

VI. Timor-Leste

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Introduction

Timor-Leste may be a textbook case of how *not* to build capacity in states in post-conflict and fragile situations, and of the damage that can be done to citizen-state relationships when capacity building and capacity substitution efforts run amok.

A basic message throughout this note is that capacity building is a means, not an end, and must be driven by development priorities. If a country - in this case, Timor-Leste - and its donors are not in agreement on what needs to be done, where it needs to be done, and when it needs to be done, capacity-building programmes are more likely than not to fail.

Timor-Leste's Capacity Problem

Timor-Leste, a country of roughly a million people, had a tough start in life. It was occupied by the Portuguese for 450 years, by the Japanese during the Second World War, by the Indonesians for 24 years, and finally become an independent nation in 2002. None of its occupiers was concerned with creating government - or country - capacity. This alone would have made forming a new government a major challenge, but there was more. In retribution for an unexpectedly (on the Indonesian side) strong majority vote for separation from Indonesia in 1999 (four-fifths of the population voted for independence), the pro-Indonesian militia launched what amounted to a scorched earth policy as they left the country. Almost all infrastructure of any consequence was destroyed, 2000 people killed, and two-thirds of the population left homeless.

Timor-Leste's nearly 500-year colonial legacy left the country bereft of capacity at every level. Half the population is unable to read or write: the UN Human Development Report lists just 16 countries in the world with lower literacy rates (UNDP, 2008). Low education standards in the population at large spill over into the civil service. Thirty mid-level Ministry of Finance employees at levels three and four (there are seven grade levels in the Timorese government system) recently tested at a third grade average math proficiency. Timor-Leste has a serious capacity constraint.

Have Capacity Building Efforts Paid Off?

Much of the development assistance that has come into Timor-Leste in the past six years has been aimed at capacity building. AusAID has supported a large civil service capacity-building programme

for a number of years. The Asian Development Bank lists 32 Timor-Leste projects on its website launched since 2000, of which 30 are for technical assistance (ADB). The World Bank and other donors also have large capacity-building programmes.

Have these programmes borne fruit? Yes, but mainly in terms of an employment programme for foreign advisors. There are at least 17 donors active in Dili, 15 or so other UN agencies, plus embassies and international NGOs. These donors and agencies support an army of foreign advisors and consultants. A recent inventory shows a total of more than 300 donor-supported advisors and consultants working in Timor-Leste government offices, of which roughly 250 are resident in Dili. Many of these advisors are doing capacity building activities, or focusing on longer-term strategic plans and issues. There is little evidence, though, that these efforts have increased the government's capacity to execute its development programme. Even intermediate outcomes such as budget execution still lag. The 2008 State of the Nation Report states that on a cash basis, only a little more than half the last two years' budgets were executed by year end.

With less than 10% of the executed budgets going toward capital expenditures, it is no wonder that Timor-Leste's economy is still struggling. In fact, there is evidence that donor capacity building efforts may be undermining the Government's ability to perform, by engaging in "capacity stripping" (Draft Document) - the tendency of donor agencies to compete with the government and each other for Timorese talent.

Few donor-supported advisors and consultants speak Tetum, Portuguese, or bahasa Indonesia, the working languages of Timor-Leste. To function, they need multilingual Timorese counterparts, which means they end up hiring mostly Timorese who can speak English and the country's working languages, are competent and can work in an international culture. Since the supply of these qualified Timorese is highly limited, donor demand drives up their "price". Timorese drivers in the UN system earn what senior government officials make, sometimes more. Mid-level Timorese in the international system can earn upwards of 10 times government salaries at comparable levels.

This wage escalation leaves the government in a no-win situation. It has to deliver and do so quickly to gain legitimacy in the eyes of the people, but donors have bid away the very people who might help. Donors then finish off the capacity stripping job by making sure that what capacity is left in the government gets taken up in endless donor-demanded meetings. So, far from improving government/citizen relationships, donor activities in Timor-Leste may well have undermined those relationships.

Are Capacity Building Efforts Integrated into Government-Led Strategies?

One of the ironies of Timor-Leste is that it could, if it wanted to, say no to donors. It has, at last count, in excess of USD 3 billion offshore in its Petroleum Fund, more than USD 3,000 for every man, woman and child in the country - so it really does not need donor money. Nevertheless, the government has often let donors do more or less what they want. And, unfortunately, what most want to do is to build "capacity", launch long-term development projects, and "show the flag".

The result of these donor priorities is clear in Timor-Leste's performance since independence. As the 2008 State of the Nation Report shows, in those areas that matter most to people—housing, public services, jobs, basic infrastructure - there has been some progress, but it has been slow. Most of it has been urban-based - especially in Dili - leaving rural Timor-Leste, or 80% of the population, little better than it was at independence. The government understands that unless people see progress, its time in office may be short, but donors do not seem to share this sense of urgency, or have not until

recently. And without agreement on development priorities, donors' capacity-building efforts are unlikely to be either correctly targeted or appropriately timed.

Recently, there has been some acknowledgement of the need to get donors and the government on the same page with respect to priorities and implementation. The government's 2008 National Priorities exercise identified six areas for special attention by donors and the government: public safety and security, social protection, employment and income, improved social service delivery, and clean and effective government. More important than the selection of these priorities is the exercise's attempt to establish a limited number of measurable outcomes, set timetables for delivery, and identify the responsible agencies. Progress to date has been slow, but the concept is right.

Are Donors' Efforts Coherent and Coordinated with Other Efforts?

As is the case in many post-conflict settings, each donor in Timor-Leste sees their respective country's model as the one to follow. The legal system is Portuguese, the civil service commission Australian, port management German, and the list goes on. Moreover, few - if any - of these systems were designed with Timor-Leste in mind. The courts function in Portuguese (with imported Portuguese judges) - a language 90% of the population does not understand. The civil service commission exercise is based on successful efforts in Australia's Tasmania and Victoria provinces—hardly appropriate models for Timor-Leste, where issues of merit and performance rewards are still works in progress.

Bottlenecks and Success Stories

There are three fundamental problems with Timor-Leste's donor programmes: they do not focus on the country's critical near-term needs; they are not co-ordinated; and there are way too many foreigners overwhelming the government. After six years of engagement, there is no coherent programme to improve public services in urban and especially rural areas. There is no identifiable national job creation programme (there are pilot programmes underway). There is no co-ordinated effort to reduce Timor-Leste's critical housing shortage. As mentioned above, a recent National Priorities programme is trying to fix some of these shortcomings, but the jury is still out on this effort.

On co-ordination, there is very little beyond the usual once-a-month donor meetings. Donors produce their own plans and strategies, the government produces its own, and the relationship between the two sets of documents is never clear. Of course, in public - at donor consultative groups, for example - everyone sings from the same song sheet, but on the ground this is not the case.

On advisors, as mentioned above, the number now in the government is large and overwhelming. Increasingly, government officials say their staffs are becoming demoralised by the number of expatriates in their organisations, signalling that government staff really cannot do anything by themselves. Even so, the flow continues. Hardly a day goes by during which another advisor from another donor country is not brought in to the Prime Minister's office to get introduced and pay his or her respects. Even though the Ministry of Finance has 50 or so full-time foreign advisors, when the government wanted help with their 2009-2013 strategic agenda, they called in yet another advisor.

On the Timor-Leste side of the table, there are two bottlenecks of equal power. The first is genuinely low capacity. The stories of third grade math proficiency in the Ministry of Finance and a population of which half can neither read nor write are but two of many that underscore Timor-Leste's capacity problem both in and out of the government. But there is a second problem that does not figure much in donors' capacity building efforts: there may be too little *demand* for capacity.

Those who lead ministries complain constantly of the lack of capacity in their ministries, but incentives among ministerial staff to acquire skills, and to perform, are weak at best. As is common in the civil services of developing countries, no one gets fired. People move up the promotion ladder more or less automatically. There are little or no consequences for lack of outputs or outcomes. Without strengthening the demand side of the capacity problem, without introducing at least a degree of accountability into the system, more push on the supply side - more training, more advisors, more technical assistance - is unlikely to lead to better-run ministries and departments. Increasing the demand for more capacity is not something that the donor community can do directly. It has to come from the government itself. It can start, as suggested below, by shining light on the workings of government.

Lessons Learned for capacity building, and PDG

Timor-Leste's experience with efforts to build capacity suggests five lessons for future programmes, and a role for the PDG in Timor-Leste:

1. Capacity building has to start with clarity on the *government's* priorities, objectives and goals. Donors need to understand and respect this. Technical assistance is, for the most part, a free good to the recipient country. It is all too easy for harried government officials to agree to yet another technical assistance team that is not central to the government's priorities, rather than risk the ire of a development partner by saying no.
2. Demand for "capacity" has to be increased by setting measurable outcome goals, identifying who is responsible for delivery, when that delivery will take place, and what actually happens on the ground - and making all this public.
3. Transparency - making sure citizens know which programmes are coming to their communities, how much these programmes cost, who is responsible for implementing them, when they will be completed, and what the results were - is essential not only for the success of most development programmes, but to increase the demand for capacity as well. This is the beginning, not the end-point, of creating capacity and improving governance in weak institutional settings.
4. Capacity building needs to move beyond central governments to districts and sub-districts where most security, public services, jobs and basic infrastructure will be delivered. This requires a different kind of technical assistance than is now the case. Rather than rich country consultants, this model needs technical support that recognises the very low base from which most local agencies are starting, and the need for language skills and cultural affiliations consistent with these local settings.
5. Related to #4, capacity-building efforts need to recognise and take into account the basic human resource and institutional constraints the country will continue to face for a very long time. This means more South-South technical assistance (more appropriate institutional background), and more linking of districts and communities so that home-grown successes spread.

Many of these lessons are for the government and other donors, but there is, as well, a message in them for the PDG. The Partnership's role in Timor-Leste has to start with the recognition that other, more established donor agencies will be defensive of their turf and also looking for opportunities. But by their nature, most development agencies are drawn toward concrete, definable projects for which

they can claim (sole) responsibility. The Partnership's role could aim to increase the effectiveness of the system as a whole, rather than to fill gaps other donors have left. Getting governments - especially local governments - to take capacity building seriously will take a change in incentives.

It is questionable whether civil service reforms or commissions will bring about this needed change (a recent World Bank Independent Evaluation Group (IEG) report on public sector reform efforts supports this scepticism). A starting point along the road to changing incentives in the government is to give citizens the information they need to hold their government (and donors) accountable. The PDG could devote itself to finding ways to get credible information flowing in the system, and through that information help citizens connect with their government. One possibility would be to work with the government to set up "information houses" that will work at the district, sub-district and community levels to inform citizens (this idea is developed in more detail elsewhere).

This is a critical "public good" on which other donors in Timor-Leste have yet to focus, but is essential both to deliver the government's short-term agenda and to increase demand for capacity. The PDG could facilitate the transfer of experiences from successful regional programmes, such as Indonesia's Kecamatan Development Program, or Afghanistan's National Solidarity Program, or at least the transparency and information aspects of these programmes, to Timor-Leste. Such an effort would go a considerable distance toward making national and local government more accountable, and, more importantly, in strengthening the link between Timor-Leste's government and its people.

There are, of course, risks in this decentralised approach to service delivery, but Timor-Leste's capacity problem has no risk-free solutions.

List of references

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