

PUBLIC FINANCE · TIMOR-LESTE · 2026

From Allocations to Outcomes

The Gap Between State Budgets and Human Development in Timor-Leste

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Prepared for FONGTIL — Civil Society Organizations, Community Leaders & Public Policy Advocates

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ROADMAP

What We'll Cover

01

The Paradox

High spending, stagnant human development

02

Structural Distortions

Where the 2026 budget actually goes

03

Human Development Sectors

Health, nutrition, education, WASH, gender

04

Petroleum Fund Risk

Deficit financing & sustainability

05

Institutional Bottlenecks

Why execution doesn't equal impact

06

Advocacy Framework

What civil society can do right now

SECTION 01 · INTRODUCTION

A High-Expenditure, Low-Outcome Paradox

Timor-Leste ranks among global leaders in public expenditure relative to GDP — yet persistently lags in human development. Two decades of petroleum-funded spending have not translated into proportional gains in health, education, nutrition, or poverty reduction.

US\$2.392B

2026 National Budget — all-time high plus US\$101M mid-year rectification

85%

Average public expenditure as % of GDP, 2013–2023 (World Bank)

1.3%

Average annual GDP growth over the same decade

42%

Population below national poverty line despite decades of spending

“Public expenditure averaged 85 percent of GDP between 2013 and 2023, yet average GDP growth remained at 1.3 percent annually. During this period, 42 percent of the population lived below the national poverty line.”

— World Bank — Transforming Public Spending for a More Prosperous Timor-Leste, February 2025

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3

SECTION 01 · INTRODUCTION

Why This Matters for Civil Society

0

Beyond Execution Rates

1

Move public debate from 'did government spend the budget?' to 'did spending change lives?' A 95% execution rate is meaningless if medicines allocated in Dili never reach clinics in Ainaro.

0

Evidence for Advocacy

2

Equip CSOs with empirical, replicable data to engage Parliament and the Ministry of Finance. Budget analysis is a democratic tool — not a technical exercise for economists.

0

Protecting Future Generations

3

The Petroleum Fund is finite. The IMF projects full depletion by the late 2030s at current rates. How it is spent today determines whether Timor-Leste's children inherit opportunity — or a fiscal crisis.

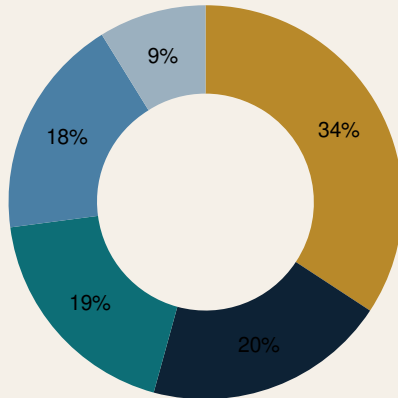
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4

SECTION 02 · STRUCTURAL DISTORTIONS

Where the 2026 Budget Actually Goes

US\$2.392 Billion Consolidated Budget — by Economic Category · Source: Ministry of Finance, GoTL 2026



■	Public Transfers	US\$820M	34.3%
	Veterans pensions & institutional subsidies — not targeted household support		
■	Salaries & Wages	US\$477M	19.9%
	Civil service grew 63% since 2015; payroll locks up fiscal space		
■	Goods & Services	US\$448M	18.7%
	Operational costs — often absorbed before delivery reaches frontline		
■	Development Capital	US\$436M	18.2%
	Infrastructure — but chronically underspent (often <20% by mid-year)		
■	Fuel / Subsidy	US\$211M	8.8%
	Energy subsidy — EDTL support and fuel reserves		

⚠ Transfers + Wages = 54.2% — over half the budget before a single service is delivered

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5

SECTION 02 · 2.1 WAGE BILL

The Public Sector Wage Bill: Crowding Out Services

The civil service has expanded rapidly, locking up fiscal space that could instead fund frontline health workers, teachers, and water system maintenance.

63%

Expansion of civil service workforce since 2015

US\$477M

Total payroll burden in 2026 budget

20%

Share of total national expenditure on wages alone

45%

Public sector employment growth 2020–2023 (World Bank)

The Displacement Effect

- Every dollar spent on civil service salaries is a dollar not spent on medicines reaching a rural clinic, a teacher trained in foundational literacy, or a water pump maintained after installation
- Wage growth has not matched improvements in service quality — more staff does not mean better services when deployment is concentrated in urban areas
- IMF's 2025 Article IV was explicit: it recommended containing public sector wage growth as a priority fiscal consolidation measure

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6

SECTION 02 · 2.2 PUBLIC TRANSFERS

Public Transfers: Scale Without Targeting

US\$820M

Largest single budget category in 2026

*of every \$3 the state spends, \$1 goes to transfers***Dominant Share**

Most public transfers fund veteran pensions and institutional subsidies — not targeted household support for the poorest families.

Limited Pro-Poor Reach

Conditional cash transfers (Bolsa da Mãe) receive a comparatively small share. The IMF notes transfers 'do not consistently reach the most vulnerable people.'

Economic Distortion

Transfers foster a consumption-driven economy dependent on state disbursements, rather than productive investment in local market capability and employment.

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7

SECTION 03 · HUMAN DEVELOPMENT

The Human Development Scorecard

*Timor-Leste at a Glance — Key Development Indicators vs. Budget Investment***0.607**Human Development Index
(Rank 140 / 193 nations)**42%**Population below
national poverty line**46.7%**Children under-5
with stunting**48**Under-5 deaths per
1,000 live births**73%**Adult literacy rate
(2022, UNESCO)**195**Maternal deaths per
100,000 live births**37%**Rural youth (15–24)
who are illiterate**22%**Population with
handwashing facility & soap

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SECTION 03 · 3.1 EDUCATION

Education: Funded on Paper, Failing in Practice

US\$145.8M

Allocated to Education
2025/26 + US\$17.2M
vocational

70%

Grade 1 students NOT
meeting basic learning
outcomes (UNICEF)

20%

Pre-school aged children
enrolled in early childhood
education

37%

Rural youth (15–24) illiterate

Language Crisis

Portuguese is the official teaching language but most teachers aren't proficient. 58% of Grade 1 students can't read a word in either official language — a systemic quality failure.

Missing Toilets & Water

66% of schools have no functioning toilets; 40% have no drinking water. Drives girls' dropout after puberty — a gender equity crisis embedded in infrastructure.

Urban-Rural Gap

Urban literacy: 84.7%. Rural: 57.3%. 43.6% of adults have no formal education at all. The system produces outcomes for cities, not the 70% living rurally.

Admin Over Classroom

Education funds absorbed by central administrative salaries. Capital budgets — which build classrooms and equip schools — execute at below 20% of allocation by mid-year.

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9

SECTION 03 · 3.2 HEALTH

Health: Centralized Spending, Decentralized Failure

US\$99.2M

Hospital networks 2025/26

US\$14.2M

Essential medicines & equipment

~45%

Child stunting — more than double Asia-Pacific average

The Distribution Failure

Despite millions in centralized procurement, regional health clinics routinely run out of stock. Root cause: weak distribution logistics — not insufficient central funding.

- Basic consumables — gloves, dressings, syringes
- Antibiotics for common infections
- Maternal health kits for safe delivery
- Vaccines requiring cold chain maintenance

The Maternal Health Emergency

195

Maternal deaths
per 100,000 —
highest in SE Asia

57%

Births with qualified
attendant (UNFPA)

29

Thailand MMR —
6x lower

"More than 4 in 10 births occur without a skilled health attendant. Rural facilities lack trained midwives, running water, electricity, and emergency obstetric equipment."

— UNFPA Timor-Leste, 2024

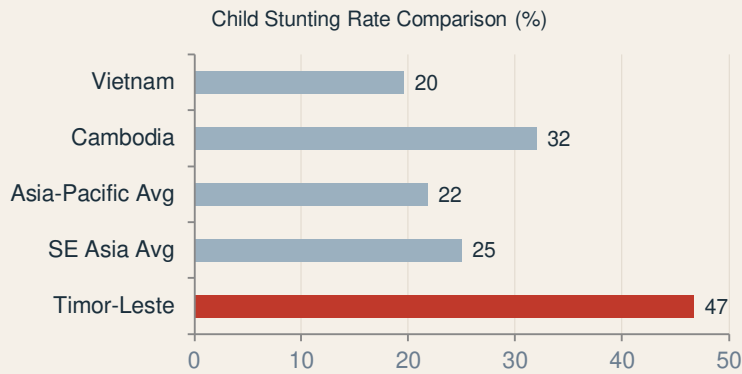
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10

SECTION 03 · 3.3 NUTRITION

Nutrition: The 1,000-Day Emergency

The first 1,000 days — from conception to a child's second birthday — are the window in which adequate nutrition has its most powerful and irreversible effects. Nearly half of Timorese children are stunted before they ever enter a classroom.



Agriculture Neglected

<1% of the budget goes to agriculture despite 80% of the workforce depending on it. Food insecurity is structural — not accidental.

WASH Failure Multiplies Malnutrition

27% of rural population still practice open defecation. Diarrhoeal disease drives malnutrition — every meal a child eats is undermined by preventable infection.

Anaemia in Mothers

29.9% of women of reproductive age are anaemic — directly affecting foetal development and infant nutrition in the critical first months of life.

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11

SECTION 03 · 3.4 WATER, SANITATION & HYGIENE

WASH: The Foundation All Other Investments Depend On

Access to safe water and adequate sanitation is not one development sector among many — it is the foundation on which health, education, and nutrition outcomes depend. Without WASH, no other investment works as intended.

80%

Population with 'basic' water access — NOT the same as safe water

27%

Rural population still practicing open defecation (SDG 6 at risk)

22%

Population with handwashing facility AND soap at home

~70%

Rural water systems reporting failure within 2 years of construction

The Chain of Consequence

- 66% of primary schools have no functioning toilets — a primary driver of girls' school dropout after puberty
- 40% of primary schools have no drinking water — illness, absenteeism, and reduced learning concentration
- 94% of Timorese reportedly fail to wash hands at critical moments — diarrhoea, parasites, and stunting follow
- As many as 65 children die annually from diarrhoea — largely preventable with clean water and handwashing

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12

SECTION 03 · 3.5 GENDER EQUALITY

Gender: Budget Numbers Concealing Structural Inequality

Timor-Leste's HDI of 0.607 falls to 0.44 when adjusted for inequality — a drop driven substantially by gender gaps in education, income, and safety. The budget does not yet systematically address this.

24.2%

Women's Labour Participation

vs 36.9% for men. Only 92,300 women employed vs 142,000 men. Over 50% of women outside workforce cite family/housework as reason.

38–59%

Lifetime Violence Against Women

Estimates from UN & national surveys. In 2018, 28.2% of women reported physical/sexual violence by a partner in the previous 12 months.

14.9%

Child Marriage

Women aged 20–24 married before age 18. Ends education, drives adolescent pregnancy (41.9 per 1,000), and perpetuates intergenerational poverty.

45.9%

Unmet Family Planning Need

Only 45.9% of women had family planning need satisfied with modern methods (2016 DHS). Limits women's economic autonomy and increases maternal risk.

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13

SECTION 04 · PETROLEUM FUND VULNERABILITY

The Mechanics of Deficit Financing

With domestic non-oil revenue under 15% of state operations, the GSB is structurally dependent on the Petroleum Fund.

US\$18.74B

Petroleum Fund balance, June 2025 — roughly 10x non-oil GDP

~US\$550M

Estimated Sustainable Income (ESI) — the annual withdrawal economists deem safe

US\$2.392B

2026 Budget — more than 4x the sustainable ESI withdrawal level

Late 2030s

IMF-projected Petroleum Fund depletion date if current spending continues

Timeline: The Fiscal Trajectory

2005: Petroleum Fund created — US\$204.6M opening balance · 2008–09: Government first exceeds ESI benchmark — and has done so almost every year since · 2022–23: Bayu-Undan oil field production effectively ceases — Fund no longer receives significant new revenues · 2025: Fund balance US\$18.74B — but net drawdown accelerating with 2026 budget expansion · **Late 2030s: IMF projects full Fund depletion under current spending path — urgent reform needed**

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14

SECTION 04 · 4.1 & 4.2 FISCAL SUSTAINABILITY

The Excessive Withdrawal Trap

US\$951M

Ongoing annual fiscal deficit faced by the state

US\$18.86B

Cumulative withdrawals since Fund inception — exceeding current savings

~US\$550M

ESI benchmark — the level considered safe for long-term annual withdrawal

4x

2026 Budget exceeds the ESI — spending at four times the sustainable level

2025: Temporary Reprieve

Strong global market returns in 2025 temporarily increased the Fund balance, masking excessive withdrawals. This is not a structural improvement — it is a favourable investment year that will not necessarily recur.

Mid-2026: Early Warning Signs

Government tapped cash reserves rather than further Fund withdrawals — a signal of growing awareness of the sustainability risk. The question is whether this translates into structural budget reform.

“Absent further reforms, deficits are projected to remain large over the medium term, which would lead to a full depletion of the Petroleum Fund by the end of the 2030s. We recommend a 10-year reform agenda of structural and fiscal reforms.”

— IMF — 2025 Article IV Consultation, September 2025

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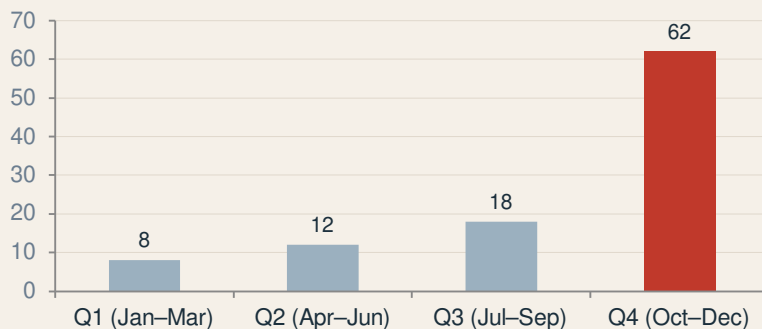
15

SECTION 05 · 5.1 BUDGET CREDIBILITY

The End-of-Year Spending Rush

An execution rate of 69–79% looks reasonable on paper — but the timing tells a completely different story about the quality and accountability of spending.

% of Budget Disbursed by Quarter (Illustrative Pattern)



Why It Happens

Procurement rules, administrative inefficiencies, and political delays stall spending through Q1–Q3. By December, ministries face losing allocations — so they rush to spend.

The Consequence

Ministries prioritise SPEED over quality — procurement shortcuts, reduced oversight, contracts to whoever is available. A 75% execution rate in December looks good; it may conceal wasteful spending.

The Accountability Gap

High execution rates can conceal, rather than confirm, good fiscal management. Civil society must track not only WHEN money is spent but WHAT it achieved.

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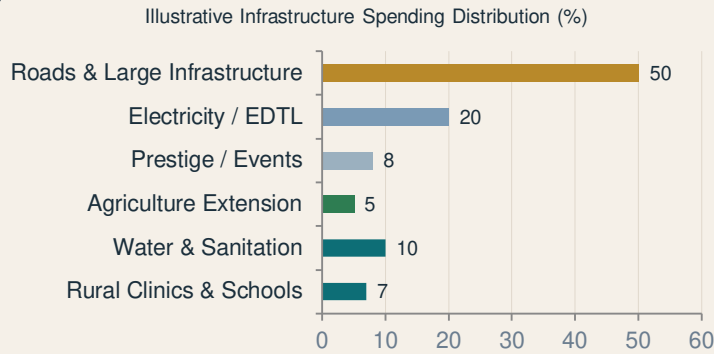
16

SECTION 05 · 5.2 INFRASTRUCTURE ALIGNMENT

Misaligned Infrastructure: Roads vs. Human Development

US\$472M

Roads matter for connectivity — but their human development payoff shrinks when agricultural extension services, rural health logistics, and water-sanitation infrastructure are systematically deprioritized.



Roads & Prestige (>50%)

Visible and politically popular, but human development return diminishes at this scale when complementary services are absent. Roads to empty clinics help no one.

Agriculture Neglected (<5%)

80% of the workforce depends on agriculture. Food insecurity and stunting are directly linked to low agricultural productivity. Less than 1% of total budget goes here.

WASH Chronically Underfunded

The sector with the highest multiplier effect on child health, education quality, and women's dignity receives less than 10% of infrastructure spending.

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17

APPENDIX A · METHODOLOGY

A Framework for Civil Society Budget Tracking

A mixed-methods approach combining macro-fiscal tracking with micro-level social auditing — designed for use by civil society organisations with limited technical resources.

1

PHASE 1

Macro-Fiscal Tracking

- Extract GSB line items via Budget Transparency Portal (budgettransparency.gov.tl)
- Calculate quarterly execution rates by ministry and category
- Identify ESI deviations and structural deficit trends
- Compare allocated vs executed capital budgets year-on-year

2

PHASE 2

Municipal Expenditure Tracking

- Analyse PETS data for frontline allocation flows
- Map the time-velocity of quarterly spending by municipality
- Track the journey of specific allocations (e.g., medicines) from central to local level
- Document stock-out events and service disruptions at facility level

3

PHASE 3

Field-Level Social Auditing

- Deploy community scorecards at schools and health clinics
- Assess: functioning toilet? clean water? medicines in stock? teacher present?
- Document the gap between budget ledger reports and community experience
- Triangulate input-to-outcome leakage across the service delivery chain

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18

APPENDIX A · APPLYING THE METHOD

Spotting the Outcome Gap

A concrete example from Phase 3 — Input-to-Outcome Leakage Triangulation. The gap between the ledger and the clinic shelf IS the outcome gap.

OFFICIAL LEDGER SAYS

95%

Execution rate reported for
'Essential Medicine Procurement'
(US\$14.2M allocation)

≠

COMMUNITY SCORECARD SAYS

60 Days

Of basic antibiotic stock-outs
reported at rural health posts
in the same period

The budget was spent. The medicines were procured. But they didn't reach the clinic. That is the outcome gap — and it is what civil society exists to document and expose.

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19

SECTION 06 · CALL TO ACTION

A Framework for Civil Society Advocacy

From passive spectators of budget declarations to proactive evaluators of public spending outcomes — and accountable guardians of Timor-Leste's sovereign wealth.

01

Demand Performance-Based Budgeting

Lobby Parliament and MoF to tie allocations to VERIFIED OUTCOMES — reduced stunting, higher literacy, fewer maternal deaths — not input metrics like dollars spent.

02

Audit the Quality of Execution

Shift the narrative away from execution rates. A 70% rate spent transparently on rural healthcare outweighs 100% absorbed by late-year procurement rushes. Track timing, not just totals.

03

Protect the Sovereign Wealth Frontier

Mobilise communities to demand strict ESI compliance, preserving the remaining US\$18.74B Petroleum Fund. Ask every politician: what is your plan when the Fund runs out?

04

Deploy Community Scorecards

Systematically assess service delivery at schools and clinics in every municipality. Document, publish, and present findings to Parliament and the media every quarter.

05

Demand a Gender Budget Statement

Advocate for every ministry's budget proposal to include a Gender Budget Statement showing how allocations affect women and men differently.

06

Build a Budget Accountability Coalition

Unite CSOs, faith-based organisations, media, and academic partners around a shared Budget Monitoring Framework. Collective voice is far harder to ignore.

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20

CONCLUSION

Not a Lack of Funds — a Failure of Distribution

- An oversized civil service payroll and misaligned public transfers have deprived education, health, and agriculture of operational support — even as the budget reaches historic highs
- 46.7% child stunting, 195 maternal deaths per 100,000, 70% of Grade 1 students failing basic learning outcomes — these are outcomes of allocation choices, not inevitable poverty
- The Petroleum Fund gives Timor-Leste a window of 12–15 years to invest its wealth in genuine human capability before it is depleted — that window is narrowing
- Lasting change requires civil society to demand accountability for outcomes, not just expenditure — and to use the evidence in this presentation to do so

Rui Augusto Gomes, PhD · 2 July 2026 · FONGTIL

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Thank you — Questions & Discussion