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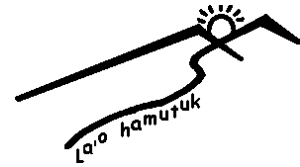
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## Brief comments from Charles Scheiner, La'o Hamutuk

### At the Timor-Leste launch of the 2013 Economic and Social Survey of Asia and Pacific

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As we apply the forward-looking suggestions in ESCAP's report to Timor-Leste's future, we need to **start where we are today**. Timor-Leste is a new, young, small country. The State dominates the economy; our private sector is tiny and we depend on imports for basic necessities. As Hans Beck from the World Bank just explained, we are the second most petroleum-export dependent countries in the world. Oil provides 95% of state revenues and comprises more than 3/4 of our GNI, but it won't last forever. Recent reports confirm that our rates of child malnutrition and multi-dimensional poverty are among the worst in this region, or even in the world.

ESCAP provides valuable advice on how to make development more inclusive and sustainable – which is essential to realize both the human rights of every person and the human security Timor-Leste needs for a stable, peaceful, prosperous future.

I was interested to hear the two Government speakers this afternoon offer different perspectives on Timor-Leste's economy. I prefer the version of Minister António da Conceição over that offered by João Mariano Saldanha, and I appreciate the Minister's openness in describing our current reality and future options.

Donors to civil society organizations often ask us to quantify the results of our work, and this is a greater challenge when evaluating the development of an entire nation over decades. Unfortunately, GDP and GDP growth become universal indicators. However, economic growth fueled by exporting limited, nonrenewable resource wealth is **intrinsically unsustainable**, and unless we change direction, Timor-Leste's GDP could plummet when the oil and gas is gone, which may be in less than a generation.

Although Timor-Leste's non-oil GDP has grown at double-digit rates, more people are living in poverty. International agencies and government policy-makers may lack data, but those who struggle daily without adequate food, water, sanitation, education and health know the reality.

Timor-Leste's government has already implemented many recommendations in ESCAP's report:

- **Government spending** has increased rapidly, and is larger than our non-oil GDP. Although ESCAP supports this as "forward-looking macroeconomic policy," they emphasize the quality and composition of public expenditure. How do we move away from spending on today's desires and infatuations to invest in our children's future? How can we improve vision, realistic planning, and accountability to achieve economic and social justice?
- Timor-Leste has implemented a universal, non-contributory **pension** for people over 60 and another for disabled people. However, most public transfers go to veterans and their families, which threatens economic stability and increases the risk of conflict. Last year, we spent more on veterans' benefits than we did on education.

- ESCAP proposes a **job guarantee** program and an effective minimum wage, which Timor-Leste has partially implemented already. However, with high unemployment, an imminently doubling youth population, and many people outside the formal sector, a more holistic approach is required. Timor-Leste has tremendous needs in education, health care, rural infrastructure, agriculture and other labor-intensive sectors. Can we consider our young people as a resource to help address these necessities, rather than seeing them as a problem to be controlled, pacified, kept busy, or sent overseas?
- Timor-Leste has invested heavily in energy, building far more generating capacity than ESCAP suggests. Electricity can make people's lives more comfortable and facilitate economic development. However, the current system, using expensive imported fuel, will cost more than 10% of our annual non-oil GDP to run, subsidizing affluent people who use more kilowatt-hours. Can we provide a basic level of power free to everyone, while asking those who consume more to pay for the cost of generation and distribution? Currently, EDTL only bills consumers a quarter of what it costs them to provide power.

Timor-Leste's Strategic Development Plan and ESCAP's report both support increasing the share of energy from renewable sources. How can we promote policies to advance this goal?

I'd like to highlight three ESCAP recommendations which will require a change in direction.

- ESCAP calls for universal primary **education** by 2020 and secondary education by 2030, and the Strategic Development Plan has similar goals. This is not just names on enrollment lists or children sitting on classroom floors without books or enough capable teachers. We need learning which will improve people's knowledge, understanding, and capacity to participate in economic development. We need a basic level of education for everyone, not only those lucky enough to go to reference schools or university. The word "quality" appears eight times in the SDP's education targets – how can we achieve this promise?
- ESCAP suggests **public health** expenditure equal to 5% of GDP, a worthy objective which will require tripling current levels in Timor-Leste. As they point out, this will advance both human security and economic development. Although we have reduced infant and maternal mortality, Timor-Leste still loses about four young children every single day to preventable and curable illnesses. Higher spending can make health care more accessible and effective, but unless we repair deficiencies in the system itself – as well as in nutrition, sanitation and public awareness – our most vulnerable people will continue to die.
- ESCAP points out that "Neglect of the **agricultural** sector contributes to poverty, inequality and food insecurity." Today, Timor-Leste imports water, chickens, onions, rice, fruit juice and all processed foods. We spend only 2% of our state budget on agriculture, the livelihood of 80% of our people. Can we improve farmers' productivity and develop a food-processing industry? This will not only move us toward food sovereignty, but will create jobs and reduce the amount of our national wealth that flows out of the country.

Thank you for inviting me and thinking about my many questions. I look forward to our common efforts to find answers appropriate to Timor-Leste's reality, history and future.