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THE CRUCIAL CONTRIBUTION OF PARLIAMENTS TO POST-CONFLICT
ECONOMIC RECOVERY (INCLUDING PRSP AND MDGs)

Timor-Leste as Case-Study

Remarks by

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THE CRUCIAL CONTRIBUTION OF PARLIAMENTS TO POST-CONFLICT ECONOMIC RECOVERY (INCLUDING PRSP AND MDGs)

This paper looks at the critical role Parliaments play in post-conflict economic reconstruction (including Poverty Reduction Strategy Processes –PRSP- and Millennium Development Goals –MDGs-). Poverty and conflict are inter-related; and Parliaments are well positioned to minimize their escalation. Through the performance of its core functions of representation, legislation, political and budgetary oversight; Parliaments can assure that all relevant societal groups are included in and benefit from the nation-building and development exercise, and that government policies and budgets are implemented in an effective, efficient, transparent and accountable manner.

The paper is divided into three sections: a) the first background section highlights the legitimacy of Parliaments to participate in economic recovery, PRSP and MDGs, b) the second section presents the challenges and achievements of the National Parliament of Timor-Leste in conducting the budgetary oversight function to monitor the post-conflict economic recovery process and, c) the final section summarizes lessons learned from parliamentary development interventions in Timor-Leste.

1. Background

An increasing number of Parliaments¹ are functioning in conflict-affected countries. Moreover, over 1990-2003 low-income countries accounted for more than half of the countries and territories that experienced violent conflict². According to the Human Development Report 2005, of the 32 countries with low human development indicators, 22 have experienced conflict at some point since 1990 and 5 of these experienced human development reversal over a decade³.

These countries may face a number of constraints: low economic growth due to low investment, disruptions to infrastructure and declining production, macro-economic instability, poor governance, low political legitimacy and corruption, and limited civil society organization. In such a context, fighting poverty, rebuilding the nation and introducing democratic reform, requires that governments work cooperatively with legislatures, civil society, and international financial and technical cooperation institutions⁴.

Post-conflict and impoverished countries are often targets of significant debt relief, loans and grants from international financial institutions and technical cooperation from other development partners. Parliaments

¹ For the purposes of this paper, the term *Parliament, legislature, assembly* will be used interchangeably.

² UNDP, *Human development Report 2005*, pp 154

³ *Idem*, pp 154

⁴ MUSONI Protais, *Innovations in Governance and Public Administration for Poverty Reduction in Post-Conflict Countries in a Globalised World (Rwanda)*, January, 2003, pp3

play a crucial role in assuring that such resources in addition to state revenues and expenditures are properly considered and fiscally sound; that government programmes address the people's relevant needs and; are executed in a timely and proper manner. The effective performance of this function would allow Parliaments to ensure government transparency and accountability; to effectively manage the economic reconstruction process; to achieve poverty alleviation, MDGs and to promote good governance.

Promotion of a fair and equal distribution of resources is particularly important in conflict and post-conflict societies to maintain the engagement of the different parties in the political process. Socio-economic recovery needs the involvement of all the potential political leaders in order to achieve consensus on development priorities, pro-poor development policies, inclusive gender-sensitive poverty-reduction outcomes, investment in social capital, and enabling legislation among others⁵.

Through an effective exercise of their core functions, legislatures can close the gap between commitment and delivery. Adequate checks and balances, transparency and political legitimacy are required to better enforce financial regulations and policies and ensure wide participation, ownership and sustainability of the economic recovery process. Parliaments can create a responsible and accountable environment that facilitates the achievement of development goals.

However, traditionally, development partners supporting post-conflict reconstruction have focused on *executive* branches and its agencies. More recently, non-state actors like civil society organizations and community-based organizations have been involved in the reconstruction process. Nevertheless, *Parliaments* have only *exceptionally* been the center of development cooperation strategies⁶. Poverty Reduction Strategies, Development Frameworks and MDGs, meaningfully influence reconstruction and development processes with subsidiary and exceptional participation of Parliaments. This deficiency has now been recognized, but rectification measures are advancing at a slow pace. There is a danger that an excessive attention to government and civil society, at the expense of Parliaments, could undermine the legitimacy of Parliaments as people's representatives.

In countries highly dependent on aid, Parliaments should approve grants and loans to ensure they are consistent with development priorities, the MDGs and PRSP (stabilization and restructuring should not be left to a small group of senior politicians). In addition, Parliaments should be enabled to monitor development cooperation funds used outside regular national budgets, as well as to make governments

⁵ Whether is a majority or minority sector of society that control's the nation resources, Parliament should promote growth with equity to minimize conflict potential. See O'Brien Mitchell, *Parliaments as peacebuilders: the role of Parliaments in conflict-affected countries*, World Bank Institute, Washington, 2005, pp 25

⁶ For case-studies see GTZ, *Parliaments in Sub-Saharan Africa: actors in poverty reduction?*, December 2003.

accountable for commitments and positions assumed with international financial and cooperation institutions and/or at international forums.

In the first phase, the Poverty Reduction Strategy Process ⁷(PRSP) focused primarily on wide participation of civil society; in addition to the government considered the natural counterpart. Even though parliamentary participation has been recently increasing, it has not been consistent. In many cases, Parliaments have had to assert their involvement⁸. A study of 28 countries in Sub-Saharan Africa, revealed different levels of Parliaments participation: (least) substantive participation; formal participation; involvement of individual Parliamentarians; non-participation. Even though engagement is increasing, institutionalization still fails.⁹

Countries that have experienced violent conflict are heavily over represented among the group of countries that are off track for the MDGs for the projection 2015¹⁰. Parliaments should make sure that their governments mobilize the resources required to implement national strategies, which place the MDGs at the centre of their policies and that; resources freed from debt cancellation are used to pursue the MDGs. A research conducted by the National Assembly of Vietnam/UNDP¹¹ on the participation of legislatures in MDGs concluded that parliamentary interventions in support for national MDGs efforts could generate three potential outcomes: demonstration of national commitment; raising national awareness and; enabling or directly pursuing progress towards specific goals.

In conflict affected countries, significant political and economic instability is a challenge for nascent institutions and particularly basic legislative activity. Nevertheless, recognition of the contribution of Parliaments in post-conflict economic reconstruction is to be accompanied with viable institutional systems, know-how, procedures and resources (technical capacity and authority).

⁷ In 1998, the World Bank launched a Comprehensive Development Framework stressing the importance of countries “owning” their development agendas. One year after, the WB and the IMF developed a tool for implementing the framework: PRSP for low-income countries receiving debt relief or loans from either institution. See. Staphenurst (Frederick C), Pelizzo (Ricardo), *A bigger role for legislatures*, Finance and Development Magazine, IMF, Dec 2002, Volume 39, Number 4.

⁸ Legislatures in Albania, Ethiopia, Guyana, Honduras, Nicaragua, Niger and Zambia have been involved in preparation of PRSP.

⁹ The same study also showed that despite an increasingly active role of legislatures in poverty reduction, in ideal terms their legitimacy remained weak: political systems tend to strengthen the executive, generally weak democratic culture, very limited capacity in terms of members and institutional resources. . See GTZ, pp 9, 28. Yet, Parliaments can engage at different stages of the process: diagnosis/formulation; adoption; implementation; monitoring and evaluation and; publicity. The budget process has traditionally been an entry point for Parliaments.

¹⁰ UNDP, *Human Development Report 2005*, pp 12, pp 12

¹¹ See case-studies at UNDP/Office of the National Assembly of Vietnam, *Engaging Parliaments in the Millennium Development Goals: a key part of National MDG Strategies*, Ha Noi – Viet Nam, 2006.

International cooperation should focus attention on the following factors¹²: *national legal and political conditions* (assessment of the constitutionally established political system); *institutional capacity* (to reduce the gap between the functional operation of legislatures and their constitutional mandate); *interaction with other actors* (including dynamic, consistent and transparent relations with the executive¹³, civil society, academy, private sector and development cooperation¹⁴) and; *international donor policy environment* (political conditions and timeframes set by donors allow active involvement of Parliaments in post-conflict reconstruction, PRSP and MDGs processes¹⁵).

Gender equality, poverty and Parliaments. Parliaments may promote consideration of the gender dimension in the development and implementation of economic reconstruction, PRSP and MDGs. Governance is connected to poverty outcomes, to which gender equality contributes, and can influence the rate of economic growth through policies in such areas as public health, education and, rule of law.

II. Timor-Leste as Case-Study

This is an overview of the national budget oversight role of the National Parliament of Timor-Leste and its contribution to the economic reconstruction and nation-building process.

Country background

Timor-Leste restored its independence on May 20, 2002. Since then, a national reconstruction, reconciliation, poverty alleviation and economic growth process initiated. The state is only 3 years old. A hybrid political system was created, in which an elected president, a premier and executive cabinet, a unicameral Parliament and a judiciary co-exist under a system of separation and inter-dependence of powers. The executive branch is strong.

Most institutions are in place. However, improvement in systems and processes, skills and knowledge and, attitudes and behaviors need to be continuously addressed. The lack of adequately skilled indigenous human resources is acute in every sector. Even though the presence of international advisers across state agencies is phasing-down, a considerable presence is still required. Only 10% of the population speaks one of the official languages, Portuguese. Tetum, the other official language, is not sophisticated enough to be used by the administration yet.

¹² See GTZ, pp 43

¹³ For executive-legislative relations on poverty reduction and MDG issues see UNDP/NDI, *Legislative-Executive Communications on Poverty Reduction Strategies*, Toolkit No. 1, 2002.

¹⁴ A challenge to interaction with this sector is posed by the fact that international financial institutions interact primarily with the executive branch. "MPs in several countries report that this history has caused some difficulty when their committees or colleagues request information on the PRSP". UNDP/NDI, pp 4

¹⁵ Often, agreed timeliness by financial institutions and executive branches do not allow for Parliaments' contribution to decision-making on poverty alleviation and other economic growth matters.

Oversight of the **national budget** is particularly relevant in Timor-Leste:

Timor-Leste's development process is guided by a National Development Plan (NDP) (Vision 2020) which outlines the Poverty Reduction Strategy¹⁶ and internalises the Millennium Development Goals. The Plan encompasses two overarching goals: poverty reduction and the promotion of equitable and sustainable economic growth. Gender equality is recognized as an instrument for poverty reduction.

Timor-Lest is one of the poorest countries in Asia. The population, around 923.000, is growing at a rate of 3.9% year¹⁷. One in five persons lives on less than the international poverty line of US\$1 a day. 86% of poor people live in rural areas and poverty is highest in farmers (49%). Adult literacy rate was 50.1% in 2004¹⁸. Unemployment has increased to 8.5% nationwide and 23% in the capital in 2004, up from 6.2% and 21% in 2001 respectively. Inequality is growing between the capital and the districts as development is centered in the capital. Given the rapidly increasing poverty, the government launched, on April 3, 2006, a new poverty reduction strategy¹⁹.

Conversely, increasing *oil revenues* have prompted a dramatic growth of the *national budget* from USD 79m in Fiscal Year (FY) 2004-05 to USD 130m in FY 2005-06 and is set to grow to USD 210m in FY 2006-07²⁰. 90% of public revenues come from oil. A Petroleum Fund has been created²¹. It is a saving instrument integrated with the national budget to compensate for swings in revenue, allowing for stable planning. Any withdrawals from the fund must be approved by Parliament and, cannot exceed a ceiling set by Parliament when passing the national budget²². But the government capacity to execute the national budget remains a significant bottleneck²³. Addressing budget execution weaknesses in the short-term is particularly relevant for achieving poverty reduction and development goals.

¹⁶ The NDP serves as the Poverty Reduction Strategy Paper, which provides for the basis for assistance from the World Bank and the International Monetary Fund.

¹⁷ This is one of the highest population growth rates in the world. World Bank, *Background paper for the Timor-Leste and Development Partners Meeting*, 3-4 April 2006, pp 2

¹⁸ 56.3% for males and 43.9% for females. Life expectancy in 2004 for males was 54.0 years and 56.6 years for females. See UNDP, *Human Development Report: Timor-Leste 2006*, Dili, January 2006, pp1

¹⁹ The goal is to achieve 7% of economic growth by 2010 through a large increase in public investment expenditure (capital and development) via partnerships with foreign companies; extend investment to interior districts; initiate power decentralization; increase attention to veterans, widows and orphans; continue strengthening education and health sectors. Taken from Remarks by the Prime Minister, Mari Alkatiri, at the opening session of the Timor-Leste Development Partners Meeting, April 2006.

²⁰ Around USD 80m of that amount will be allocated for capital development. If fully executed, it could easily create over 10,000 short-term private sector construction jobs.

²¹ The Fund was operational in August 2005 and, it has accumulated already US\$370.2million as of 31 December 2005.

²² The Petroleum Fund Law creates a Petroleum Consultative Council to advise Parliament on the oversight of the management of the fund. The Council has not been established yet though.

²³ Even though in terms of total budget execution (cash and commitments) government is on track –62% out of a target of 67%-; on a cash basis, budget execution FY 2006 was only 33% by end-February 2006. If we count carry-overs (not reflected in budget execution reports), cash spending slightly increases. The low rate in budget execution is due to backlogs in procurement processing deriving from a centralized procurement process and limited human resources capacities. This situation is worrying, considering the significant increase of the national budget FY 2006-07.

Meeting the poverty alleviation and reconstruction challenges²⁴ will require a wise management of public finances; the promotion of good governance and satisfying population expectations (avoiding reversion to conflict). Parliament's legitimacy to oversee government's performance derives from the constitution, which provides for the executive accountability to the legislature. Not strengthening the appropriate checks and balances would generate an accountability deficit in the state apparatus that may facilitate a lack of transparency, mismanagement and nepotism. Limited resources, notably the prospective oil revenues, need to be effectively allocated and transparently managed. This is where Parliament has a crucial role to play. This function is equally important as the rule of law and the judiciary are still fragile. The public administration routines and ethics are yet to be fully internalized and adequate technical skills developed. Moreover, other oversight institutions are weak²⁵.

National Parliament Budget Oversight Capacity

The Parliament emanated from the Constituent Assembly and is composed of 88 Members of Parliament (MPs) supported by a Secretariat with nearly 40 staff²⁶. Twelve parties are represented in the legislature. The governing party, Fretilin, holds an absolute majority of seats. The Parliament has seven standing committees whose responsibilities cover groupings of government departments. The Members of Parliament and staff are completely new to their roles. Adequate human resources and access to information are highly constrained. MPs and committees receive basic administrative support from the Secretariat. Expert professionals are lacking. Infrastructure is deficient. Systems and processes regulating workloads are embryonic.

The budget process in Timor-Leste involves three stages: a) budget formulation; b) debate and approval; c) execution, monitoring and auditing. The Parliament plays a key role in the second and third phases. The Finance Committee leads the in-house budget process, and the other Standing Committees act as "sector committees", mirroring governmental departments. The Parliament faces gigantic challenges to effectively conduct its functions in relation to the national budget (approval and execution oversight):

Institutional capacities: Most MPs lack understanding of budgetary and policy formulation matters; parliamentary committees do not have professional finance and budget supporting staff; parliamentary committee reports have tended to be fragmented and inconsistent; parliamentary committees' recommendations have not always been adequately consolidated; weak committee reports contributed, in

²⁴ As per conservative projections, the country's sustainable income is estimated at USD250 to 300 million per year. However, the government has estimated that combined sources expenditures will have to grow to USD 400m in FY 2015 to achieve the NDP goals and MDGs, reduce poverty, rebuild infrastructure and promote economic growth. World Bank, *Background paper for the Timor-Leste and Development Partners Meeting*, 3-4 April 2006, pp 22

²⁵The Office of the Inspector General (tasked to detect fraud and corruption in the civil service, it is attached to the Office of the Prime Minister) still lacks an organic law, the Office of the *Provedor* for Human Rights and Justice (Ombudsman) has just been established (began operations on 20 March 2006) and, the High Administrative, Tax and Audit Court provided for in the constitution has not yet been set up.

²⁶ Most of the staff was recruited at the time of the Constituent Assembly under job descriptions inadequate for their current functions.

the early years, to poor and uncoordinated plenary debates and, timeframes to deliberate on the national budget remain short²⁷. However, meaningful improvement has been achieved in the past two years – 2004,2005- (see next section).

Relations with Government: No submission to Parliament of PRSP and MDGs progress reports; submissions of national budget proposals and execution reports are often delayed; financial and budgetary information lacks adequate detail, accuracy, and presentation in easy-to-read formats. Quarterly and annual budget execution reports consist mostly of reports of expenditures without reports on assessment of actual vis a vis targets on activities or programme components, as well as achievements on performance indicators. This limits the ability of Parliament to assess the *quality* of programmes being executed. Relation between the Parliament and the government are centralized²⁸.

International donors' policy: Donors' assistance has concentrated on the executive branch –overlooking to some extent the development of the parliament, judiciary and civil society²⁹. The National Development Plan was widely consulted with civil society but never submitted to Parliament for consideration/approval. There is no formal participation of the Parliament in the poverty reduction process and very limited participation of individual MPs.

Boosting the budgetary oversight capacity

Capacity-development strategies implemented by UNDP since 2003 have consisted of technical expertise through visiting and resident advisers, workshops, publications and a study trip. As from June 2005, four Timor-Leste economists and one resident international adviser provide continued support to the standing committees with regard to budgetary oversight. These interventions have assisted the legislature to:

- Enhance MPs awareness of budgetary matters and increase substantial participation of the majority party in budget scrutiny; increase cooperation with the executive³⁰; improve the quality of technical reports and debates; improve timeframes for budget scrutiny; improve the format of the

²⁷ The Ministry of Finance prepares a Combined Sources Budget that includes: a) CFET: Consolidated Fund for East Timor –this is the only budget directly managed by the government and approved/monitored by Parliament and encompasses revenues from government taxes and service charges, Timor Sea (oil) revenue and direct budget support from donor countries, b) TFET: Trust Fund for east Timor, which consolidates grants for economic reconstruction and development activities supervised by the World Bank and Asian development Bank, c) bilateral and multilateral funds provided directly by donors within the framework of an agreement with each donor managing its respective project and funding and, d) United Nations contributions that finance UN-staff working directly in government.

²⁸ For committees to call government members, a request should be submitted by the President of the specialized committee to the Speaker, who addresses the Prime Minister, who finally decides to allow or not a government member to attend the request.

²⁹ The pressures for growth and poverty reduction, and the need to stabilize the public administration account for this situation.

³⁰ As a result of the budget debate 2004, two major developments for the budget process 2005-06 should be acknowledged: a) the MoF has invited MPs to attend the Budget Review Committee meetings with government departments to discuss respective proposals, and b) even though the budget proposal continues to be submitted beyond the 90 days indicated by the legislature's rules of procedure, the MoF has agreed to initiate earlier the budget preparation process. Also, in 2004, the opposition walked out of the plenary room in protest of the Prime Minister's decision to not allow government members to appear before committees during the budget process. In 2005, the MoF appeared before committees to answer their questions on the budget documents. Ministers are more often attending committee requests for clarifications on issues related to the execution of their respective budgets.

budget document³¹; better reflect NDP priorities in the budget document³² and; conduct targeted field visits³³.

III. Conclusion

Overall, interventions are steadily helping the legislature to ensure that government programmes and budgetary allocations address NDP, MDGs and poverty alleviation priorities. Parliament is gaining some political space as compared to the first years of operations. Also, Parliament actions are encouraging government accountability and transparency. Nevertheless, this enhanced capacity needs further development so that the legislature better represent and translate into policy the needs and preferences of the impoverished people. Finally, the main **lessons learnt** as a result of the parliamentary development interventions are:

- UNDP support to Parliaments needs to look beyond the initial arranging of elections and follow up with sustained support to capacity-development in the early years.
- Post-conflict Parliaments can contribute to peace-consolidation and poverty -alleviation efforts, if assisted to *provide the people with a voice*.
- Capacity-development could initially concentrate on budget oversight, rather than lawmaking.
- Institutional independence can be boosted through the budget oversight function.
- Finance committees of Parliaments are an effective entry point for assistance. Support should be extended to other standing “sector” committees.
- A Parliamentary multi-party committee can serve as a forum for donor co-ordination. It can also encourage Parliamentary ownership of projects.
- Capacity-development interventions need to be balanced with the provision of physical support in the early years.
- Realistic timeframes are necessary as well as flexibility in project design, implementation and monitoring.
- Peer training and resident advisers are better than short-term consultants.
- On-the-job training should be combined with formal education programmes.

³¹ The budget document uses now a “single line” format. This format facilitates MPs increased understanding of the budget document.

³² Following Parliament’s recommendations, 4% of the CFET will be allocated to agriculture projects. Agriculture figures as one of the NDP priorities for poverty reduction (the Timorese rural poor rely on subsistence agriculture). This is quite relevant, as food insecurity increases the vulnerability of the poor.

³³ Parliamentary committees often conduct field visits to water, sanitation, health, infrastructure rehabilitation projects among others, and address respective ministers, to inspect and verify physical progress of works and that those projects effectively address the actual beneficiaries.

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