

## Building Peaceful States Against All Odds: The g7+ Leads the Way

Every morning I am greeted by the local gardener, Guilherme, who busily tends half-broken trees and overgrown bushes, planting seeds in the modicum of soil available in the suburbs of Dili, the capital of Timor-Leste, in hopes of springing new life to a city that had been almost wholly destroyed in 1999, devastated by war and cyclical instability. Salutations are brief. Guilherme considers himself my de facto advisor. Each day he offers a brief but new insight into the health, well-being, and livelihood of the collective “we” that is his village—one of 442 *sucos* in Timor-Leste. In early 2008, Guilherme said, “Minister, we are not producing; bellies will not be full come rainy season.” Guilherme knew what I knew: Food security and peace go hand in hand.

As I entered the office, I asked my chief economist to look up the price of rice. He returned ashen-faced bearing the bad news: The price of rice had risen 218%. With a reduction in domestic production and rice imports rising, our budget was now in shambles. This is what the international community calls an “external shock.” As Minister

of Finance, I call it “being in shock,” a state I have become well versed to since coming into office on August 8, 2007.

On day one of my mandate as Minister, I walked into the Ministry of Finance with no handover, no functioning computers that could spit out the kind of standard information ministers of other nations would expect, and a highly politicized public service that was deeply loyal to the previous ruling party. I admit I was never trained in how to “rule”; I am a technocrat with a background in public service. We were a government formed to serve. A major mentality shift was about to be introduced.

The final crisis of 2006 resulted in 150,000 internally displaced persons (IDPs)—almost 15% of our population—and adding to our burden, we had more than 700 rebels in the mountains threatening stability. Economic growth was negative 5%; consumption had declined 26%. If the engine room of any government is a well-oiled public finance management system, my engine reflected that of a 1967 Chevy that had never been serviced.



**East Timor Prime Minister Xanana Gusmao (right) campaigns for presidential candidate Taur Matan Ruak (left) at a rally in Likisa. Preliminary results from April 17, 2012, showed former guerrilla Ruak winning East Timor's presidential run-off by a wide margin in a pivotal year for the nation almost a decade after independence.** | AFP Photo: Valentinho De Sousa

The highly centralized systems had all but stalled service delivery, and my people were suffering. Reform was the name of the game, but even in that, the challenges seemed insurmountable. The average math level of my 723 ministry staff was at third grade, remnants of a generation lost to war. The fight for freedom was a de facto education in pursuit of independence and democracy—all principles that we as a government were now charged with operationalizing. But the reality was, I did not have one qualified accountant in the Ministry of Finance. A quick review by international auditors revealed 54% of the 2006–2007 budget was recorded to a vendor called “no vendor,” mechanization had yet to be introduced, and we had little information from which to collate a

comprehensive budget going forward. We turned to the international community for answers, and so the \$8 billion question came to be.

The answer, of course, is in the question. More than \$8 billion had been spent, and poverty had increased by a minimum of 15% and a maximum of 25%. Poverty had doubled in some regions, and the national average stood at 49.9%. One out of every two of my people now lived in extreme poverty. We were being called a failed state. After 400 years of occupation, 24 years of war, 2 years of a transitional United Nations Administration, and 5 years of a government mired by cyclical instability, the hopes, dreams, and expectations of my people had been eroded. This mattered more than any label stamped on us. We were not a failed state

because the state had yet to be built. But we had all failed; that was an undeniable truth.

We still had few functioning roads, virtually no connectivity, inoperable hospitals comparable to international standards, substandard schools, no electricity, not enough water, and substandard sanitation. We still had few teachers, accountants, lawyers, and doctors. Our standard of living was of the fourth world, and while so much money had been spent, so little had changed.

I still believe the majority of the perception of the western world is that donor aid is handed to recipient governments to spend as they wish. But the reality is, governments in fragile states do not see aid money. It does not go into our coffers, it does not go through our systems to strengthen our capacities or align to our programs and service delivery, it does not go into our budgets; it is for the donors to spend on projects, programs, and technical assistance (usually sourced from their own countries). Imagine having technical assistance at any one time speaking some 30 different languages, not one of which is the local language. Program workers cannot converse with local staff, and they are promoting different ways of thinking. This further fragments capacity-building efforts and governance structures and systems that are weak to begin with.

If we did have a better vision of donor aid, I believe we would have roads, electricity, water, and proper sanitation. The fact is, we in fragile states rarely know how donor aid is spent. Donors often bypass the state agenda to pursue their own agendas, delivering services directly to our people, at times, without our knowledge and often without our consent. This not only causes fragmentation and proliferation in development but also weakens any legitimacy we as representatives of and for the people have in building viable institutions or leading a national vision and inclusive agenda for peace. This way of doing business must change.

Harmonization and alignment between recipient states and donor countries has yet to become a reality to make long-lasting change to fragile states. We have achieved little results for those who matter the most—our people. When things go right, the international community is the first to take the credit. When things go wrong, the government is the target of blame. This is the way of the world, and the world must now be re-educated on the aid paradigm so together we can get it right.

In Timor-Leste, we quickly learned not to focus on the past; it was now about creating a future. If Guilherme could wake up every morning and plant seeds despite the challenges, so could we as a government. But we also knew that any chance we had to localize peaceful states through inclusive politics must first be socialized at the global level. In my country, we began with the first coalition of five political parties. Commentators said it would never last, and I sit here today, five years on, with continued peace—writing proudly and confidently that we still are a functioning brethren of ministers that put our politics aside for the bigger picture of peace, stability, and development. We as a cabinet decided to strive for one thing internationally: **Inclusive politics must be globalized before it is localized.** And so our agenda for fragile states began, with peacebuilding and statebuilding at the forefront.

For decades, fragile states have been seen as a minority, when in the global context, we are the majority. We represent the critical mass, the 1.5 billion people (or 20% of the global population) who live among the most extreme situations of poverty and are affected daily by current or recent conflict. We are the voiceless, the under-represented, the ones discriminated against because aid architectures that apply to “normal” developing nations don’t consider or calculate the unique

challenges that we, in the fragile context, face. In fact, one cannot even be labeled a “fragile state” when there is no globally accepted definition of “fragility.” We also learned recently that fragile states are disadvantaged, by no fault of their own, receiving 5 cents per capita in aid compared to other developing countries that receive 11 cents per capita.<sup>1</sup> Interestingly enough, statistics show that aid to fragile states is an investment with a greater return. This is a simple equation. Billions are spent on defense each year by the global community. When development can act as a catalyst to peace, funnel it to where it counts the most.

Politically, the word fragility has become akin to a curse word. The technocrats understand the word relates to institutions yet to be established, low capacity, lack of an established justice system, lack of infrastructure, lack of systems—all characteristics that have nothing to do with strength of sovereignty. Politically, the word must be embraced for what it is. I often describe fragility as a fine champagne flute, something that is beautiful but easily broken and therefore must be handled with care. Imagine the citizens of the United Kingdom with little to no access to schools, health care, water, social security, police, or banks. It is easy to see then how conflict erupts. This is fragility.

Less than two years ago, a milestone was reached when representatives of several fragile countries sat together in a room and talked about our commonalities and our challenges. As colleagues from Burundi, the Central African Republic, Chad, the Democratic Republic of the Congo, Liberia, Nepal, Solomon Islands, Sierra Leone, South Sudan, and Timor-Leste spoke around one table, we discovered that, although we had our differences in regards to region,

linguistics, culture, historical backgrounds, and our root causes of conflict, we had much more in common than we could have ever anticipated. Through this solidarity we formed a deep bond, and after hours together of sharing our experiences, we acknowledged that in order to emerge from fragility, it would take a consolidated forum to make a tangible difference both in our own countries and in the way we do business with the international community. We needed a united and shared voice. We needed our own policies; we needed the international community to understand our unique challenges and shared objectives—and so the g7+ group of fragile and

---

**If we did have a better vision of donor aid, I believe we would have roads, electricity, water, and proper sanitation.**

---

conflict-affected states was born and rapidly grew from 7 to 19. The g7+ symbolizes the first time in history that we, as fragile states, have a voice in shaping global policy, advocating our own country-led and country-owned transitions out of fragility and, most importantly, identifying that peacebuilding and statebuilding are the fundamental foundations to transition from fragility to the next stage of development, the ultimate aim in reaching the Millennium Development Goals.

Peacebuilding means that inclusive politics, security, and justice are the cornerstones of building stable and long-lasting states. Statebuilding means that donors can no longer bypass our state institutions, weakening our ownership and hindering our nations from building the institutions and capacity

---

<sup>1</sup> “Chapter 3: Trends in official development assistance” in *Resource Flows to Fragile and Conflict-Affected States* (OECD, 2010), 49–59.





**Internally displaced Sudanese from the south pack their belongings in Khartoum on October 27, 2010, as they prepare to return home in preparation for South Sudan's referendum on independence on January 9, 2011.** | AFP Photo: Ashraf Shazly

necessary for strong bureaucracies to serve the needs of our people. We ourselves must take responsibility for developing economic foundations, quality resource management, and service delivery with the support of the international community.

Together with the international community and through the International Dialogue on Peacebuilding and Statebuilding, the g7+ created a new aid architecture for fragile states called the New Deal. We made it simple, clear, and concise with three simple elements: the Peacebuilding and Statebuilding Goals (PSGs), FOCUS, and TRUST. The PSGs are the goals that will allow us to transition to the next stage of development. FOCUS is a new way of engaging, and TRUST is a new set of commitments.

The five goals are **Legitimate Politics**—to foster inclusive political settlements and conflict

resolution, **Security**—to establish and strengthen people's security, **Justice**—to address injustices and increase people's access to justice, **Economic Foundations**—to generate employment and improve livelihoods, and **Revenues & Services**—to manage revenue and build capacity for accountable and fair service delivery.

The letters of the word FOCUS stand for:

- **Fragility assessment.** We will conduct a periodic country-led assessment on the causes and features of fragility and sources of resilience as a basis for one vision, one plan.
- **One vision, one plan.** We will develop and support one national vision and one plan to transition out of fragility. This vision and plan will be country-owned and -led, developed in consultation with civil society, and based on inputs from the fragility assessment.

- Compact. A compact is a key mechanism to implement one vision, one plan. A compact will be drawn on a broad range of views from multiple stakeholders and the public, and be subject to an annual multistakeholder review.
- Use PSGs to monitor. We will use the PSG targets and indicators to monitor country-level progress.
- Support political dialogue and leadership. We will increase our support for credible and inclusive processes of political dialogue.

The letters of the word TRUST stand for:

- Transparency. We will ensure more transparent use of aid.
- Risk-sharing. We accept the risk of engaging during transition, recognizing that the risk of non-engagement in this context can outweigh most risks of engagement. We will identify context-specific, joint donor risk-mitigation strategies, which will require different approaches to risk management and capacity development. We will conduct joint assessments of the specific risks associated with working in fragile situations and will identify and use joint mechanisms to reduce and better manage risks to build the capacity of and enhance the use of country systems, to step up investments for peacebuilding and statebuilding priorities, and to reduce aid volatility.
- Use and strengthen country systems. We will jointly identify oversight and accountability measures required to enhance confidence in and enable the expanded use and strengthening of country systems.
- Strengthen capacities. We will ensure efficient support to build critical capacities of institutions of the state and civil society in a balanced manner, increasing the proportion of funds for capacity development through jointly administered and funded pooled facilities.
- Timely and predictable aid. We will develop

and use simplified fast-track financial management and procurement procedures to improve the speed and flexibility of aid delivery in fragile situations, and review national legal frameworks to support our shared objectives. We commit to increase the predictability of aid, including by publishing three- to five-year indicative forward estimates (as committed in the Accra Agenda for Action), and to make more effective use of global and country-level funds for peacebuilding and statebuilding.

These interrelated and interdependent principles are established through a tangible working model that each state and its partners can work through on a matrix that is both fluid and reflective of the fragile circumstances—and can be the foundation of a compact between the country and the international partners. In the Busan IV High Level Forum on Aid Effectiveness, the New Deal was endorsed by 32 countries and 5 major international organizations, with a trial that includes the UK, Australia, Denmark, Afghanistan, Timor-Leste, and South Sudan. The agreement will change the way aid is configured, managed, and delivered—and most importantly, make a change in the outcomes of aid on the ground. What matters is results.

## **We Say We Are Now Making the New Deal a Real Deal**

I have the honor of being the chair of the g7+ and the co-chair of the International Dialogue from where the agreement for the New Deal gained consensus. Coming from Timor-Leste, I knew that the only way we could make long-lasting change on the ground on inclusive politics, the foundation of the PSGs, is pushing forward the agenda of globalizing inclusive politics. This is not an easy process because it requires changing the attitudes, perceptions, and way of doing business between

the fragile states, the international community, and the public.

I will use my own country as an example. This year we celebrate 10 years since the formal restoration of our independence. In 1999, after the national referendum that set us on this course, we were a country that was devastated by war. Most of our infrastructure and the homes of many of our citizens were burnt to the ground. Between 1999 and 2007, despite billions being spent on Timor-Leste, as our President His Excellency Jose Ramos Horta often says, very little had been spent in Timor-Leste. When I assumed my mandate as Minister of Finance, time was not on our side. Accelerating development and fast-tracking

---

**It might take generations to change traditions and cultures but the will is there, and our partners in development must take the journey with us.**

---

reforms, especially in public financial management; establishing institutions to manage our vast resources in oil and gas; and ensuring that transparency and inclusivity led our actions in implementing social and fiscal expansionary policies was a core element to transforming our small nation.

The international community often had a different view of how we as a government should act and what we should do, and they were vocal in their interventions. For instance, with 15% of our population displaced, development could not progress. We were told it would take 10 years to resettle the displaced. However, we in government knew that 10 years was not an option.

Through dialogue with local actors and cash packages for families, we resettled all 150,000 IDPs in 2 years, closing 65 IDP camps and reintegrating families back into communities across the nation without conflict or dispute. We were accused of buying peace.

At the same time, we entered into conflict resolution with the rebels, former members of the army who had been released from duty by the previous government. From the mountains where they once threatened to destabilize national confidence, they returned to the capital, peacefully disarmed, and reintegrated into communities. We were accused of not providing justice.

The government promised pensions to the elderly, the disabled, mothers, veterans, and orphans. This, we believed, was the obligation of the state for the sacrifices our people had made over the 24-year struggle for independence. We believed it was the responsibility of the state to take care of our most vulnerable as in other socially compassionate nations, such as Australia, the UK, and many countries throughout Europe. We were accused of being fiscally irresponsible.

My point is that there is no price for peace, and governments of fragile states have one main objective—that is to keep peace and stability. Without peace, services cannot be delivered, and without services delivered, there can be no peace. We as government know our people and the political complexities. Often these complexities go back generations, and few outsiders can navigate the political landscape. They must simply trust that with a constitution and the concept of democracy, a nation will find its way, but always with peace at the forefront of its journey to emerge from fragility.

Timor-Leste is a nation blessed with natural resources. We have \$10 billion in the bank and no debt, with growing capacity to execute. Our



**Supporters of candidates ride in trucks during a campaign in East Timor's capital city of Dili. East Timor was officially recognized as independent in 2002 following Indonesia's brutal 24-year occupation.** | AFP Photo: Romeo Gacad

strict controls, checks, and balances also ensure we never fall into the oil curse. Best-practice resource management is part of the g7+ mandate. The Timor-Leste Transparency Model was the first to go beyond the Extractive Industries Transparency Initiative with a five-pillar 360° transparency modality across government. What we lacked in structure, we made up for in innovation, leading global good practice even by international standards. This surprised many.

International standards would naturally mean harmonization and alignment of all development actors, with government leading the agenda. This was the decision and agreement between international actors in the 2005 Paris Declaration and the 2008 Accra Agenda for Action. Recipient countries lead, and partners in development align

their planning accordingly. It hasn't worked according to plan.

In Timor-Leste, 46 donors and 302 NGOs are all working in good faith for the good of our people, but often bypassing our state institutions, which weakens the capacity of our systems. We often do not know what they are doing—where they are engaging or what the methodology of engagement is. We do not know how much money they are spending in what sector, and this causes confusion and can also be a cause of conflict. When we ask our donors to use country systems, this is our way of attempting to align and harmonize all interventions to national priorities and to one plan, one vision. Too many chefs in the kitchen create chaos and confusion, and this is why over decades we see very few results; and at times, more harm than good.



A recent example demonstrates the unwitting conflict that can arise when planning is not properly coordinated. A g7+ nation told the story of a village that had been given toilets as part of a development project, and the next village over was taught by an NGO to dig holes for their waste. The chiefs of both villages were enraged at the inequity. They did not blame the NGOs; they blamed the government. And while the government is responsible for aid effectiveness, it often lacks information on activities, which can be excruciatingly difficult to collect from donors.

One of the most important initiatives that Timor-Leste has activated is the Transparency Portal. Everything is online, from the budget expenditure to procurement to aid. But when

it comes time to gather the aid information, we still find that our partners are not forthcoming with details for the Transparency Portal. In a country where capacity is very low, it should not be so difficult. Harmonization and alignment of programming to government is a key to success. When Timor-Leste took the reins in 2007, we started identifying national priorities and insisting that donors align and harmonize with those national priorities. Within two years, we had reduced poverty by 9%. These are results achieved for our people. These are the results of true development partnerships.

I can say that one of the second most important initiatives Timor-Leste achieved was Census Fo Fila Fali. Many people in our countries have no



**UN and East Timorese police (right) secure a polling center in Dili on April 16, 2012, as volunteers (wearing yellow) look on. East Timor went to the polls to elect a new president in a run-off vote as the young democracy prepares to celebrate its first decade of independence and bid goodbye to UN forces.** | AFP Photo: Valentinho de Sousa

idea about the world around them or even the villages around them. They have no data or statistics in their language that help them understand how they can be part of the development process.

While g7+ countries are often rated and ranked in comparison to the most developed, this is done without any of the same accurate, qualitative, quantitative, real-time, or conclusive data. In Timor-Leste, we conducted a census for the first time in 400 years to give the information, segmented by village (all 442), back to our people. Twenty people from each village were trained at how to read the census and how to use it in identifying the action the village would need to take to better their community. As a result, 8,840 more people are now educated on their state and community and understand their role in development. This is inclusive politics.

In 2011, Timor-Leste launched the Strategic Development Plan 2012–2030. We rifled through some 4,000 reports written on and about Timor-Leste over the past decade, and to our surprise, not one cross-sector analysis had been done on how to build the nation or what the global costs would be in a state the size of a small town in the United States. Not one town planning document for the capital had been developed. We wanted to know one simple question. How much will it cost to create the basic and core infrastructure for Timor-Leste? Not one donor, international partner, or government office had coordinated the most basic of information. This should cause a moment for pause for any partner in development. Why have we not gotten the basics right? Data, planning, alignment, interventions? This is FOCUS in the New Deal.

Without accurate information, engagement and interventions into states are like shooting darts blindfolded. Every donor and government is responsible for ensuring states are equipped with

the technology and ability to collect real-time data—not data that are three to nine years out of date—but real-time, cutting-edge data that can shape and form effective policy and planning, which counters risks and builds effective national planning systems. This will ensure not only local development for peaceful states but also regional and global solutions for building more inclusive states.

Census Fo Fila Fali is the kind of initiative, creative and innovative, that we need to set for the fragile states. These are the lessons learned and shared through the members of the g7+.

Our aim in fragile states is to build strong bureaucracies that cannot be politicized and can stand the test of time through generations serving our people with strong service delivery in areas like health and education. What we want in the fragile states is an independent judiciary, free and fair elections, parliaments that represent our people and can speak freely. But we alone in fragile states cannot bring this agenda forward. It might take generations to change traditions and cultures but the will is there, and our partners in development must take the journey with us.

Inclusive politics means that we must be part of policy on the global level. We can no longer be exempt from dialogue or the recipients of a monologue. We can no longer be seen and categorized through the lens of the developed but instead must be seen through the eyes of the developing.

The actions of the most powerful affect the most vulnerable, and it is we who serve the most vulnerable and must act quickly to ensure we secure local, national, and regional stability. We must now globalize and localize peacebuilding and statebuilding. If we are looking at stopping the acts of terrorism or the acceleration of our youth in participating in illegal activities, if we are looking at avoiding conflict and wars, if we are looking

at promoting peace as a way for the future, then the way we utilize aid and donor systems must be re-evaluated. Fragile states cannot be penalized, just as our partners in development cannot be blamed. The international community and we as governments must now take equal responsibility for our failures and successes and look to a new way of engaging.

## **This Is the New Deal**

In another decade, our countries should no longer be characterized by no connectivity, no roads, no hospitals, no schools, no water, no sanitation, no service delivery, no doctors, no lawyers, or no accountants because this would mean no economic or social development and a progression of all that fragility brings. No more time should go by when we do not focus on the very foundations that will build peaceful states.

When I look at my own country, in many ways we are starting from the beginning and are lucky to have established one of the best resource petroleum funds that will benefit our people now and in the future. Internationally, we are recognized for our revenue transparency; however, that level of transparency must start at the global level.

We went from being a failed state to being one of the top 10 fastest-growing economies in the world. It is a success story because of inclusive politics, because we, as a nation, fought a common enemy—poverty—and we made our national motto “Goodbye Conflict, Welcome Development.” From the smallest village to the city centers, our people were looking to the future with this phrase and with economic and social policies reigniting hope. It was their united will that brought peace and stability. When the United Nations handed over primary policing responsibilities to the Timorese police, there was no increase in crime. This was a benchmark that trust

and confidence had been earned and communities were normalized to a new way of life.

The peacebuilding and statebuilding goals will be taken to the United Nations for resolution in front of the General Assembly in September, 2012. This will be one of the single most important initiatives to accelerate development in the fragile states and allow us to transition to the next level of development where we can achieve the Millennium Development Goals—where we take ownership and responsibility of our own national visions and plans and make inclusivity a cornerstone of success.

Recently in a g7+ meeting, my colleague from South Sudan said, “Nothing about us, without us.” I echo his sentiment. There should be no more policy where we are not at the table, no more research where we cannot contribute, no more forums where we are not offered a seat, and every “G” meeting should embrace our little “g” because we represent the largest population of the globe, but also the most vulnerable, and we deserve the opportunity to contribute to peacebuilding for all regions and continents.

One day, I asked Guilherme the gardener about the fruit in Timor-Leste. He said that banana was the most common fruit but durian was the most coveted. From that advice, I created the Banana Show for my Cabinet members targeting the success of budget execution. Every Minister had to hit a certain budget execution rate that was associated with a Timorese fruit, banana being common (less than 25%), papaya the next (between 26% and 50%), with the durian being outstanding (above 75% execution rate). The Banana Show would be transparently published in the local paper for our people to judge the performance of their government. Through humor, good will, a common purpose, and a little innovation the Banana Show became legendary. Budget execution



**Economically challenged residents receive a free sack of rice from the government, being distributed at a veterans' center in Dili on March 15, 2012 that will be used as polling center for the upcoming presidential elections.** | AFP Photo: Romeo Gacad

was the highest ever, rising from 49% when we came into office to reach 89% and continuing to progress on increased budget amounts. It worked.

Soon after that day I had learned of skyrocketing rice prices, we were one of the first countries to set up an economic stabilization fund. The international community said it was not the right thing to do and accused us of intervening in the private sector by subsidizing the purchase of rice. However, we had enough rice for our people come rainy season and every season thereafter. A year later, we witnessed one of the largest interventions into the market in world history with the U.S. banking sector. I was not surprised. Right or wrong, governments either from fragile nations or world powers must often make difficult decisions for their people.

The very same people who criticized the Timor-Leste economic stabilization fund offered an apology. I accepted.

Now, I am not sure if Guilherme the gardener ever knew that I listened so much, but this is inclusive politics on the local level. As for the global level, Guilherme can teach us this: Listening and planting seeds to grow, even in the most arid places where you think they could never grow, is worth taking risks...and Timor-Leste is an example.

***Emilia Pires** is the Finance Minister of Timor-Leste, Chair of g7+, and Co-Chair of the International Dialogue on Peacebuilding. The views expressed in this essay are her own, and do not necessarily represent the views of the United States Agency for International Development or the United States Government.*