

THE NEW SCHOOL GRADUATE PROGRAM IN INTERNATIONAL AFFAIRS

The relationship between conflict, poverty and horizontal inequality

A case study of Timor-Leste

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Introduction

The recent assassination attempt of both President Jose Ramos-Horta and Prime Minister Xanana Gusmão in February 2008 puts into perspective the low-intensity conflict that is still occurring in Timor-Leste despite its independence from Indonesia. Timor-Leste became a sovereign state on May 20, 2002 after 450 years of Portuguese colonial rule, 24 years of Indonesian occupation, and two years of interim rule by the United Nations Transitional Administration in East Timor (UNTAET). As a new nation, Timor-Leste is committed to achieving the Millennium Development Goals (MDGs) and has internalized these goals in its Poverty Reduction Strategy Paper (PRSP), also known as the National Development Plan (NDP).¹ Despite having a strong focus on poverty reduction through deepening opportunity, empowerment and security,² Timor-Leste's per capita GDP of \$800 (2005 Est.)³ makes it one of the poorest nations in Asia. The Timorese government's failure to match the achievements in poverty reduction of other countries in the region has increased the generation of conflict that is still brewing from the Indonesian occupation. Deep internal divisions in society and the continued displacement of two thirds of the population categorize Timor-Leste as a fragile state because of weak governance and institutions in the country.

The main objective of this paper is to provide a critical analysis of the need to include the prevention of violent conflict as part of the poverty reduction strategy. Timor-Leste's PRSP does not address the connection between conflict, poverty and inequality when in fact structural determinants of poverty and conflict are similar: institutions, economic growth, inequality, and endowments.⁴ The *Human Development Report (HDR) 2005* states that "for many countries, the conflict trap is part of the poverty trap."⁵ Conflict can be seen as a critical human development cost and capability deprivation for individuals because human security is threatened, infrastructure is destroyed, institutions' capacities are weakened, and conflict destroys people's livelihood through its impact on economic growth.⁶

Conflict can arise from a number of structural factors that are closely interlinked with both theories of greed and grievance.⁷ The situation in Timor-Leste incorporates both elements of greed and grievance in its low-intensity conflict which has risen from the following factors: limited access to educational opportunities and a relatively young population experiencing unemployment, reliance on the revenues of one natural resource (oil in the Timor Sea), and the uneven distribution and considerable gap in development between the rural and urban areas, which has created horizontal inequalities among certain regions (East and West) of Timor-Leste. This paper will show how violent conflict in Timor-Leste presents enormous challenges for development and security. It argues that unless the causes of conflict are addressed, Timor-Leste will have difficulties in achieving the MDGs and will remain a fragile state.

The paper is structured as follows: The first part assesses the literature on the connection between conflict, poverty and inequality. This section will describe more thoroughly the concepts of greed and grievance in conflict and the indicators for fragile states. The second part examines the legacy of conflict in Timor-Leste that has created lingering tensions in the social fabric of the country. The third part identifies the structural causes of the current conflict in Timor-Leste. The fourth part analyzes the effects of Timor-Leste's current conflict on human development and security by paying particular attention to achieving the MDGs. The paper concludes with policy recommendations for post-conflict reconstruction and aid policies.

I. The connection between conflict, poverty and inequality

The literature on the connection between conflict, poverty and inequality has investigated the reasons why there are high levels of poverty in countries that are undergoing conflict or have a history of conflict. According to the *Human Development Report (HDR) 2005*, "nine of 18 countries whose HDI declined in the 1990s experienced conflict in the same period. Per capita incomes and life expectancy fell in virtually all of these countries."⁸ The

¹ See Planning Commission (2002). *East Timor-National Development Plan*, Dili: World Bank.

² Opportunity, empowerment and security are three important areas mentioned in the *World Development Report (WDR) 2000/2001: Attacking Poverty*, Washington, D.C.: World Bank.

³ Central Intelligence Agency, *CIA World Factbook 2008*.

⁴ Syed Mansoob Murshed (2007). 'The conflict-growth nexus and the poverty of nations', *DESA Working Paper No. 43*, p. 2.

⁵ UNDP (2006). *Human Development Report 2005 'International Cooperation at a Crossroads: Aid, trade and security in an unequal world'*. Chapter 5 'Violent Conflict'. Oxford University Press: New York, p.157.

⁶ Ibid.

⁷ See Murshed (2007) and Paul Collier and Anke Hoeffler (2002). 'Greed and Grievance in Civil War', CSAE Working Paper Series No. 2002-01. Oxford: Centre for the Study of African Economies.

⁸ UNDP (2006), p.154.

growing number of internal conflicts in developing countries demonstrates that there is a strong connection between the causes of conflict and increases in poverty incidence. Frances Stewart's study shows that there are parallels between conflict and poverty because human security is an important aspect of people's wellbeing, and conflict has an adverse consequence on economic growth, thereby affecting development.⁹ Human security is immediately affected by conflict because of a number of reasons, such as disrupting jobs, causing a decline in income and employment rates, retracting direct foreign investments, creating physical destructions of infrastructure, and in some cases forcing people to flee their homes.

When examining conflict's causal factors in relation to poverty, there are two dominant theories: a greed theory and a grievance theory. The greed theory posits that a dependence on primary commodity exports and natural resources and the vested interests of certain powerful groups creates an ability to finance rebellion and civil war, especially when employment and earning opportunities for young men are few, which causes them to join rebel groups.¹⁰ The grievance theory focuses on ethnic, religious and regional divisions and inequalities that can cause political repression and conflict among impacted groups. In line with the greed theory, several scholars highlight the lack of development or the prevalence of poverty as a critical cause of conflict. Paul Collier and Anke Hoeffler try to debunk the conventional wisdom that most conflicts arise from ethnic heterogeneity and religious divisions. They instead make a claim that situations of poverty create a greater likelihood for internal conflicts to occur.¹¹ In their article, they examined a set of data on large-scale civil conflict over the period 1960-99, and they highlighted the constraints that rebel organizations face in funding their movements. According to Collier and Hoeffler, if the economic growth of the country is flourishing, then conflict may be reduced because "it raises the opportunity costs of joining rebellion."¹² They also claim that natural resource dependence can be both a cause of conflict and a mitigating factor depending on how the revenues are handled by the government. If revenues are used for rent seeking behaviors, then conflict will increase, but if the government is able to use the revenues to fund social programs, then conflict can be mitigated.

Although Collier and Hoeffler found that the greed theory outperforms grievance, other scholars, such as Frances Stewart, argue that grievances centered on horizontal inequalities are equally important in causing divisions.¹³ Horizontal inequalities are defined as inequalities between groups based on race, ethnicity, religion, language, regions in society, etc. that could lead to conflict because of unequal social, economic and political treatment. Horizontal inequality is in contrast to vertical inequality, which is measured based on individual income, assets, and consumption. According to Stewart, development has often focused on vertical inequality while neglecting horizontal inequality, which is an important element that needs to be factored in when referring to people's well-being because humans are social beings that connect based on group affiliations and networks.¹⁴ If people from a certain group are being denied education or economic opportunities, then these negative externalities will be passed down to their descendants, which will perpetuate the poverty trap. Stewart's point is that limited mobility between groups enhances poverty and may cause conflict in society because of resentment and dissatisfaction.¹⁵ Therefore, it is important to incorporate group dimensions and horizontal inequalities into development practice. Additionally, when speaking about forms of inequality, there is a difference between constructive and destructive inequality. Constructive inequality is connected to income inequalities where there are also equal opportunities that allow for individual social mobility and economic growth. In contrast, destructive inequality is when there are income inequalities and other poverty conditions that do not allow for upward mobility, but instead create greater income disparities.¹⁶ Destructive inequality is usually connected to institutional failures.

Greed and grievance theory are not exclusive in practice and can simultaneously occur to spark a catalyst for civil conflict. Syed Mansoob Murshed and Sakiko Fukuda-Parr have looked at conflict that arises from a number of structural factors that are intertwined with both theories of greed and grievance. Murshed presents evidence that supports both theories and he shows the complexity behind civil wars, which is why when discussing causes of conflict it is important to place them in a specific contextual setting or as case studies.¹⁷ Murshed's policy recommendations incorporate a pro-poor growth approach in order to reduce relative deprivation and address horizontal inequalities. Similarly, Fukuda-Parr argues that development aid should be both pro-poor and place

⁹ Frances Stewart (2004). 'Development and Security' in *Conflict, Security and Development*, 4 (3), 261-288.

¹⁰ Collier and Hoeffler (2002), p. 6-8.

¹¹ Collier and Hoeffler (2002)

¹² Collier and Hoeffler (2002), p. 34.

¹³ Frances Stewart (2005). 'Horizontal Inequalities: A Neglected Dimension of Development' *CRISE Working Paper 1*.

¹⁴ Stewart (2005), p. 4.

¹⁵ Stewart (2005), p. 5.

¹⁶ See Nancy Birdsall (2007), "Inequality Matters: Why globalization doesn't lift all boats" *Boston Review*, March/April.

¹⁷ Murshed (2007)

measures to prevent conflicts that are directly related to state weakness, natural resource exploitation and the grievances of marginalized groups.¹⁸ Key policy findings assert that aid donors should take into account the historical root causes of horizontal inequalities into development policy in order for conflict prevention to be effective and to address the problem of state fragility.

State fragility is a critical factor that is often present in civil conflict and can exacerbate the effects of conflict on the population. When state capacity is weak and there is a lack of political means to resolve conflict or prevent its beginning, then citizens will feel insecure, resulting in lost of confidence in the government's legitimacy. Although fragile states tend to be affected by conflict, the World Bank's Low-Income Countries Under Stress (LICUS) initiative characterizes fragile states as a combination of weak governance, policies and institutions marked by ranking among the lowest (<3.0) on the Country Policies and Institutional Performance Assessment (CPIA).¹⁹ In addition to weak state capacity, fragile states have low socio-economic indicators in terms of GDP per capita, mortality rates, access to clean water, etc., and tend to be off-track in achieving the MDGs. Fragile states also endanger regional and international stability because its adverse consequences can result in a refugee crisis and other cross border issues of terrorism and criminal activities. Fragile states exemplify state failure, which is why it is important that the Failed States Index (FSI) incorporates all social, economic and political indicators to measure the worldwide risks of civil conflicts.²⁰

II. The Legacy of Conflict in Timor-Leste

Under Indonesia's Rule (1975-1999)

The history of Timor-Leste²¹ has been marked by continuous struggle against foreign rule. Portuguese colonization from the 16th century was followed by a brief Japanese invasion during World War II, which in turn was followed by a return to Portuguese rule and finally Indonesian occupation. After Portugal's withdrawal from Timor-Leste in 1974, there was a brief civil war between the political parties vying for power, Fretilin (Revolutionary Front for an Independent East Timor) and UDT (Timorese Democratic Union). The aftermath of the brief civil war resulted in the Fretilin party ruling Timor-Leste. Indonesian forces decided to invade the territory in 1975 while it was in the process of decolonization. In securing support for the invasion, President Mohammed Suharto asserted that at the height of the Cold War, he was acting to prevent the consolidation of power by the Fretilin party, which he claimed to be communist in nature.

Indonesia's "counterinsurgency" strategies reached a genocidal scale, killing thousands of people and causing widespread starvation in concentration camps. It is estimated that between 60,000 to 100,000 Timorese were killed in just a few months of the invasion and at least 200,000 people, or a third of the population, have died as a direct result of the Indonesian occupation.²² Despite repeated calls from the United Nations, Indonesia refused to withdraw from Timor-Leste or allow a plebiscite over the territory's future. Suharto was a staunch nationalist who believed that any concessions on Timor-Leste's status would have a "domino" effect for other regions in Indonesia with separatist movements, such as West Papua and Aceh. As a neighboring country, Australia had a vested interest in supporting Suharto's move because of the dispute over the ownership of the oil in which Timor-Leste and Australia share the sea passage. In particular, the leadership in Canberra was anxious to solve the Timor Gap dispute, which would grant Australia access to oil and gas reserves. For this reason, Australia is the only government that acknowledges Timor-Leste as part of Indonesia while the rest of the UN have never accepted Indonesia's claim over the territory.²³

During the 24 years of occupation by Indonesia, Timor-Leste's population suffered from dire neglect in terms of development indicators. When Indonesia annexed Timor-Leste as the 27th province on June 1976, the

¹⁸ Sakiko Fukuda-Parr (2007). 'Rethinking the Policy Objectives of Development Aid: from economic growth to conflict prevention'. *WIDER Research Paper No. 2007/32*.

¹⁹ World Bank (2002), *World Bank Group Work on Low-Income Countries Under Stress: A Task Force Report*. Washington, D.C.: World Bank.

²⁰ Fund for Peace (2007), 'Failed States Index 2007'. Available at: www.fundforpeace.org.

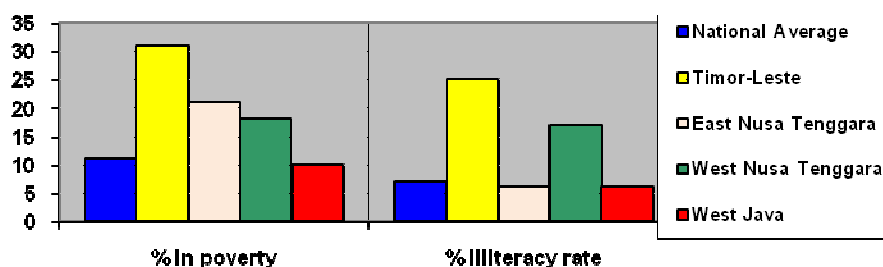
²¹ The Democratic Republic of Timor-Leste is its official name, but the country has been referred to by several different names. It is commonly known as East Timor in English. In Indonesian it is called *Timor Timur* (Timtim) and *Timor Lorosa'e* in Tetum. The official languages are Portuguese and Tetum (a Malayo-Polynesian language). Bahasa Indonesia and English are only used as working languages.

²² The numbers of casualties often vary. Ben Kiernan, who is a scholar on genocide, believes that the deaths have to be analyzed in the context of the small population of East Timor, which was around 700,000 at the time of the invasion. See Ben Kiernan (2003). 'The Demography of Genocide in Southeast Asia: the death tolls in Cambodia, 1975-79 and East Timor, 1975-80'. *Critical Asian Studies* 35:4, 585-597.

²³ Faisal Chaudhry, 'Minding the Timor Gap' *Dollars and Sense* July/August 2006, Issue 266.

territory had the lowest levels of health and literacy in Indonesia, and poverty rates were among the highest.²⁴ Under Indonesia's rule, Timor-Leste's per capita regional product was 30-36% of the national average, which makes it one of the lowest along with two other Indonesian provinces. Although growth rates were higher than the national average in the mid 1990s, Timor-Leste had the highest poverty incidence (31% of the population); while the national average was 11% (see Figure 1 below). The illiteracy rate in the province was also the highest (25% in comparison to 7% of national average).²⁵ Some observers attest that during Indonesia's rule, Timor-Leste experienced the first sustained economic development after Portuguese colonialism because the Indonesian government invested in economic growth, communications, infrastructure and education.²⁶ The Indonesian government in particular tried to increase formal education in order to assimilate the Timorese into Indonesian culture, language and history. However, there was a rejection of learning by the Timorese because of the occupation and the feeling that the Indonesian government was using education as a tool of oppression to impose a national identity.²⁷

Figure 1: Timor-Leste: Divergence in development during Indonesia's Rule
Source: BPS-Statistics Indonesia



Suharto's transmigration policy changed the demographic structure of Timor-Leste, which resulted in horizontal inequalities. The Timorese felt that the migrants (particularly the dominant Javanese ethnic group) were favored in terms of education and economic opportunities. People who came to work in the public sectors (teachers, government officials, etc.) were outsiders from the main ethnic groups in Indonesia. According to Hal Hill, a specialist on the economies of ASEAN, "civil servants posted to East Timor received generous allowances, much of which were not spent in the local economy. There was also rampant corruption both in public expenditure projects and in granting of business privileges."²⁸ The economy was largely controlled by people connected to the military or local elites that had connections to the Suharto government. The exploitation of Timor-Leste's natural resources and agriculture did not benefit the Timorese because they were among the poorest ethnic groups in Indonesia, and this factor increased the resentment stemming from the invasion.

A series of massacres by the Indonesian armed forces to suppress secessionist movements reinforced the violence in the region. Resistance against the military was led by guerilla fighters from FALINTIL (*Forças Armadas da Libertação Nacional de Timor-Leste* or The Armed Forces for the National Liberation of Timor-Leste), which was headed by the independence leader Xanana Gusmão. The military conducted brutal human rights abuses ranging from torture, mass killings, disappearances, political imprisonment of guerilla fighters and civilians, and there were reports of systematic rape and gender persecution of Timorese women.²⁹ The massacres created a severe impact on human security as no matter how much the Indonesian government tried to develop Timor-Leste in terms of education, health and infrastructures, the citizens' well-being was disrupted by constant conflict and fear of the Indonesian military.

²⁴ Hal Hill (2001). 'Tiny, poor and war-torn: development policy challenges for East Timor. *World Development* 29, 1137-1156, p. 1140.

²⁵ All data from Badan Pusat Statistics (BPS) or Statistics Indonesia. Available at: <http://www.bps.go.id/>

²⁶ Hill (2001) and Yiftach Millo and Jon Barnett (2004). 'Educational Development in East Timor'. *International Journal of Educational Development*, Vol 24. Issue 6, 721-737.

²⁷ Millo and Barnett (2004), p. 727.

²⁸ Hill (2001), p. 1140.

²⁹ See Matthew Jardine. *East Timor: genocide in paradise*. (Monroe: Odonian Press, 1999), p.33-34.

1999 Referendum and Independence

Against the backdrop of the Asian financial crisis and the era of political reform after the fall of Suharto in 1998, Suharto's successor President Habibie decided to allow a referendum to take place on August 30, 1999 to decide whether the Timorese wanted autonomy as part of Indonesia or full independence. In a 98 percent turnout, the referendum results showed that the majority of the East Timorese voted for independence—78.5 percent for independence and 21 percent for autonomy.³⁰ Immediately after the announcement of the results was made public, the militias, with the support of the Indonesian police and military, carried out wide-spread carnage and destruction throughout the territory. The “scorched earth policy” turned Timor-Leste, particularly the capital, Dili, into a sea of fire as the majority (about 70 percent) of the country's infrastructure was destroyed. In its aftermath, the Indonesian military and its militia proxies killed as many as 1500 people, raped untold number of women and girls, and displaced 300,000 people, causing a refugee crisis, while about 150,000 people were forcibly deported to camps in West Timor.³¹

The international community quickly realized that the situation in Timor-Leste was bordering on a humanitarian catastrophe. The pressure on the Indonesian government to accept humanitarian intervention and peacekeeping forces took several coercive forms—including economic, political, and military. With the endorsement of Australia's leadership in the peacekeeping tasks, the UN Security Council unanimously authorized the International Force in East Timor (INTERFET) to establish its presence in Dili on September 20, 1999. After Indonesia formally relinquished its control over Timor-Leste, the Security Council established the United Nations Transitional Administration in East Timor (UNTAET), which supervised the country on its road to self-governance until May 20, 2002, when Timor-Leste became a sovereign state.

III. The Current Conflict: Structural Causes

The conflict that is now occurring in Timor-Leste is a spillover effect from the tumultuous history of violence that this country has undergone. Timor-Leste's ability to obtain independence under the auspices of the UN has been considered a success story. However, the structural causes of conflict were never recognized nor addressed since the country's independence. As is evident from the creation of Timor-Leste's PRSP, the Planning Commission made little reference to the impact of conflict on society. Without addressing the root causes of conflict in post-conflict reconstruction, it leaves room for a greater likelihood of a return of violence. In assessing Timor-Leste's current conflict situation, the structural causes will be divided between greed and grievance theory. However, it should be noted that the factors are deeply connected and reinforce the conflict in the country.

Greed in Timor-Leste

In line with the greed theory, Timor-Leste's economy presents an environment that supports an outbreak of low-intensity conflict because there is relative deprivation in terms of individual or household income. Based on the data gathered in the 2001 Household Survey, around 41% of the population lives below the national poverty line of US\$ 0.55 per day.³² Poverty has also been increased by the change in currency from Indonesian Rupiah to U.S. Dollars. Although Murshed states that “in many countries, currency reform is necessary after war, sometimes via the introduction of a new monetary unit of account,”³³ purchasing power parity shows that people need 70% more Rupiah in Timor-Leste to purchase items, which may increase food insecurity.³⁴ Moreover, the pressure to raise wages (now three times the average in Indonesia) may have contributed to unemployment, especially among the unskilled youth.³⁵ Timor-Leste has a relatively young population (53% of the population are under 17 years old, and 34% are between 12 and 29), and there is only a 50% adult literacy rate. Along with these indicators are high levels of unemployment in the country. The level of those without paid jobs is between 23% in urban areas and 44 % among youth in the capital of Dili.³⁶

With rapid population growth and no avenues for absorbing the youth into the labor market, economic disenchantment generates an incentive to join rebel groups. According to Paul Collier, the willingness of young men

³⁰ BBC, “Timor Chooses Independence” (September 4, 1999).

³¹ Sian Powell, “UN Verdict on East Timor” *The Australian* (January 19, 2006).

³² Planning Commission (2002), p. 33.

³³ Murshed (2007), p. 14.

³⁴ UNDP (2006), *Timor-Leste: Human Development Report 2006*, Dili: UNDP, p. 12.

³⁵ World Bank (2002). *East Timor: Policy Challenge for a New Nation*. Washington, D.C.: World Bank, p.17-18.

³⁶ All data from the Planning Commission (2002), p. 34-35.

to join rebel groups depends on their other income-earning opportunities.³⁷ If the youth are only left with unemployment and poverty, then they may feel that there is not a high risk in joining a rebellion because it may be an alternative way of generating income. In Timor-Leste's case, the conflict that occurred in March 2006 started from 600 soldiers protesting against the government, and became a state of civil unrest as unemployed and dissatisfied youth groups decided to join the rebellion by looting, burning homes and destroying infrastructure. Timor-Leste's PRSP did acknowledge that there is a youth bulge in the labor market, but it did not address the despair that the youth felt in their future and the ability to improve their lives, which is why youth empowerment and capacity building is important in preventing conflict.

Timor-Leste's lack of diversification in the economy and a dependence on one natural resource also implies a greater scale for conflict. According to the greed theory, dependence on primary commodity exports as a proportion of national income can increase conflict because it can be used for extortions to finance rebellions.³⁸ Since primary commodities are usually located in rural areas, rebel groups may have an incentive to extort farmers by targeting the production or transportation of primary commodities. In return, the government has to place heavy taxation in order to maintain security in the plantation areas. Timor-Leste lacks diversification in its economy since it strongly relies on the primary export of coffee (80% of the country's total output). The Timorese government used to place a heavy tax on coffee, but it has removed this tax in order to alleviate the economic difficulties of coffee farmers. Timor-Leste produces more than 10,000 tons of coffee, which brings in US\$ 20 million a year into the economy.³⁹ Since the rebellion in 2006 and the recent attempted assassination of head officials in 2008, coffee production has been occasionally disturbed because the government fears that rebels may be hiding in the rural areas and the armed forces have conducted raids in the coffee plantations. The government has instructed the coffee farmers to stay away from their plantations in case a violent confrontation occurs, which affects the poor farmers' ability to make income.

In the case of natural resource dependency and its connection to conflict in Timor-Leste, there are concerns that volatile oil prices and rent-seeking may increase conflict. Oil resources in the Timor Sea have been a source of dispute for years because the Australian government is competing for the resources. In 2003, a treaty was signed with the Australian government to solve the dispute over the ownership of the oil and gas located on the seabed known as the Timor Gap by creating a Joint Petroleum Development Area (JPDA) of 75,000 sq km in the Timor Sea, with 90 percent of revenue from production going to East Timor and 10 percent to Australia. It is estimated that the agreement will produce royalty revenues of some \$3.5 billion for East Timor over 20 years from 2004, whereas Australia's share will be about \$400 million.⁴⁰ However, observers have noted that with the proceeds expected to flow to northern Australia from Australia's control of the natural gas pipeline, these projects will actually be worth \$25 billion to Australia.⁴¹ Timor-Leste's government has vehemently criticized the Australian government and demanded the full percentage of the resources they claim rights to under international law.

The development of Timor-Leste is highly dependent on both external funding and future tax revenues from the Timor Sea oil and gas reserves. If the population does not see the revenues from the oil being channeled into public investment, such as education and infrastructural development, then there is a greater likelihood for conflict to arise. The people of Timor-Leste also need to be informed about the process and allocation of the Timor funds, so that there is transparency and a lesser likelihood of corruption and rent-seeking behavior. Government corruption and mismanagement of these funds could renew violence, and the country could fall into the resource curse trap. A resource curse occurs when the government relies on the revenue of natural resources rather than sustaining other income-generating economic activities. Although natural resource export leads the country's currency to rise in value against other currencies, it also makes the country's other export activities uncompetitive in the global market. Jeffrey Sachs mentions that one of the reasons a country fails to thrive is because its economy is highly dependent on a single natural resource, which is prone to create instability because the price fluctuates in the world market.⁴² Despite the expectation of obtaining future revenues from the offshore oil and gas, not enough is mentioned in the PRSP on creating sound macroeconomic policies to mitigate the volatility of oil prices. In the

³⁷ Paul Collier (2000). 'Doing Well Out of War: An Economic Perspective', in Mats Berdal & David M. Malone, eds., *Greed and Grievance: Economic Agendas in Civil Wars*. Boulder, CO and London: Lynne Rienner, p. 94.

³⁸ Collier and Hoeffler (2002), p. 6-8.

³⁹ IRIN (2008), "TIMOR-LESTE: Security concerns stop coffee growers from harvesting." IRIN website at <http://www.irinnews.org/report.aspx?ReportId=77837>.

⁴⁰ Republica Democratica de Timor Leste (2003). "Law No. 3/2003 of 1 July: Taxation of Bayu-Undan Contractors Act." Available at http://www.transparency.gov.tl/PA/tbuca_eng.pdf

⁴¹ James Gavin (2004), "Timor Sea: Messy Politics", *The Petroleum Economist*.

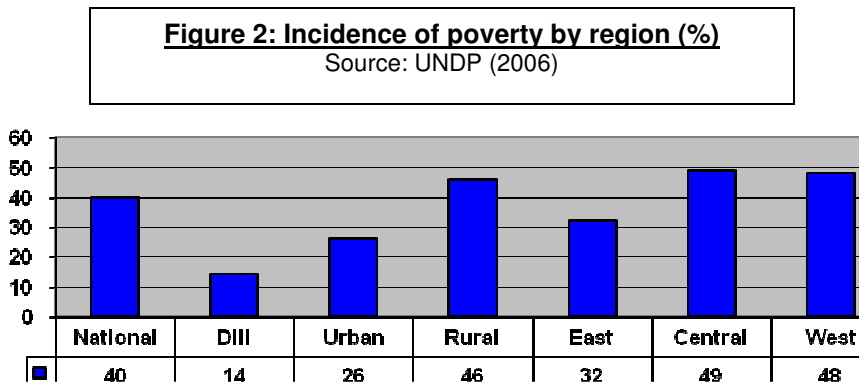
⁴² Jeffrey Sachs (2005), *The End of Poverty: Economic Possibilities of Our Time*. 'Chapter 3: Why some countries fail to thrive'. London: Penguin, p. 68.

hopes of preventing the resource curse, a petroleum fund was eventually set up in 2005 to manage the flow of revenues for future generations and discourage rent-seeking behaviors.

Grievances in Timor-Leste

In relation to the grievance theory, there are lingering tensions over allegiance during the Indonesian occupation, which caused perceived differences in the East and West of Timor-Leste. Timor-Leste is largely homogenous in terms of race, ethnicity and religion, which means that horizontal inequalities arise not out of ethnic heterogeneity, but pertain more to geographic regional differences stemming from the past history with Indonesia.⁴³ It is alleged that people from the West or *Loromonu* were more in favor of Indonesian rule than people from the East or *Lorosae*, who formed the largest part of the guerilla movement against Indonesian occupation.⁴⁴ After Timor-Leste gained independence there was no process to reconcile the people who were pro-integration and pro-independence into the social fabric, so it was clear that there would still be resentment and social jealousy because people in the community were suspicious of each others' loyalty. The crisis that occurred in 2006 was in relation to the dismissal of 600 members of the Military Defense Force who claimed that they were being discriminated against in favor of soldiers from the eastern part of the country.⁴⁵ There is also tension between the military and the police forces because it is claimed that the police have a significant number of people who have links with the former Indonesian regime and have used the same violent tactics as the Indonesian forces. Human Rights Watch reported that the National Police of East Timor (PNTL) has used torture and excessive force during arrest, and in some cases people were detained without just cause.⁴⁶

The perceived differences among regions also transpire into inequalities between urban and rural areas, which exacerbated group grievances. With 85% of the population living in rural areas and dependent upon subsistence farming, the proportion of poor people is larger in the rural areas than in the urban areas. It is estimated that 46% of the rural population are poor in comparison to 26% in the urban centers.⁴⁷ Poverty is also uneven across the region, with the west and central areas being poorer than the east (see Figure 2 below). Hence, people from the west who allegedly compose most of the rebel groups have resentment towards the current government. They believe that the government has neglected the development of the western region and placed more economic and employment opportunities in the east, particularly in the capital city, Dili.



The recent internal conflict in Timor-Leste shows that there are grievances that can be traced back to the injustice from the Indonesian rule. The human rights violations during that era were never completely addressed and many people involved in the killings have been left unpunished. Timor-Leste's citizens expressed their concerns that militia men who were aligned with the Indonesian armed forces in support of Indonesian rule are now benefiting

⁴³ Ethnically, the Timorese consists of mixed Malayo-Polynesian and Melanesian descent. The religion of Timor-Leste is predominantly Roman Catholic.

⁴⁴ It should be noted that the terms *Loromonu* (Tetum for westerners) and *Lorosae* (Tetum for easterners) does not connote ethnic differences between regions. They only show differences in geographic locations.

⁴⁵ Christopher Torchia, "Prejudices Fuel Conflict in East Timor." *The Associated Press*, June 2, 2006.

⁴⁶ See Human Rights Watch (2006), *Tortured Beginnings: Police Violence and the Beginnings of Impunity in East Timor*. Human Rights Watch Vol. 18, No. 2.

⁴⁷ Planning Commission (2002), p. 33.

from the new democracy by working in the government, whereas the victims and supporters of independence are experiencing poverty and unequal treatment.⁴⁸ The process of seeking justice has been facilitated by an independent Commission for Reception, Truth and Reconciliation (known by its Portuguese acronym as CAVR- *Comissao de Acolhimento, Verdade e Reconciliacao de Timor-Leste*). CAVR created a final report in 2006 entitled *Chega!* ('Enough' in Portuguese), which records that from 1974-1999, an estimate of 183,000 died as a result of both killings and deaths due to human deprivation, mainly hunger and illness. CAVR's estimate of the minimum total number of conflict-related deaths is 102,800. The report details that 18,600 non-combatant East Timorese were killed or disappeared and at least 84,000 more died as a direct result of displacement policies during Indonesia's occupation.⁴⁹ CAVR has been calling for an international tribunal for the human rights violations of the Indonesian armed forces. As of now, the ad-hoc human rights court in Jakarta has only prosecuted a small number of soldiers and military leaders. Since the legacy of violence and impunity are still evident in the lives of the Timorese, they are unable to heal because justice has not been served.

The finger of blame for the return of conflict to Timor-Leste can be pointed in many directions, but the main causes are the weak institutional capacity in the areas of the rule of law and the security sector that have been unable to resolve disputes peacefully. First, the government's legitimacy is being undermined by ineffective leaders in the Parliament. One leading example is former Prime Minister Mari Alkatiri who had to resign his position because he was widely blamed for instigating the 2006 conflict when he fired 600 disgruntled soldiers, which led to huge protests against him.⁵⁰ Alkatiri did not effectively address the soldiers' concerns over their poor treatment and he instead made inflammatory speeches that sparked the unrest in the capital. He has also been accused of distribution of firearms for an alleged plan to set up a secret hit squad against his opponents in the government.⁵¹ President Xanana Gusmão at the time threatened to resign if Alkatiri did not step down from power. Due to leaders like Alkatiri, Timor-Leste scored 9.5 out of 10 on the legitimacy of the state in the Failed States Index, which indicates that there is a high level of state failure in meeting the needs of the population and there is a lack of trust in government leaders (see Figure 3 below).⁵² Second, the state apparatus is perpetuating the legacy of violence in the country through police brutality and military upheaval. Factionalized elites scored 8.8 on the Failed States Index because there are serious tensions between the people running the government. Although Timor-Leste was able to hold presidential and parliamentary elections in 2007, there were protests and low-intensity conflicts by youth gangs when the newly elected president Jose Ramos Horta announced that, after weeks of dispute by the political parties, Xanana Gusmão would be elected as the new Prime Minister.⁵³ Gusmão headed the National Congress for the Reconstruction of East Timor (CNRT) party, which won the second largest vote after the Fretilin party. People who favored the status quo of the Fretilin party demanded its right to form the government. They called the president's decision to elect his long time friend and political ally unconstitutional and undemocratic. Third, the culminating event of Timor's conflict is the recent assassination attempt of both the President and Prime Minister in February 2008, which illustrates that Timor's political leaders have a vulnerable sovereign authority and their legitimacy to remain in power is questioned by rebel groups who disagree with the formation of the government. Based on the above explanations, Timor-Leste is placed under the "Alert" stage due to its total score of 94.9 and its rank as the 20th out of 177 countries in the Failed States Index (see Figure 3 below).

⁴⁸ International Center for Transitional Justice. *Crying Without Tears*. August 2003.

⁴⁹ All data from CAVR, "Conflict-Related Deaths in Timor-Leste 1974-1999: The Findings of the CAVR Report *CHEGA!*" Available at <http://www.cavr-timorleste.org/updateFiles/english/CONFLICT-RELATED%20DEATHS.pdf>

⁵⁰ BBC News, "Embattled East Timor PM resigns," June 26, 2006.

⁵¹ BBC News, "E Timor ex-PM accused on unrest." October 17, 2006.

⁵² For each indicator, the ratings are placed on a scale of 0 to 10, with 0 being the lowest intensity (most stable) and 10 being the highest intensity (least stable). The total score is the sum of the 12 indicators and is on a scale of 0-120.

⁵³ Lindsay Murdoch, "Violence greets Horta's PM decision," *The Sydney Morning Herald*. August 6, 2007.

Figure 3: Failed States Index Scores 2007: Timor-Leste is Rank 20/177

Source: The Fund for Peace. Available at www.fundforpeace.org

	Total Score	Indicators											
		Social					Economic		Political/Military				
		Demographic Pressures	Refugees & Displaced Persons	Group Grievance	Human Flight	Uneven Development	Economy	Legitimacy of the State	Public Services	Human Rights	Security Apparatus	Factionalized Elites	External Influence
2007	94.9	8.1	8.5	7.1	5.3	6.5	8.5	9.5	7.9	6.9	9.0	8.8	8.8

IV. The Effects of Timor-Leste's Conflict on Human Development and Security

When Timor-Leste became an independent state in 2002 and created its PRSP, the government acknowledged that it was essentially starting from “scratch”, meaning that it needs to rebuild everything from social and physical infrastructure, access to markets, foreign investments, parliament and administration, etc.⁵⁴ In acknowledging the challenges that lie ahead for Timor-Leste, the Planning Commission placed emphasis on poverty eradication as the main objective of the development strategy. Timor-Leste has made some progress in reconstructing its infrastructure, rehabilitating houses that were destroyed in 1999, and stimulating its economy. Timor-Leste's progress was evaluated from the standpoint that this country was literally a new nation that lost virtually everything during the Indonesian conflict in 1999 and had to restructure not only the economy and the political process, but also society (language, history, education, etc). However, the recent low-intensity conflicts have posed a threat in reversing Timor-Leste's development.

Human Poverty in Timor-Leste

Human poverty in Timor-Leste is both a cause and a consequence of conflict. Before the start of the conflict, Timor-Leste's per capita income in 2002 was around US \$350, with 41% of citizens living below the national poverty line of \$0.55 a day.⁵⁵ This means that two in five people do not have sufficient means to cover their basic needs or enjoy a decent standard of living. In addition to income poverty, human poverty in Timor-Leste “includes a lack of access to basic social and essential economic services and life choices, including opportunities to participate in economic, social and political processes.”⁵⁶ Therefore, based on this definition, the poorest people in Timor-Leste are those that are illiterate, lack assets and skills, and suffer from poor health standards and food insecurity. It is against the backdrop of this challenging economic situation that the recent conflict broke out.

Consequently, the conflict increased the poverty incidence in the country because economic growth was stalled and the government was unable to adequately deliver basic social services. When there is political instability, the domestic economic activity in Timor-Leste undergoes a slump cycle. Before 2006, the acceleration of oil-and-gas production after its start in 2004 affected government spending positively in 2005, thus contributing to the positive GDP growth in the non-oil sector and the low inflation.⁵⁷ However, civil unrest in 2006 halted the relative economic growth because it disrupted domestic economic activity in markets, transport and production. In particular, the failure to harvest a fifth of the coffee crop resulted in a negative growth due to lost earnings. According to IMF data, non-oil GDP fell by 6.7% excluding the UN (i.e. spending resulting from UN activity and

⁵⁴ Planning Commission (2002), p. 3.

⁵⁵ Data from UNDP (United Nations Development Programme) (2002), *East Timor Human Development Report 2002. Ukun Rasik A'an/The Way Ahead*. Dili: UNDP., p. 83. The estimates of annual per capita income vary between different sources, but the range is normally around U.S. \$300-\$400 from 2000-2004 data.

⁵⁶ Planning Commission (2002), p. 32.

⁵⁷ Mats Lundahl and Fredrik Sjöholm (2006). *Economic Development in Timor Leste 2000-2005*. Sida, Country Economic Report 2006:4, p. 16.

the increase in peacekeeping personnel).⁵⁸ In addition, high inflation occurred with food prices going up. As a consequence, poor people were unable to afford their daily basket of goods, which caused food insecurity among vulnerable populations (children, women, the elderly, disabled, and victims of violence).

In the multidimensional measurement of the Human Poverty Index (HPI-1), Timor-Leste's rank reflects the consequences of the conflict. The country's HPI-1 as listed in the HDR 2007/2008 is 41.8, which places it as rank 95th among 108 developing countries.⁵⁹ In Timor-Leste, life expectancy is calculated to be around 50-58 years old, which is below 67 years for countries ranked within the "medium human development" group in which Timor-Leste is classified as. Around 46% of children aged 0 to 5 years are acutely malnourished or underweight.⁶⁰ Adult literacy rate in Timor-Leste is one of the lowest in the world, especially among women—56.3% for males and 43.9% for females.⁶¹ Many of the income, health and education indicators show that conflict can disrupt the basic needs of the society (access to safe water, sanitation and electricity), which makes the population more vulnerable to diseases, chronic hunger, etc.

Human Development Trends in Timor-Leste⁶²

Human development as measured by the Human Development Index (HDI) has considerably declined in terms of ranking due to the conflict. When Timor-Leste started its PRSP in 2002, its HDI was 0.436, and it was ranked 158 out of 177 countries. Since 2002, there has been some improvement in development indicators, particularly on primary school enrollments because social programs have been initiated through the PRSP, which aims to improve curricula, expand education for the poor, and increase the number of qualified teachers.⁶³ In the national consultation that was conducted prior to the creation of the PRSP, East Timorese identified education and health as the two top priorities for improvement and action by the new government.⁶⁴ Based on the findings, the government created a list of priorities for poverty reduction. The first priority is education, followed by health, third is agriculture, and last is transport and communication. From 2001 to 2004, the combined primary, secondary, and tertiary gross enrolment ratio increased from 56.1% to 66%.⁶⁵ In a span of two years, Timor-Leste improved from rank 158 to 140. Timor-Leste's HDI in 2004 was 0.512, and it was ranked 140 out of 177 countries. However, when the conflicts broke out in 2006, people were afraid to send their children to school, health indicators declined and mortality rates went up due to the fighting. According to the 2007-2008 Human Development Report, Timor-Leste's HDI went down to 0.514 and it is now ranked 150 out of 177 countries, falling behind Sudan (147) and Congo (139).⁶⁶ Therefore, it is evident that the low-intensity violence has halted some of the achievements made by Timor-Leste, and it is feared that if mechanisms for conflict prevention is not put in place, the country will be unable to govern itself and will continuously need external aid.

Development indicators in Timor-Leste are the lowest among ASEAN countries. Figure 4 below compares Timor-Leste's performance with Indonesia. Although this comparison may not be fair since Timor-Leste just began its road to development in 2002 whereas Indonesia started in 1976 during Suharto's rule, it is still important to assess Timor-Leste's progress after gaining independence from Indonesia. The available data below shows that some of the indicators reflect the legacy of conflict and the horizontal inequalities from the Indonesian era that are being passed down to the new nation. For instance, Timor-Leste's adult literacy rate has always been one of the lowest among other Indonesian provinces because of the ineffective integration of the Timorese into Indonesia's education system. Additionally, lower life expectancy in Timor-Leste has been largely attributed to manmade shocks from civil unrest and upheavals. The PRSP identified "political, social and economic turmoil, resulting particularly from the violence of 1999," as an apparent cause of poverty.⁶⁷ As a direct result of the Indonesian occupation, it is estimated that many men have died causing one in seven households to be headed by women. Also, the 2001 joint Poverty Assessment of Timor-Leste concluded that fatherless children are 15% more likely to live in

⁵⁸ IMF (2007), 'Timor-Leste: Selected Issues and Statistical Appendix', Country Report 07/78, February.

⁵⁹ See Table 1 in appendix.

⁶⁰ Ibid.

⁶¹ UNDP (2006), p.9.

⁶² See Table 4 in appendix on the Human Development Report 2007/2008 country profile-Timor-Leste.

⁶³ Planning Commission (2002), p. 143.

⁶⁴ Planning Commission (November 2002), 'Our National Vision', Dili: The World Bank.
<http://siteresources.worldbank.org/INTTIMORLESTE/Resources/Our+Nation+Vision.pdf>

⁶⁵ UNDP (2006), p. 10.

⁶⁶ See Table 2 in appendix

⁶⁷ Planning Commission (2002), p. 34-35.

poverty than children with fathers.⁶⁸ As a consequence, people who have experienced these types of shocks are unable to lift themselves out of poverty because of lost assets and the lack of government social safety nets, which results in 40% of people living below the national poverty line.

Figure 4: Development Indicators: Timor-Leste in comparison with Indonesia

Source: Human Development Report 2007/2008

	Population (millions) 2008 Est.	GDP per capital (PPP \$) 2005 Est.	HDI 2007/ 2008	HPI-1 2007/ 2008	Income Poverty (<\$1/day) 2006 Est.	National Poverty Line (%) 2006 Est.	Life expectancy (%) 2007/2008	Adult Literacy Rate (%) 1995-2005
Timor-Leste	1.1	800	0.514 (rank 150/177)	41.8 (rank 95/108)	20	40	59.8	50.1
Indonesia	237	3,843	0.728 (rank 107/177)	18.2 (rank 47/108)	8	17.8	69.7	90.4

Human Security in Timor-Leste

Violent conflict in Timor-Leste has imposed an obvious impact on human security, with problems ranging from untimely death and displacement to disruption of food systems and loss of land and means of livelihood. The unrest in 2006 created an exodus of internally displaced people (IDPs) seeking refuge in makeshift camps in and around the capital, Dili. According to the United Nations Office for the Coordination of Humanitarian Affairs (OCHA), 37 people were killed, around 3,000 houses were destroyed and over 2,000 severely damaged, and more than 150,000 people, mainly easterners, fled their homes.⁶⁹ After the 2006 violence, there was still a surge of small-scale conflicts in 2007, which made many of the IDPs afraid to return to their homes. The formation of the Timorese government under a new party in 2007 triggered the second round of civil unrest. Conflicts mainly occurred in eastern districts traditionally loyal to the former ruling party Fretilin, which resulted in the displacement of more than 4,000 people.⁷⁰ The Internal Displacement Monitoring Centre (IDMC) estimates that 100,000 people are still displaced and unwilling to leave the camps even though the UN has dispatched peacekeeping forces to maintain security.⁷¹

The influx of IDPs has placed a huge burden on Timor-Leste's already limited services and resources. Many of the IDPs do not have access to basic health care, clean water and sanitation, and with no employment opportunities, they cannot afford basic commodities. Although food rations have been given to the displaced, the IDPs are still vulnerable to food insecurity because of the poor harvest, the closure of markets, and the increase in transaction costs with real prices of food going up by 12 percent since 2006.⁷² Timor-Leste's government and the UN have started a program to relocate the IDPs by cutting down food rations to prevent aid dependency, and allocating funds for people to rebuild their homes. However, confusion over land ownership (most displaced people lack official or legal entitlement) has made it difficult for the IDPs to return home. The IDPs also have genuine human security concerns because the government has not made security provisions that would guarantee that people will be protected from future conflicts. The political environment in Timor-Leste is still fragile and susceptible to another outbreak of violence.

Conflict's Impact on achieving the MDGs

According to the *Human Development Report 2005*, countries that have experienced violent conflict are usually among the ones that are off track in achieving the MDGs for the projected goal of 2015.⁷³ Since Timor-Leste is a young nation that only started its development towards the MDGs in 2001, whereas the international base year for

⁶⁸ See Joint Report of the Government of the Democratic Republic of Timor-Leste, ADB, JICA, UNDP, UNICEF, UNMISSET and the World Bank, 'Timor-Leste Poverty Assessment- Poverty in a New Nation: Analysis for Action', (May 2003). Report No. 25662-TP.

⁶⁹ OCHA News Centre, 17 July 2007.

⁷⁰ IDMC, (2007). "Timor-Leste: Unfulfilled protection and assistance needs hamper the return of the displaced" Norwegian Refugee Council.

⁷¹ The total number of Internally Displaced People remaining is approximately 30,000 in camps in Dili and neighboring villages and 70,000 in 12 other districts.

⁷² World Food Program (WFP), "Dili Emergency Food Security Assessment" Timor Leste, September 2007.

⁷³ UNDP (2005), p.12.

other countries is 1990, the country has insufficient information available for some of the goals. Therefore, this paper will only assess the first three goals, which are: 1) Eradicate extreme poverty and hunger, 2) Achieve universal primary education, and 3) Promote gender equality and empower women.

The first MDG target in eradicating extreme poverty is integrated into the PRSP. The PRSP has two overriding goals: “a) To reduce poverty in all sectors and regions of the nations, and b) to promote economic growth that is equitable and sustainable, improving the health, education, and well-being of everyone in East Timor.”⁷⁴ The PRSP aims to reduce the rate of extreme poverty (assessed by the international standard of people living below \$1/a day) to 14% from a level of 20% effective in 2001. Even this modest target will present a challenge for Timor-Leste because the conflicts have negatively impacted any slight improvement in human poverty. The vulnerable and the poorest people consist of those who have been disadvantaged by the conflict because they have become widows or orphans or they are now internally displaced due to the fighting. In the 2005 HDR for Timor-Leste, UNDP estimates that achievement of the poverty targets for Timor-Leste will cost \$18 million per year.⁷⁵ As mentioned before, poverty and conflict reinforce one another to create a trap. Unless the government can absorb people into the labor market, provide ways for the citizens to acquire skills, and find peaceful solutions to address the conflict, then the cost of lifting everyone out of poverty may be more than the current projected costs.

In terms of food security, the onset of conflict and the global food crisis has resulted in an increased number of people experiencing chronic hunger. According to Timor-Leste’s *Human Development Report 2006*, 64% of the population is suffering from food insecurity.⁷⁶ Additionally, the World Food Program states that 25,000 people in Dili alone are at risk for chronic hunger due to low income and poor food consumption.⁷⁷ It is also estimated that about 45.8% of the children below five are underweight.⁷⁸ Food availability is aligned with the harvest cycle at the national and regional levels, and when conflicts occur farmers are told by the military to stay away from the fields, which results in less food production. Food shortages can also occur when transportation to marketplaces is halted by rebel groups. According to the World Food Program, the IDPs were highly dependent on donor food assistance and the percentage of households with a poor diet increased from 15 to 48 percent during the 2006 conflict.⁷⁹ The conflict has caused a food security crisis, which will make it less likely that Timor-Leste can achieve a reduction in hunger by 2015.

The second MDG target is to have every child in Timor-Leste finish primary schooling. According to MDG Monitor, the website that reviews countries’ progress, Timor-Leste is on track in achieving primary education.⁸⁰ One of the main reasons for the progress is the government’s pledge to commit at least 30% of the national budget to health, education, water and sanitation. The primary school net enrolment rate has risen from 51% in 2000-2001 to 80% in 2004-2005.⁸¹ However, the conflict has disrupted formal education because many schools had to close down. UNICEF states that during the 2006 conflict an estimated 30,000 primary school children in Dili were unable to go to school, and thousands of other schools had to suspend class throughout the country.⁸² Fear of the return of civil unrest has caused a standstill in Timor-Leste’s education system, which can affect the country’s ability to achieve the second MDG.

Similar to the second MDG target, the MDG Monitor states that gender equality and empowering women in Timor-Leste will be achieved on target. Timor-Leste’s PRSP acknowledges gender disparities and dedicates attention to the inequality experienced between men and women in terms of income, assets and education. Women in Timor-Leste have fewer opportunities to earn income due to the unavailability of jobs, high illiteracy rate among women, and the lower wages for women. The PRSP reports the tendency for women and girls to be discriminated against in and outside the household, especially in making decisions. Although the MDG Monitor states that the gender gap is closing due to increasing levels of girls attending school, Timor-Leste’s Gender-related Development Index (GDI) for 2004 shows that there is still considerable discrimination against women. Timor-Leste has a GDI of 0.422, which places it between 124-126th out of 177 countries.⁸³ The GDI rank is the lowest out of other ASEAN members (Indonesia’s GDI rank is 87). A serious concern stemming from the 2006 conflict is gender-based violence, especially the increase in the incidence of domestic violence. Research has shown that there is a propensity for domestic violence to increase in violent conflict settings. During the Indonesian occupation, gender-based violence in terms of rape and other forms of

⁷⁴ Planning Commission (2002), p.1.

⁷⁵ UNDP (2006), p. 13.

⁷⁶ UNDP (2006), p. 20.

⁷⁷ World Food Program (WFP) (2007), p. 4.

⁷⁸ Ibid.

⁷⁹ World Food Program (WFP) (2006), p. 18.

⁸⁰ See MDG Profile: Timor-Leste at www.mdgmonitor.org.

⁸¹ World Bank (2007), “World Bank Approves US\$6m Grant To Support Education In Timor-Leste.” Press Release No: 2007/460/EAP. June 19.

⁸² UNICEF (2006), “Back-to-school campaign in Timor-Leste ready for roll out.” September.

⁸³ UNDP (2006), p. 16.

mistreatment and sexual abuse was used as an instrument of oppression towards women. The recurrence of this type of violence targeting women within households throughout the country has a significant impact on achieving gender equality as part of the MDGs. Women may feel disempowered by domestic and outside violence, and since the justice system in the country is weak and traditional mechanisms are patriarchal, Timorese women are afraid to report abuses.

Conclusions and Policy Recommendations

The situation in Timor-Leste demonstrates that conflict is heavily interlinked with the poverty in the country and the current adverse state of human development. The fact that civil violence occurs more frequently in poor countries has to do with governments' failures to address the causes of conflict before its onset. This paper has identified the following key causes for the current conflict in Timor-Leste:

- Extreme poverty, high unemployment and high illiteracy rate.
- A disillusioned and largely disempowered population, mostly consisting of youth.
- Horizontal inequalities originating from suspicions over loyalty during the Indonesian occupation, divided between the geographic regions of East and West.
- Historic grievances against the Indonesian occupation, with the Timorese feeling past crimes against humanity have not been brought to justice.
- Factionalized elites who are lacking legitimacy and competing for political power in the government are undermining the formation of functioning institutions.
- Security forces are ineffective and both the police and military have participated in instigating the conflict, which creates a culture of impunity and vengeance.
- The widespread absence of an effective judicial system to report grievances and abuses, and the lack of mechanisms to empower people.

By identifying the causal factors for the outbreak of conflict, donor nations and international organizations can focus on long-term efforts geared towards achieving essential changes in the quality and character of Timorese governance and society. In the past, donor nations tended to focus on short-term effects, such as restoring order and stabilizing the situation by sending peacekeeping forces. It is time to acknowledge that conflict prevention and development policies should go hand in hand to provide human security. Since Timor-Leste is highly dependent on external aid, development aid programs can be used to mitigate or prevent conflict in the country.

Many reports on Timor-Leste's development strategy have focused on economic growth as a necessary condition for poverty reduction. Although economic growth is an important factor in relieving income poverty, and jobs need to be created in order to avoid a rise in unemployment, Timor-Leste's 2006 HDR states that "it is important that economic growth is not offset by a rise in inequality," which will only fuel more destructive inequality rather than constructive.⁸⁴ In direct connection to the MDGs, there should be prudence in pushing the MDG agenda on post-conflict countries like Timor-Leste because it can actually exacerbate conflict. Many of the funds coming into Timor-Leste are from external financial assistance. Although these funds have been essential in alleviating poverty, they have also exacerbated local tensions by raising expectations, contributing to social jealousy, increasing group inequality (in particular the difference between urban and rural areas), and there are reports of a lack of transparency in aid allocation. Timor-Leste's development program has been called "Dili-Centric" because of the urban bias in implementing development projects. The concentration of development in urban capitals like Dili created conditions for mass migration and marginalization among the West and East divide, which fuelled the conflict in 2006.

The government needs to tackle horizontal inequalities between the East and the West by first concentrating development projects in areas that are lacking. One of the clear differences between the East and the West is that the government has created an unequal distribution of services in different districts, which results in unequal development, with some areas, such as the West, remaining poorer than others. To respond to these inequalities, the government, along with donor nations, should tackle rural poverty by providing more social and economic services rather than relying on the private sector for generating growth. The private sectors in fisheries, tourism and other industries are still limited, which means that the government needs to propose more economic services including the provision of credit, land reforms and improvements in agricultural technology to increase food crop productivity and agricultural output in rural areas.

⁸⁴ UNDP (2006), p.4.

On the more complex issue of people's disempowerment and politicized governance, donor nations can allocate funds for community driven development and good governance. As a Core LICUS, Timor-Leste is part of the World Bank's LICUS initiative.⁸⁵ The LICUS program in Timor-Leste focuses on capacity building and leadership workshops. In particular, capacity building will ensure that local staff or community-based groups have the qualifications to run public sectors, and have skills in conflict management and anti-corruption strategies. In terms of leadership, the LICUS program is targeting the youth so that they have leadership skills and confidence in their future. The program empowers the youth to engage with the government on political processes so that their voices are heard. In advocating for good governance, aid allocations should focus on the transparency and accountability of the government because many Timorese feel that they are politically disempowered and have no influence on decision-making. There is also an overall weakness in civil society and the media, which are important elements of a working democracy and a well-informed public. Funds should be allocated to increasing channels for communication and accurate information about government policies and development initiatives. Lastly, it is also important that external aid does not create a culture of dependence in Timor-Leste because once the international assistance declines, the Timorese government may have trouble meeting the expectations of citizens, who are expecting an era of socio-economic progress and not continuing violence and insecurity.

⁸⁵ See Table 3 in appendix. Depending on the income level and Country Policy and Institutional Assessment (CPIA) rating, a LICUS country is placed in one of three subgroups: severe, core or marginal. LICUS classified as "severe" have an overall and governance CPIA of 2.5 or less; LICUS classified as "core" have an overall and governance CPIA of 2.6–3.0; and LICUS classified as "marginal" have an overall and governance CPIA of 3.2. There is currently no listing for marginal countries because they are on the edge of what is considered LICUS. Hence, only core and severe LICUS are mentioned. Information is from World Bank-Independent Evaluation Group (IEG). Available at: <http://www.worldbank.org/ieg/licus/index.html>.

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Appendix

Table 1: Selected indicators of human poverty for Timor-Leste

Source: HDR 2007/2008

http://hdrstats.undp.org/countries/country_fact_sheets/cty_fs_TMP.html

Selected indicators of human poverty for Timor-Leste				
Human Poverty Index (HPI-1) 2004	Probability of not surviving past age 40 (%) 2004	Adult illiteracy rate (% ages 15 and older) 2004	People without access to an improved water source (%) 2004	Children underweight for age (% ages 0-5) 2004
1. Chad (56.9)	1. Zimbabwe (57.4)	1. Burkina Faso (76.4)	1. Ethiopia (78)	1. Nepal (48)
12. Senegal (42.9)	39. Ghana (23.8)	15. Côte d'Ivoire (51.3)	19. Romania (43)	3. India (47)
13. Zambia (41.8)	40. Haiti (21.4)	16. Pakistan (50.1)	20. Sierra Leone (43)	4. Yemen (46)
14. Timor-Leste (41.8)	41. Timor-Leste (21.2)	17. Timor-Leste (49.9)	21. Timor-Leste (42)	5. Timor-Leste (46)
15. Gambia (40.9)	42. Myanmar (21.0)	18. Mauritania (48.8)	22. Zambia (42)	6. Burundi (45)
16. Bangladesh (40.5)	43. Gambia (20.9)	19. Morocco (47.7)	23. Congo (42)	7. Cambodia (45)
108. Barbados (3.0)	173. Iceland (1.4)	164. Estonia (0.2)	125. Hungary (1)	134. Chile (1)

Table 2: Timor-Leste HDI 2005

Source: HDR 2007/2008

http://hdrstats.undp.org/countries/country_fact_sheets/cty_fs_TMP.html

Timor-Leste's Human Development Index 2005 (from 2007/2008 report)			
HDI value	Life expectancy at birth (years)	Adult literacy rate (% ages 15 and older)	Combined primary, secondary and tertiary gross enrolment ratio (%)
1. Iceland (0.968)	1. Japan (82.3)	1. Georgia (100.0)	1. Australia (113.0)
148. Kenya (0.521)	133. Yemen (61.5)	121. Morocco (52.3)	91. Iran, (Islamic Rep. of) (72.8)
149. Djibouti (0.516)	134. Myanmar (60.8)	109. Mauritania (51.2)	92. Gabon (72.2)
150. Timor-Leste (0.514)	135. Timor-Leste (59.7)	123. Timor-Leste (50.1)	93. Timor-Leste (72.0)
151. Zimbabwe (0.513)	136. Haiti (59.5)	124. Pakistan (49.9)	94. Thailand (71.2)
152. Togo (0.512)	137. Ghana (59.1)	125. Côte d'Ivoire (48.7)	95. Honduras (71.2)
177. Sierra Leone (0.336)	177. Zambia (40.5)	139. Burkina Faso (23.6)	172. Niger (22.7)

Table 3: LICUS/ Fragile States

Source: World Bank. 2005.

http://www.worldbank.org/ieg/licus/licus06_map.html

Core LICUS	Severe LICUS
Angola	Afghanistan
Burundi	Central African Republic
Cambodia	Comoros
Congo	Liberia
Cote d'Ivoire	Myanmar
Democratic Republic of the Congo	Somalia
Eritrea	Zimbabwe
Guinea	
Guinea-Bissau	
Haiti	
Kosovo (territory)	
Lao PDR	
Nigeria	
Solomon Islands	
Sudan	
Timor-Leste	
Togo	
Vanuatu	
West Bank and Gaza	

**Table 4: Human Development Report 2007/2008
Timor-Leste HDI Rank- 150**

Indicator	Value
Human Development Index	
Human development index value, 2005	0.514
Life expectancy at birth, annual estimates (years), 2005	59.7
Adult literacy rate (% aged 15 and older), 1995-2005	50.1
Combined gross enrolment ratio for primary, secondary and tertiary education (%), 2005	72.0
GDP per capita (PPP US\$), 2005	800
Life expectancy index	0.578
Education index	0.574
GDP index	0.390
GDP per capita (PPP US\$) rank minus HDI rank	16
Basic indicators for other UN member states	
Life expectancy at birth, annual estimates (years), 2000-05	59.7
Adult literacy rate (% aged 15 and older), 1995-2005	50.1

Indicator	Value
Combined gross enrolment ratio for primary, secondary and tertiary education (%), 2005	72.0
GDP per capita (PPP US\$), 2005	800
Population, total (thousands), 2004	1,067
Fertility rate, total (births per woman), 2000-05	7.0
Under-five mortality rate (per 1,000 live births), 2005	61
Net primary enrolment rate (%), 2004	98
HIV prevalence (% aged 15-49), 2005	[<0.2]
Population undernourished (% of total population), 2002/04	9
Population using an improved water source (%), 2004	58
Human development index trends	
Human development index, 1990 data	...
Human development index, 1995 data	...
Human development index, 2000 data	...
Human development index, 2002 data	0.436
Human development index, 2003 data	0.513
Human development index, 2004 data	0.512
Human development index, 2005 data	0.514
Human and income poverty: developing countries	
Human poverty index (HPI-1) rank	95
Human Poverty Index (HPI-1) value (%)	41.8
Probability at birth of not surviving to age 40 (% of cohort), 2000-05	21.2
Adult illiteracy rate (% aged 15 and older), 1995-2005	49.9
Population not using an improved water source (%), 2004	42
Children underweight for age (% under age 5), 1996-2005	46
Population living below \$1 a day (%), 1990-2005	...
Population living below \$2 a day (%), 1990-2005	...
Population living below the national poverty line (%), 1990-2004	...
HPI-1 rank minus income poverty rank	...