new system.

¹⁸² In the author's experience, it was helpful to engage with applicants to understand the underlying concerns they sought to address through the proposal submitted. In some cases, even when initial requests could not be fulfilled, alternative support could be provided that met the same needs but through different channels. Bilateral donors were not able to engage applicants and accepted or rejected requests according to the written submissions alone.

There was also insufficient differentiation in terms of how NGOs were used to advance a neoliberal democracy in Timor-Leste. NGOs were used simultaneously for service delivery and to increase access to markets and development partners considered them a legitimate substitute for government service delivery and a temporary measure to meet basic needs as the private sector prepared itself to take responsibility. International NGOs in particular had no incentive to cooperate with national or local government officials, aside from the initial request for permission to operate in the country.¹⁸³ The outputs considered of importance tended toward physical improvements to infrastructure and myriad forms of capacity building of beneficiaries while the need to bolster the legitimacy of the state was not considered. In fact, many international NGO staff exhibited a neo-liberal anti-state bias, taking a very dim view of the state, its capacity and, indeed, its intentions.

Development interventions themselves created tensions as reported to the SGDN and by respondents during interviews for this research. This was particularly the case in the first years after independence while institutions were being developed and many overlooked the importance of coordination mechanisms given the urgency attached to interventions. There were “no mechanisms in place for most donors to systematically monitor conflict and its occurrence as a result of small grant funded projects” (Belun 2005:11).

Conclusion

By 2002 there was already concern amongst the leadership, particularly Gusmão, about the potential for renewed violence in the face of increasing marginalisation and disaffection among the self-defined veterans of the resistance (i.e. those who considered they had taken part in some way in the struggle, if not through actual physical combat). Evidence of this concern can be found in the president’s request to CICR for post-conflict conflict prevention programming. The president also chose to base the office of the president in a burnt out building in the capital, which he called the ‘palace of ashes’, symbolising the need for patience and the effort required for rebuilding out of the ashes. Meanwhile, even at the height of popular contentment with the achievement of independence, a prominent veteran who served in the first national parliament mused that he was pleased that he had sons as they could carry on the struggle in the event it would be necessary to fight again (R1).

¹⁸³ For example, a review of INGO meeting notes between 2002 and 2006 indicates that a significant amount of time was taken to discuss arrangements for Country Agreements between international NGOs and the government (personal archives.)

Within this context and in line with the prevailing PWC paradigm, international development partners in Timor-Leste, guided by their inherent scepticism of the state, supported non-state actors with the aim of driving development and growth in the country. Extensive technical support was also provided to the state so that a proper regulatory environment could be created, or as Van Waeyenberge, Fine and Bayliss would have it “to deploy the state to sustain the promotion of private capital...” (Waeyenberge, Fine, and Bayliss 2011:9) In an effort to generate economic growth, credit for micro and small enterprises was provided and infrastructure rehabilitated, very much in line with the World Bank’s Private Sector Development Strategy. Development partners also financed training and capacity development initiatives to increase the skills of small business owners. It was presumed that the state was incapable of and could not afford to fill the vacuum left by the departure of the Indonesian government in terms of large public works from road maintenance to the provision of electricity. More important, however, was the belief that the state should not manage such initiatives because the private sector was considered more efficient and less prone to corruption (IEG 2011:80; R85).¹⁸⁴ While acknowledging that the state lacked experience and required support, the allocation of financial and technical support by development partners to non-state actors for service delivery was consistent with the limited role that ‘international best practice’ had allocated to the state in the development process.

There was widespread rhetorical support for the objectives set forward in the NDP. Development partners recognised the need to eradicate poverty, create jobs and increase access to basic services. The policy framework and financing mechanisms established to realise these objectives presumed that international and national NGOs were better placed than the state to provide services in line with the common perceptions of the democratising effect of NGOs. Shepherd said:

While multilateral agents such as the World Bank have attempted to fashion East Timor to suit the market “imperatives” of neoliberal capitalism, the large contingent of NGO actors have, with some success, contested economic development policy as much as they have been bound to enter into its very structures and the donor dependencies thereby created. (Shepherd 2009:316)

Donors also increased their reliance on NGOs to push forward development partner policies given NGO reliance on donor funding mechanisms and the power of donors to establish the criteria and sectors toward which funding was allocated. Service delivery could

¹⁸⁴ It is interesting to note that even the IEG recognised that the “Indonesian system had many efficiency flaws, but it provided a measure of predictable authority and security, transferred wealth into rural areas and ensured a basic level of service delivery” (IEG 2011:47).

be characterised as having been implemented on an *ad hoc* basis with limited capacity to reach remote rural areas and duplication of effort in more central locations. NGOs not only competed with each other but also with state ministries for support. Representatives from local and national government often complained that they had no control over donor resources and that donors could therefore determine how resources were allocated (R1, 13, 14, 38, 58, 59, 64, 99, 100). One respondent summed up the sentiment expressed in many communities:

NGOs write proposals and they use our names to get money and then come to do work. So they [the community] feel like the work is not theirs. After an NGO fixes something and they leave, if something breaks the communities think it is the NGO's problem because they worked on it and so it belongs to them. They used their big stickers with the NGO's address in Dili and money from other nations. (R58)

The process summarised by the respondent had implications for the state as it was eventually left with the responsibility for filling gaps in service delivery and ensuring the maintenance of projects in which it had had little input or resources. A district director of agriculture spoke about community-level conflict generated by the lack of coordination between NGOs and the state. He noted that when the state was not involved in project design or implementation, resources were not budgeted to support the maintenance and operations and emphasised that this created frustration and anger within the community (R43).

Funds were also allocated away from the state for short-term rural development projects. There was no mechanism to discuss how the state and civil society could mutually reinforce each other while meeting the needs of the population and so, for example, build on the successful collaboration between the clandestine, diplomatic and guerrilla fronts during the struggle for independence. It is thus worth underscoring that, particularly in a post-conflict environment, a different approach could have been explored. Additional material and technical resources could have been allocated to support the government with the transition.

There is an underlying assumption that peacekeeping missions and international development interventions have an innately peace-building objective by nature of the institutions engaged and their response to situations of conflict. Very few actual interventions, however, would meet the most basic criteria of a conflict transformative approach as defined by Galtung, for example. As a result of the ideological approach of

development partners in supporting development and economic growth in Timor-Leste, they appropriated what should have been an internal political negotiation over the allocation of resources. By determining how resources were allocated and to whom, they increased tensions among those who felt neglected by the state, contributed to competition between state and non-state actors and failed to appreciate how the interventions themselves were contributing to conflict dynamics and tensions among divergent groups. These groups in turn were frustrated by the state's seeming inability to provide them with the peace dividend they perceived to be their 'right' as a result of the struggle. Instead of assuming responsibility for this, blame was laid by national and international actors alike on limited local capacity or insufficiently robust state institutions.

Rather than reinforcing the image and capacity of the state to deliver services and engage with the population, non-state actors were trained to prepare proposals and competed for financing for development efforts. Both the jobs created and the services delivered were limited to the time frames and budgets of donor project cycles. The specific realities and concerns of the three institutions mentioned by the prime minister, namely traditional society, the Church and representatives of the resistance, were not considered in a nuanced way that also considered the post-independence distribution of power. Subsistence farmers could, perhaps, have continued to survive as they had for generations (R96, 97, 98), but the new economic and governance model reinforced by international development partners elevated the power of currency, limited the desirability of barter and alienated new elites unable to compete in the new environment.

Richmond argued that, "...the way that liberal peacebuilding envisages the concept of civil society reflects the marketised and neoliberal ideology of already liberal developed states, where political and social rights take precedence over all other human capacities" (Richmond 2009:159). This vision alienated the population from the state, and leaders among diverse elite factions were able to use this dissatisfaction to mobilise support leading to the 2006 crisis.

Chapter 9 Conclusion

The complex and contingent nature of nation-building explored throughout this thesis is nicely summarised by the reflections of a senior East Timorese state official on the nature of the modern Westphalian nation-state and its relevance to Timor-Leste:

...many [East Timorese] don't know what [a state] is. What is the social contract? What does a Western European Westphalian state have to do with Timor-Leste?...What is the Timorese way of building a state?...First, we need to deal with the nation itself. After 25 years of war, we had a sense of nation and national unity. What to do with this? It's an asset. This sense of the nation is the foundation of the state itself. It needs to be consolidated. The state fails if this does not work. Others fail all the time because people get power and start focusing on the coercive use of force...and when people are sick of it, they bring you down. The nation itself stagnates because you destroyed the fabric of the nation. Individualism is important to be efficient but if we don't understand what the nation is and create a sense of oneness...you can fill prisons, etc., but this is not what we want to build. Here two tracks are needed for the consolidation of national unity. From Jaco to Oecussi people must feel they belong. But we need to invest 100 per cent. But this modern concept of the state is just an element of coercive force. Elites need to be united.
(R5)

This perfectly encapsulates the importance of understanding that when establishing a nation and building a modern state, the starting point must be from the perspective of citizens themselves. While using the past as an asset, it is necessary to ensure that there is a popular sense of belonging, even as the national project evolves.

Timor-Leste hosted significant international peacekeeping and development interventions that were endowed with unprecedented authority to lead and support all aspects of building a state from the ashes of the violent Indonesian withdrawal. The UN-led transitional and subsequent administrations focused on the development of the apparatus of the state: its executive, legislature, administrative and judicial functions, and its security forces. International donors, guided by the IFIs, used the MDTF, aid conditionality and technical support mechanisms to establish the macroeconomic foundations of the state and the parameters for the relationship between the state and its citizens. As Chopra (2003:224) noted, the strategy for Timor-Leste was consistent with international best practice as conceived in the late 1990s and early 2000s. The international community sought to 'rebuild' states that were considered to be in varying stages of collapse when compared with the 'superior' Westphalian model of liberal market-led democracy.

These trends persist today, with international efforts founded on the same premises working to strengthen nascent democracies in, for example, Myanmar, South Sudan and Libya. Indeed, looking beyond the confines of discussions about fragility and conflict-affected states, the same model is being pushed in the development of the Sustainable Development Goals (SDGs). The results of this research therefore can also be considered of relevance to over-arching discussions about development processes and the role of the state as a development actor.

This research investigated the implications of organising international interventions on the presumption that state-building and economic development are analogous to nation- and peace-building. By identifying and examining the mechanisms and pathways used by international development partners in Timor-Leste, this research contributes new insights into the analysis of international interventions in conflict-affected states. The evidence suggests that the mechanisms used by international development partners had important implications for the evolution of a political settlement in Timor-Leste: the interplay between highly complex intra-East Timorese relationships and expectations with very prescriptive and pervasive international interventions contributed to a deformed and dysfunctional political settlement and thus to the 2006 political crisis. The research used an interdisciplinary lens to bridge the existing gaps in analysis that result from the fragmentation of analytical perspectives within academic research into the causes of 'fragility' and the development of peace-building strategies. It also integrates diverse local perspectives into the analysis to ensure findings are more powerful and useful for policymakers and practitioners in terms of their explanatory capacity.

The mechanisms explored in this paper were a) the use of a UN transitional authority; b) use of aid conditionality, and c) provision of technical assistance. Using the case of Timor-Leste, this research demonstrated that the design and implementation of development and state-building initiatives without adequate consideration of political economy, conflict dynamics and the domestic political settlement undermined peace-building efforts and contributed to the establishment of an enabling environment for violent conflict. In particular, it illustrated how the mechanisms employed by international development partners ultimately failed to prevent transformative conflict from succumbing to violence.

Evidence to support the research hypothesis, that the mechanisms used by international development partners contributed to an unstable political settlement, demonstrated that: 1)

international development partners interrupted and appropriated the political settlement negotiation process by assuming a position of power in decision-making and becoming embedded in the institutions of the state and civil society; 2) international development partners failed to adapt interventions according to Timor-Leste's context-specific political economy and conflict dynamics; and 3) in line with the dominant PWC paradigm, policy advice was provided on the assumption that technical advice is apolitical and ignored important domestic indicators of discontent and disenfranchisement. Interventions disregarded the importance and power of informal institutions and undermined the ability of the state to negotiate a political settlement inclusive of a social contract that would have been acceptable to divergent elite groups and essential in assisting the nation to navigate an inherently conflictual social, political and economic transition.

Together, these elements worked to undermine the stability of Timor-Leste's political settlement by: distancing the population from the state and creating space for the establishment of competing centres of power; limiting the policy space available to local actors, thus increasing competition for power and position within the new system; and rapidly altering the structure of the economy without establishing transitional strategies or a social safety net that would have worked to mitigate against potential violent contestation of the new political and economic order.

This chapter reviews the evidence in support of the conclusion that international development partners must assume some responsibility for contributing, through the mechanisms it used, to the underlying conditions that led to the 2006 crisis and violence. In so doing, it is hoped that this study contributes to an important body of critical literature by bringing together insights from different disciplines and identifying lessons from the international peacekeeping and development experience in Timor-Leste that can be adapted for and integrated in international interventions in other conflict-affected states.

International development partners interrupted and appropriated the political settlement process

This research suggests that the concept of political settlement, that is “the balance or distribution of power between contending social groups and social classes, on which any state is based” (Di John and Putzel 2009:4), is particularly useful for informing international development interventions in conflict-affected states. It is important that those responsible for developing intervention strategies seek to understand the positions,

perspectives and allegiances of various elite groups, their economic interests and the relationship between elites and non-elites. This analysis is necessary to ensure development interventions are relevant, context-specific and will contribute to, rather than undermine, a durable political settlement.

In post-occupation Timor-Leste, rather than supporting national actors in negotiating a political settlement grounded in a domestic social contract, the Security Council established a UN-led transitional authority, providing the SRSG and his team unprecedented executive, administrative and judicial powers. Resolution 1272 which established UNTAET also called on the IFIs to support the fulfilment of the UN mandate (UNSC 1999:3).

UNTAET exercised complete administrative authority over the territory from late 1999 to May 2002. Yet, the mission was oriented more towards political realities shaped by New York than by the East Timorese population and their relationship to the nascent state. It was slow to involve East Timorese in decision-making and many East Timorese resented its centralisation of political power and economic activity in the capital. UNTAET's responsibilities included the establishment of the administrative structures of the state, support for the establishment of civil and social services, and the mandate to assist in the establishment of the conditions for self-government. Meanwhile, the UN delegated all financial sector policy decisions and management of the multi-donor reconstruction and development trust fund to the IFIs. Decisions made during the transition-era continued to place constraints on the state after independence. Through these administrative mechanisms, international development partners monopolised decisions on resource allocation, constraining the sovereignty of the state. As a result, the international community became a party to the political settlement negotiations themselves, ultimately usurping important policy-making processes and decisions.

As demonstrated in Chapters Three and Four, historical experiences resulted in complicated elite dynamics and expectations. Respondent 38, a returned member of the Diaspora and senior government official, noted that there were very high levels of distrust between the leaders who had returned from the Diaspora and those who had struggled for independence from within. Leaders of the resistance and those among the population who had contributed to the struggle all had high expectations of the peace dividend. The memory of the civil conflict in 1975 was also carried through independence and social tensions were complicated further by divergent experiences during occupation.

International development partners did not consider the implications that high rates of trauma within the population would have for the construction of a cohesive and unified state, particularly for its relationship with trust-building individually and vis-à-vis institutions.

In the early to mid-1970s, East Timorese leaders began a process to define the nature of an independent state. This was not only highly contested internally; external actors subverted the outcome and ultimately facilitated an Indonesian military invasion. Intra-Timorese disagreements notwithstanding, all of the main parties supported an active role for the state in providing social services to the population, advancing principles of economic equity and as a driver of a vibrant economy led by the agriculture sector.

As tripartite negotiations under the auspices of the UN resumed in earnest in the late 1990s, East Timorese leaders in the Diaspora met, established an umbrella organisation of political parties, the CNRT, and outlined its principles in a *Magna Carta* reminiscent of the commitments made in political party platforms of the 1970s and that were hoped would underpin the foundations of an independent state. The *Magna Carta* was shared and approved by East Timorese leaders both inside and outside of the territory. Once the UNTAET mandate commenced, however, those principles were ignored as the international community imposed its view of the Western liberal market-based state on the country. The process of negotiating an East Timorese driven political settlement was thus interrupted for the third time.

Reflecting the concerns of the Security Council, UNTAET focused on the rapid conclusion of its operations and constructed its objectives accordingly. It therefore concentrated on key tasks such as: constitution drafting; establishment of a basic administrative and legislative structure; ensuring the selection of a currency; preparations for and management of elections and the provision of security. Given the fraught relationships and high levels of distrust, the UN lost its opportunity to use its leverage and diplomatic expertise to facilitate an intra-East Timorese political settlement. Instead, the UN sidelined the East Timorese as it established the state's institutions. No high-level diplomatic support was provided to the East Timorese leaders as they sought to navigate

the transition.¹⁸⁵ Decisions were usurped in line with international best practice and internationally controlled finances.

As manager of TFET, the World Bank exerted effective control over the financial resources of the country and dominated planning processes, resource allocation and other foundational elements of the state. In line with the PWC conceptual framework, development partners determined the size and scope of the state institutions, and thus the nature of the country's social contract, well beyond independence in 2002. The policies and approaches resulting from these mechanisms distanced the state from the population, constrained its ability to negotiate a stable political settlement with disparate constituencies and, in effect, disempowered the state from taking action to address nascent and increasing levels of conflict and instability.

International development partners failed to adapt interventions according to a context-specific political economy and conflict analysis

This research has examined Timor-Leste's political economy in the context of its particular historical trajectory and the interplay of centuries of exogenous influences on endogenous power dynamics.

Timor-Leste was a willing partner of the international community despite myriad failures to assist and protect the nation during occupation. East Timorese political leaders welcomed and even requested international support for state-building, recovery and reconstruction. In light of its size and population, and the fact that the 'enemy had withdrawn', the international community presumed that Timor-Leste was a relatively straightforward operational environment, failing to consider Timor-Leste's particular and complex political economy, conflict dynamics and requirements for a stable political settlement.

Those who were acutely aware of East Timorese history, internal political rivalries and diverse cultural traditions were unable to apply the knowledge to development programming because of the divergent mechanisms available to different institutions. The UN's political affairs unit, for example, could inform mission strategies in terms of its peacekeeping mandate, but critical insights did not inform resource allocation or economic development policies under the purview of the World Bank and other donors.

¹⁸⁵ It was only after violence erupted in 2006 that peace envoys were sent, thus demonstrating the misunderstanding and faulty analysis of the needs in the country after 1999.

The historical experiences and expectations of East Timorese were not considered obstacles to development because they were not considered. Because Timor-Leste had never been an independent state and because it was emerging from a violent and abusive occupation experience, many approached development in Timor-Leste as if it was a developmental *tabula rasa*, to be filled by the best of international practice and experience. The withdrawal of the ‘enemy’, particularly of the Indonesians who had served in senior positions in government and the private sector, the devastation of infrastructure, the mass displacement of 1999 and the international disdain for the Indonesian economic model only served to reinforce perceptions that Timor-Leste had no institutional memory and so could be built from scratch. This point of departure coincided with an inherent anti-state bias and lack of trust in ‘local capacity’ that only strengthened the focus on technical support as apolitical while (attempted) Timorese input was thought ‘un/ill-informed’ by development partners.

Cracks in the foundations of the newly created edifice of the modern state were disregarded. Growing popular frustrations created by the absence of the state and the resulting competition among powerbrokers to fill that gap were largely ignored. Reports to the UN in New York through 2005 were largely positive, reflecting a misplaced confidence in the peace-building process, and the pressure to report positive results, claim victory and withdraw.

Despite a well-informed political affairs team, sporadic but increasing levels of violence and popular expressions of disaffection were largely ignored until the eve of the 2006 crisis. It is not an exaggeration to state that, bar very few individuals, the international community was caught by surprise by the eruption of violence and subsequent mass displacement of 2006.

Policy advice was premised on the assumption that technical support is apolitical

Development partners undermined the state by limiting its size, capacity to reach rural areas and by handing responsibility for service delivery and economic growth over to the almost non-existent private sector and non-state actors. In line with the predominant view that democratisation, the establishment of a market-led economy and the development of institutional architecture of the state are synonymous with peace-building, development

partners devoted particular attention to these as indicators of success. Support was provided, for example, to draft the constitution, organise multi-party elections and establish market-driven institutions detached from the state. Less attention was paid to choice of development model used and how the creation of new institutions would alter the distribution of power.

The small efficient state model energetically promoted by the international community did not feature provisions for a social safety net. District-based civil servant positions were cut from the national budget; rice and other farming subsidies were discontinued. For many, particularly rural residents, economic activity was drastically reduced and purchasing power eroded with the introduction of the US dollar. But it was not only the poor economic performance that made people feel alienated from the state. As the head of a district-based NGO said: “During the Indonesian era, there was a social structure in communities around development. There were free schools, clinics, electricity, and healthcare. Lots of jobs, if you did well...Now the social structure has been forgotten” (R23). The post-Indonesian transition period had a profound impact on class and power structures after independence: changing socio-economic relationships combined with new political structures and institutions in which the government’s ability to ease the transition was constrained, resulted in a powerplay by alienated elites and their constituents.

A member of a CSO who left his district to join both the Church demonstrations and those that led to the resignation of Prime Minister Alkatiri commented:

The last government was new and there was no development and no relationship with the people and no trust by people in the state. If there is no development, there is no trust...The economy made things very difficult. In Indonesian times it was easy because people came from Atambua to buy rice—because everyone needed rice...If the previous government couldn’t do anything, they should dissolve parliament so that others can try to develop the land. Everything was bad (R56).

Not unsurprisingly, it was not difficult to mobilise domestic actors against the state, especially those in rural areas with less familiarity with the mechanisms and ideologies of international institutions. Similarly, development partners attribute conflict and violence to weak governmental institutions and historical political enmities. They failed to consider how the mechanisms chosen by the international community largely excluded local input into the determination of the policy framework of the new state and failed to address domestic aspirations and expectations.

As discussed in Chapter Eight, international development partners gave NGOs and the private sector a disproportionate responsibility for driving economic growth and ensuring services were delivered throughout the country. Across districts the perception that the new system was not working equitably fuelled perceptions of discrimination that played out violently during the crisis. It is important to note that poverty was not the sole, nor always the principal, motive that led people to join the demonstrations and violence of 2006. While poverty played a role via unmet expectations, perceptions of unjust outcomes and frustration with an unresponsive state suggest the events of 2006 were not a spontaneous uprising in protest against poverty as such. The demonstrations were the result of manipulations of complex social and economic grievances and alliances linked to events dating from the civil war to the period of the resistance.

The new state was unable, rather than unwilling to provide a social safety net or peace dividend, despite extraordinary popular expectations. All rural respondents believed that the economy stagnated after 1999 and that “there was no real development” (R49). Nearly 100 percent of rural NGO and CBO respondents believed that either the government was not interested in providing benefits to the population, or that it had a plan to provide support, but not the resources to implement it because of its dependence on donors. The result was a sense of disenfranchisement among the population.

The author does not assert that had the international community contributed more financial resources to Timor-Leste this would have averted the crisis. The evidence from a cross-section of East Timorese respondents suggests that disenfranchisement was linked to perceptions that: the state was distant despite popular understanding that they had fought for an independent state that would protect the interests of the population; that the ‘new system’ forced communities to compete for funds from donors and generated competition between the government and NGOs; and that international development partners constituted a neo-colonial structure that ignored domestic preoccupations.

An important question remains: was it possible for outside actors or institutions to establish the trust necessary to create a space for genuine intra-East Timorese dialogue and to balance the imperative to act with the need for true local ownership of policy decision-making? This thesis argues that it is important for development partners to distinguish between facilitating a national political settlement process and usurping it by determining the parameters of the state, its functions and its operating budget through its own

mechanisms of support. Choices taken according to the rubric of a supposedly neutral approach to the development model used in transitions must be soberly analysed for their impact beyond ‘economic growth’ projections. The international community must examine more carefully how the mechanisms it uses impact on important political, social, economic and power dynamics. Strategies must be included that balance the pursuit of an ‘ideal’ or long-term development model with political realities and the expectations of important constituencies must result in a pragmatic and phased approach to international community interventions. It is necessary therefore to listen to and learn from local voices.

Timor-Leste and Beyond

Timor-Leste is not alone. The UN currently supports 69 peacekeeping missions worldwide. In 2011, FCS received approximately \$53.4 billion in ODA (OECD 2014:24). While still highly politically contingent, and by no means automatic, international support for post-conflict recovery and state-building transitions constitute a recurrent trend in international affairs. Examples include major interventions in Afghanistan, Iraq, Libya, Mali, Myanmar, Nepal, Somalia and South Sudan – the list is extensive and growing. Ongoing discussions about the post-2015 development agenda, including the Finance for Development process and the development of Sustainable Development Goals, foresee increasing attention to FCS with IFIs claiming an important role in the international engagement. The proposed model is very much in keeping with that used in Timor-Leste; strong reliance on catalysing private investment and a continued restriction of the state’s developmental role.

In December 2013, the IEG released its evaluation on *World Bank Group Assistance to Low-Income Fragile and Conflict-Affected States*. It found that, “Country assistance strategies have lacked tailoring to fragility and conflict drivers and realism, and do not currently have contingencies based on political economy and conflict risks to adjust objectives and results if risks materialize” (IEG 2013:xi). This is telling, especially because the World Bank itself was among several multilateral and bilateral development agencies to develop its own Conflict Assessment Framework tool.

Similarly, the IFC Ombudsman found that there are incentives for IFC staff “to overlook, fail to articulate, or even conceal potential environmental, social and conflict risk” (Bretton Woods Project 2014:1). A 2014 survey of World Bank group staff found that “only 30 per cent of IFC staff said they consider development as their main objective, and regard loan volume as more valued by the institution.” (Bretton Woods Project 2014:1) These

realisations led IFC Executive Vice President Cai to assert his “commitment to ensuring that the IFC will measure its success ‘by the development impact of our projects — not by the dollar volume of our investments’”. (Bretton Woods Project 2014:1) Cai has also mentioned that, given the levels of poverty in fragile states, they merit increased attention and support. The World Bank president echoed this view.

Meanwhile, bilateral aid programmes are increasingly touting their value-for-money credentials, outsourcing contracts to for-profit companies and equating quantification with professional and scientific programming rigour. USAID, for example, “awarded more than \$4.9 billion in contracts in fiscal [year] 2012 - representing a 9 percent increase from fiscal 2011” (Piccio 2013:1). For-profit firms won 61 per cent of contracts awarded. USAID indicated that it would alter its policy to increase competition by increasing aid flows to government systems and local organisations, but efforts to measure compliance have been complicated by the agency’s inconsistent reporting and changing indicators between evaluation cycles (GAO 2014:4). The trend toward linking development assistance to trade and foreign policy objectives is also on the rise, as demonstrated by the abolition of AusAID and its reconfiguration as part of Australia’s Department of Foreign Affairs and Trade (DFAT). In February 2014, the UK Secretary of State for Development, Justine Greening said that she had focused more than ever on value for money... [and that aid spending] “has to be 100% in our national interest.” (Greening 2014)

These examples belie the change in rhetoric of international development institutions and agencies. Discussions about the harmonisation of aid have been taking place among foreign ministers of developed and developing countries and the heads of multilateral and bilateral organisations for decades. By the early 2000s the conversation began to shift toward fragile and conflict-affected states. The 2005 Paris Declaration on Aid Effectiveness included a specific section of obligations for donors and fragile recipient states and has been followed by annual supplementary agreements and declarations. After seven countries, including Timor-Leste, volunteered to trial the ten principles associated with aid effectiveness, in 2008 a group of twelve countries established the g7+.

Koenraad Van Brabant, at the time Head of Reflective Practice at Interpeace, considered the challenges and opportunities of agreements negotiated by the g7+:

Aid and aid flows to fragile and conflict affected countries are an important area of attention. But it by no means covers the much broader conversation and debate about peacebuilding and statebuilding. So far the IDPS [International Dialogue on

Peacebuilding and Statebuilding] has not paid attention for example to how countries descend into violence and fragility. The focus has been on pathways out of fragility – but surely a deeper understanding of pathways into fragility would also be relevant...The IDPS has also failed to examine the relationship between statebuilding and peacebuilding. There seems to be an underlying assumption that the two are mutually complementary and reinforcing, and that a ‘more capable’ (or ‘stronger’) state will lead to a more peaceful society. The historical record and more recent country experiences do not support such simple assumption. (Quoted in Chade 2012:4)

This research demonstrates how the pathways and mechanisms used in conflict-affected Timor-Leste exacerbated existing tensions and divisions and undermined the capacity for a genuine nation-building process to occur. And while the rhetoric may be evolving, as Van Brabant suggests, there is a long way to go in making it relevant and country specific, identifying the structural contributions to fragility and the impact of aid on country conflict dynamics. Whereas OECD and DFID commission research papers on critical issues including, for example, the relevance of political settlement policy and analysis in conflict-affected states, the evidence suggests that it is proving difficult to apply research findings in the field.

This paper argues that development partners conflate peace-building, state-building and development. The technocratic approach to democratisation, marketisation and institutionalisation embedded in the mechanisms used by the international community neglects the importance of a political economy and conflict prevention analysis. Both are required to fully comprehend the context and implications of the interventions proposed on the domestic political settlement.

Recognition of how international mechanisms impact the durability of domestic political settlements is particularly relevant in the context of peacekeeping missions. In this case development partners may be more likely to take a ‘development-as-usual’ approach and not concern themselves with underlying conflict dynamics. As noted by Respondent 17: “These big operations also tend to become compartmentalized, with little coordination or real communication between analytical and development elements.”

For Timor-Leste it is telling that after the 2006 crisis, when oil revenues came online and the country was no longer dependent on donor financing, subsequent governments gradually removed many of the policy constraints imposed on the state. Since 2007, the government of Timor-Leste has, for example, attempted to establish a social safety net,

increased the size of the civil service including the re-introduction of agriculture extension officers and reduced the barriers to entry of East Timorese businesses in the tendering process. The state has attempted to drive the development process and established a grand political settlement among opposition parties. While not without its critics, the behaviour and rhetoric of Timor-Leste's leaders reflects significant dissatisfaction with the policy approaches of international development partners and an attempt to forge East Timorese models and responses to domestic opportunities and challenges. The 2011 IEG report on World Bank programming in Timor-Leste seems to justify the change of policies undertaken by the government, it notes that: "Poverty and unemployment rose significantly through most of the evaluation period and declined only after 2007, when the government, *against Bank advice*, increased its spending using petroleum resources including in the form of cash transfers" [emphasis added] (IEG 2011:x).¹⁸⁶

It is necessary for international development partners to assume responsibility for (even unintended) negative consequences of the mechanisms they use and reduce their contributions to instability and violent conflict. It is important that they consider how mechanisms will interact with domestic institutions, formal and informal, and the possible consequences of the interaction on the stability (or not) of the political settlement. It is too simplistic to attribute violent expressions of dissent to domestic factors alone. The author is hopeful that the innovative approach adopted and the evidence presented in this research can be used, in conjunction with existing critical literature, to document the continued need to move beyond rhetoric and to integrate theory and practice.

¹⁸⁶ Political settlements evolve over time. As this research demonstrated it is necessary to take into consideration non-economic factors and perspectives beyond individual elites. It remains to be seen whether the current political settlement will endure by ensuring balance between formal and informal institutions and not solely relying on monetary incentives to maintain the holding power of the state.

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Annex A: Respondent Identities

No	State representative (local)	State representative (national)	Civil Society	UN (Mission or Agency)	Academia	<i>Gerasam Foun</i>	Bilateral	IFI	Veteran/ Clandestine	Diaspora	(i)NGO/CBO	Journalist	Youth	Agriculturalist
1		<input type="checkbox"/>							<input type="checkbox"/>					
2			<input type="checkbox"/>			<input type="checkbox"/>			<input type="checkbox"/>		<input type="checkbox"/>			
3			<input type="checkbox"/>			<input type="checkbox"/>			<input type="checkbox"/>		<input type="checkbox"/>			
4			<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>			<input type="checkbox"/>					
5		<input type="checkbox"/>								<input type="checkbox"/>				
6			<input type="checkbox"/>						<input type="checkbox"/>		<input type="checkbox"/>			<input type="checkbox"/>
7			<input type="checkbox"/>						<input type="checkbox"/>		<input type="checkbox"/>			<input type="checkbox"/>
8	<input type="checkbox"/>								<input type="checkbox"/>					
9			<input type="checkbox"/>						<input type="checkbox"/>		<input type="checkbox"/>			<input type="checkbox"/>
10			<input type="checkbox"/>						<input type="checkbox"/>		<input type="checkbox"/>			<input type="checkbox"/>
11			<input type="checkbox"/>						<input type="checkbox"/>		<input type="checkbox"/>			<input type="checkbox"/>
12	<input type="checkbox"/>								<input type="checkbox"/>					<input type="checkbox"/>
13	<input type="checkbox"/>								<input type="checkbox"/>					
14		<input type="checkbox"/>								<input type="checkbox"/>				
15				<input type="checkbox"/>						<input type="checkbox"/>				
16											<input type="checkbox"/>			
17				<input type="checkbox"/>			<input type="checkbox"/>							
18		<input type="checkbox"/>	<input type="checkbox"/>						<input type="checkbox"/>		<input type="checkbox"/>			
19		<input type="checkbox"/>												
20			<input type="checkbox"/>						<input type="checkbox"/>					<input type="checkbox"/>
21			<input type="checkbox"/>										<input type="checkbox"/>	
22			<input type="checkbox"/>										<input type="checkbox"/>	
23			<input type="checkbox"/>							<input type="checkbox"/>	<input type="checkbox"/>			
24	<input type="checkbox"/>								<input type="checkbox"/>					
25	<input type="checkbox"/>								<input type="checkbox"/>					<input type="checkbox"/>
26	<input type="checkbox"/>								<input type="checkbox"/>					<input type="checkbox"/>
27	<input type="checkbox"/>								<input type="checkbox"/>					<input type="checkbox"/>
28			<input type="checkbox"/>						<input type="checkbox"/>					

No	State representative (local)	State representative (national)	Civil Society	UN (Mission or Agency)	Academia	<i>Gerasaun Foun</i>	Bilateral	IFI	Veteran/ Clandestine	Diaspora	(i)NGO/CBO	Journalist	Youth	Agriculturalist
29			<input type="checkbox"/>						<input type="checkbox"/>					
30			<input type="checkbox"/>						<input type="checkbox"/>					
31			<input type="checkbox"/>						<input type="checkbox"/>					<input type="checkbox"/>
32			<input type="checkbox"/>			<input type="checkbox"/>			<input type="checkbox"/>		<input type="checkbox"/>			
33				<input type="checkbox"/>										
34				<input type="checkbox"/>										
35		<input type="checkbox"/>									<input type="checkbox"/>			<input type="checkbox"/>
36			<input type="checkbox"/>			<input type="checkbox"/>			<input type="checkbox"/>		<input type="checkbox"/>			
37				<input type="checkbox"/>										<input type="checkbox"/>
38		<input type="checkbox"/>								<input type="checkbox"/>				
39				<input type="checkbox"/>										
40				<input type="checkbox"/>										
41	<input type="checkbox"/>								<input type="checkbox"/>					
42			<input type="checkbox"/>			<input type="checkbox"/>			<input type="checkbox"/>		<input type="checkbox"/>			
43	<input type="checkbox"/>								<input type="checkbox"/>					<input type="checkbox"/>
44			<input type="checkbox"/>	<input type="checkbox"/>					<input type="checkbox"/>		<input type="checkbox"/>			
45	<input type="checkbox"/>								<input type="checkbox"/>					
46			<input type="checkbox"/>						<input type="checkbox"/>					<input type="checkbox"/>
47			<input type="checkbox"/>						<input type="checkbox"/>					<input type="checkbox"/>
48			<input type="checkbox"/>						<input type="checkbox"/>					<input type="checkbox"/>
49			<input type="checkbox"/>						<input type="checkbox"/>		<input type="checkbox"/>			
50			<input type="checkbox"/>						<input type="checkbox"/>		<input type="checkbox"/>			
51	<input type="checkbox"/>								<input type="checkbox"/>					
52	<input type="checkbox"/>								<input type="checkbox"/>					
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55	<input type="checkbox"/>								<input type="checkbox"/>					
56			<input type="checkbox"/>								<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
57											<input type="checkbox"/>			
58			<input type="checkbox"/>			<input type="checkbox"/>			<input type="checkbox"/>		<input type="checkbox"/>			<input type="checkbox"/>
59		<input type="checkbox"/>				<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>					
60						<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>			
61		<input type="checkbox"/>								<input type="checkbox"/>				
62		<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>			

No	State representative (local)	State representative (national)	Civil Society	UN (Mission or Agency)	Academia	<i>Gerasaun Foun</i>	Bilateral	IFI	Veteran/ Clandestine	Diaspora	(i)NGO/CBO	Journalist	Youth	Agriculturalist
63		<input type="checkbox"/>								<input type="checkbox"/>				
64		<input type="checkbox"/>								<input type="checkbox"/>				
65		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>			<input type="checkbox"/>		<input type="checkbox"/>			
66				<input type="checkbox"/>										
67							<input type="checkbox"/>							
68				<input type="checkbox"/>										
69		<input type="checkbox"/>				<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>					
70		<input type="checkbox"/>							<input type="checkbox"/>					
71				<input type="checkbox"/>	<input type="checkbox"/>									
72				<input type="checkbox"/>										
73											<input type="checkbox"/>			<input type="checkbox"/>
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75				<input type="checkbox"/>										<input type="checkbox"/>
76		<input type="checkbox"/>				<input type="checkbox"/>			<input type="checkbox"/>					
77				<input type="checkbox"/>										<input type="checkbox"/>
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83							<input type="checkbox"/>	<input type="checkbox"/>						
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91					<input type="checkbox"/>									
92				<input type="checkbox"/>				<input type="checkbox"/>						
93											<input type="checkbox"/>			
94				<input type="checkbox"/>										
95											<input type="checkbox"/>	<input type="checkbox"/>		
96			<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>		<input type="checkbox"/>			

No	State representative (local)	State representative (national)	Civil Society	UN (Mission or Agency)	Academia	<i>Gerasaun Foun</i>	Bilateral	IFI	Veteran/ Clandestine	Diaspora	(i)NGO/CBO	Journalist	Youth	Agriculturalist
97					<input type="checkbox"/>				<input type="checkbox"/>		<input type="checkbox"/>			<input type="checkbox"/>
98					<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>		<input type="checkbox"/>			
99		<input type="checkbox"/>							<input type="checkbox"/>					
100		<input type="checkbox"/>								<input type="checkbox"/>				<input type="checkbox"/>
101		<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>					
102			<input type="checkbox"/>			<input type="checkbox"/>			<input type="checkbox"/>		<input type="checkbox"/>			
103		<input type="checkbox"/>				<input type="checkbox"/>			<input type="checkbox"/>	<input type="checkbox"/>				
104											<input type="checkbox"/>			
105					<input type="checkbox"/>						<input type="checkbox"/>			
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107		<input type="checkbox"/>								<input type="checkbox"/>				
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110		<input type="checkbox"/>				<input type="checkbox"/>			<input type="checkbox"/>		<input type="checkbox"/>			
111											<input type="checkbox"/>			
112							<input type="checkbox"/>							
113					<input type="checkbox"/>									
114				<input type="checkbox"/>				<input type="checkbox"/>						
115			<input type="checkbox"/>										<input type="checkbox"/>	

Annex B: Sample Interview Protocol 1

Interviews with Agriculturalists/*Chefe Sira*/Civil Society

- Introduction
- Who am I?
- What is my objective?
- Who is the respondent?
- Can they tell me about him/her self? What do they do now to survive economically (and is this the same as what they did before independence?)?
- What will I do with the information?
- Can I record?
- Do they have questions for me?

State society relations (expectations and experiences)

This section seeks to better understand people's expectations of the state and the degree to which the presence of the state was felt in rural areas between 1999-2006. Questions are asked about respondent's perspectives in the lead up to independence and the degree to which they felt supported by the state post-independence. This section tests part of the hypothesis that there was not a strong relationship established between the state and its citizens after independence and that the population's expectations formed through experience were not met by the new state.

Target Issues:

1. Level of engagement with state actors/degree of state support.
2. Consulted on National Development Plan preparation?
3. Felt presence of police/health workers/service providers?
4. Benefit from service delivery (teachers, electricity, roads, water)?
5. Implications of lost subsidies and reduction of civil service jobs.
6. Understood role of parliamentarians and felt could bring issues to them and were represented by them?
7. Felt had recourse or were protected in event of major crime, dispute or injustice (courts, police)?
8. Taxation issues.
9. Participation and satisfaction with dialogues led by state leaders (MA, XG).
10. Sense of national identity.
11. Impact of cheap imports (rice) on local sales.
12. Impact of loss of subsidies on ability to support family and contribute to rituals and community events.
13. Impact of the dollar.

Questions:

1. Can you describe the changes in your community between 1999 and 2006? (If need prompting: easier/harder to feed the family? Easier/harder to find paid work? More or less safe? More or less support from outside the immediate community? How does the electricity supply, access to water and health services compare? How does the quality of education compare for boys and girls?)
2. What kind of support was available from the Indonesian government before independence that was no longer available from the Timorese government between 2002-2006?
3. How does that affect your family or others?
4. How did your work in the agriculture sector change between 1999-2006?
5. What were the other most significant changes in your community after independence?

7. What kind of support did you expect from the state if any after independence?
8. Did you receive any support from the state after independence (financial or material)? How was the assistance structured?
9. Did you interact with government representatives in your community before the crisis? Which ones and in what way?
10. Were you ever expected to pay money to the state?
11. Did you know about any dialogues with national leaders between 1999-2006? Did you participate? Can you describe the experience? What was the result?
12. How did the Parliament represent you and your community?
13. Today, in your community, to what extent are festivals and ceremonies critical for survival (access to food, labour, other in-kind contributions, cash)? Can you explain why?

State building and International Development Partners

This section seeks to explore the impact in rural areas of processes and mechanisms used by international development partners. Questions seek to gauge the degree of cultural sensitivity in the delivery of international assistance and the degree to which donors and NGOs (national and international) were perceived to be supporting a national (government-led) development agenda. It asks if past experiences and local knowledge was considered in project implementation. Perceptions about the regional differences in aid allocation will also be sought.

Target Issues:

1. Respect for tradition in mundane projects (inaugural ceremonies, hierarchies (local social order)?
2. Building from past experience vs. operationalizing the blank slate?
3. Reinforce actual or perceived horizontal inequalities?
4. Consultation, cooperation, engagement and communication (with communities and local government representatives).
5. Predetermined priorities and lack of flexibility to respond to context specific dynamics and needs?
6. Projectising development.
7. Technical assistance/advisers roles.

Questions:

1. After the referendum and in the first years of independence many people spoke about development. What does development mean to you?
2. Who contributes the most to development here? What do they do? How do they do it?
3. Did organizations other than the government provide material or financial support? Who? How did they provide assistance and to whom?
4. Do you think everyone receives the same level of development assistance generally or are parts of the country included and others excluded from the development process? Explain... (who, why, where...)
5. Have you had more positive or negative experiences with international aid workers (UN or NGO)? Can you explain why?
6. What was it like to work with iNGOs or UN Agencies (depending on above answer)?
7. What do you think international aid workers should know before working in your community?
8. Do you think they usually knew those things when they worked with you?
9. What did you like about working with these organizations (differentiate between different agencies if worked with more than one)?
10. What did you not like about working with them (differentiate between different agencies if worked with more than one)?

Causes of the crisis

This section seeks to explore perceptions about the causes of the crisis and to unpack concepts that are commonly used to explain the crisis that may not be properly understood without deeper exploration. These questions seek to understand the interplay between the development policies and processes, local culture, real or perceived inequalities and the post-independence transition.

Target Issues:

1. Unpacking of traditional explanations of the crisis and linking these to a historical and cultural context.
2. Conflicts/tensions exacerbated or created by aid/development partners?
3. Why violence did not spread across the country evenly?

Questions:

1. Can you explain what happened in the years before the crisis? Was there anything that you noticed between 1999 and 2006 that demonstrated that the situation was deteriorating?
2. Did you interact with government representatives in your community before the crisis? Which ones and in what way?
3. Before the crisis, how did you feel about the national development process (refer to their own definition of development mentioned above)?
4. Why do you think there was a crisis in 2006?
5. Why do you think there was there violence mainly in Dili, Ermera, Bobonaro, Baucau, and Viqueque and not in other districts?
6. To what extent do you think that the 2006 crisis may have been linked to or connected with past conflicts? Can you explain more about this?
7. Many people say that the crisis was related to KKN. Do you agree? How do you understand the concept of KKN (common Indonesian for corruption, collusion, nepotism)? Did you experience this in Indonesian times? How did this manifest itself after independence? What were the main differences in different periods? Do you think this has any relationship to the international community working in TL? If so, can you explain who and how?
8. Also, many explain that the crisis was because of discrimination.
9. Do you agree? What is meant when people talk about discrimination?
10. Who suffers from discrimination? Who discriminates? Why do you think they are discriminated against? Do you think this has any relationship to the international community working in TL? If so, can you explain who and how?
11. What do you think people mean by social jealousy as a cause of the crisis? Do you agree and can you explain the concept to me?
12. Did people use the term in Portuguese times? In Indonesian times? Does it have a new meaning post-independence?
13. Who were the main participants in the crisis? How did they participate?
14. Who else participated? How? (How would you describe the connection between older and younger generations and the crisis?)
15. Why do you think someone from a district left home to participate in demonstrations in Dili?
16. Generally, do you think more people wanted to participate but could not leave home? Why couldn't they?
17. Did those who participated have other work/responsibilities/projects at home?
18. What do you think the demonstrators wanted to achieve? Do you think the demonstrators were successful/got what they wanted or something different?
19. Did you observe or have any conflict with international NGOs or other UN agency before the crisis? Can you explain?
20. What mechanisms were used to solve problems created by development aid if there was any?

21. What connections do you see between the crisis and the development process after independence?
22. How significant was the role of the international development community in the crisis and in what ways?
23. What is the relationship between political leaders and the ancestors?

Annex C: Sample Interview Protocol 2

Interview Questions for State Actors

Pre-Independence

The following questions explore the relationships that existed between the Timorese national leadership and senior representatives of the international development community, namely the World Bank, UNTAET, bilateral donors and UNDP. Questions explore not only what decisions were open for negotiation but also if there were significant disagreements between the national and international communities and within the Timorese leadership on the structure and policy framework of the new state. The respondents are also asked to reflect on the implications of international positioning and power on internal relationships.

Questions:

1. (Ask one by one) Can you speak about the decision making process with regard to establishing the structure and policy framework of the new state in the first years after the ballot? In what areas was there general consensus?
 - a. MODELS (Indonesian, Portuguese, Neoliberal)
 - b. ACTORS (National leaders, WB, UN)
2. In what areas were there fundamental disagreements? (Prompt if needed: Ex from NDP private sector will provide essential goods and services like health education and infrastructure unless government sees clear evidence that they are unable to do so. Was this agreed?)
3. What were the conditionalities?
4. Can you speak, for example, about the NDP which mentions the plan to increase support services to farmers as part of the strategy to transform subsistence farming. It also mentions the need for social safety nets several times. What happened to those plans?
5. NDP p50: "Economy is open to trade and investment with adequate safeguards to nurture and develop domestic industries that are competitive." What were the safeguards? What domestic industries were being nurtured?
6. How would you characterize the relationship between ETTA (NC/NCC) and the WB and the UN?
7. Did you feel like you could discuss macro-economic policy options with the WB?
8. What do you think the impact was, if any, of the international community on internal political dynamics? To what extent, if at all, did development partners affect inter-personal relationships?

Pre-Crisis

The following questions explore how the relationships between the East Timorese and international development partners changed after independence. Questions focus on the impact of policy decisions on national politics and state – society relationships. Respondents are asked to reflect on causes of the crisis and if policies or practices of the international community are relevant.

Questions:

1. How did relationships with the WB, UNDP and other development partners change after independence if at all?
2. Of course there was still much new work to be done after UNTAET, were there also strategic changes of policy after independence?
3. How has the development process impacted social dynamics and traditional social order?
 - a. national identity
 - b. trust-building between the state and society
4. How do you understand the underlying causes of the crisis?
5. In analyses of the 2006 crisis many reference a) a breakdown in relations within and between security forces, b) social jealousy, c) sense of exclusion/discrimination. Can you explain these terms in a cultural/historical context?

6. What impact did international development partners have on these and other dynamics if any?
7. Today many criticize the international community for wasting billions of dollars. What aspects of aid do you think have been the most damaging and do you see any role of the international community in contributing to or fuelling the crisis of 2006?

Annex D: Sample Interview Protocol 3

Interview Questions for World Bank/IFI

Main Questions

1. What do you think were the **key influences on development thinking** when the WB started working on TL? For example, can you locate the key influences from the academic or non-academic literature of the late 90s early 2000s? How were these **integrated into planning**?
2. In the early days many spoke of TL as a **blank slate**. What were the **implications of the blank-slate** approach to development of the state?
3. How would you characterize the **relationships among the Timorese elites**?
 - a. What about between the **elites and the WB**? Was there a big difference between what XG was advocating for vs. MA or JRH for example?
4. Were any concerns raised by any members of the leadership about the **potential destabilizing effect of a small government, reliant on the private sector**, given the previous experience with the Indonesian state and expectations about the role of the state among the population at independence?
5. Do you believe that the design of the state, including the emphasis on a small and efficient civil service, had an **impact on the relationships between the state and its citizenry**? Can you elaborate on how relationships were impacted?
6. To what degree were **conflict dynamics considered** in development strategies?
7. What were the main differences **between the UN and the WB on spending priorities** for the trust fund?
 - a. Other development partners?
 - b. Was any **significant alternative state model** presented? Were there **disagreements over development strategy**?
 - c. Many speak about the **challenging relationship between the UN and the WB. How would you characterize the challenges**?
8. Can you clarify something for me with regard to the functioning of **TFET**?
 - a. I understand TFET to be a reconstruction budget organized by sector. PMU managed projects. Mostly initial infrastructure pre-service delivery (building schools, clinics etc). What was the **plan for service delivery**? NGOs? CEP? Some suggest most funds channelled through ministries? How?
 - b. Why the lack of **budget execution**? Was that only a post-independence problem?
9. Who were the main **private sector interlocutors** and what were they advocating?
10. In retrospect how do you think development partners could have **addressed service delivery differently**?
11. Do you know how the **agriculture policies** were set?
 - a. By whom?
 - b. What was the impact of these on state society relations?
12. **Knowing what you know now**, what do you think the international community could or should have done differently in TL?
13. Do you think that **2006 crisis is at all reflective of mistakes** made by the international community in its approach?
14. How do you think the **thinking has changed within the WB since then** on the role of the state?
15. Would you be willing to **share any documentation** to illustrate the points you made?

