We need to escape from petroleum dependency to sustainable development.

- Timor-Leste is the second-most oil and gas export-dependent country in the world.
- Of our $5.8 billion GDP in 2011, 81% came from extracting oil and gas.
- Our non-oil GDP is only about $1.1 billion.
- About half our “non-oil” GDP comes from state spending, of which 94% comes from petroleum revenues.

Import dependency

- In 2012, Timor-Leste imported $670 million worth of goods (electrical equipment, fuel, iron, rice, water, cement ...).
- We only exported $31 million, mostly coffee.
- 2012 imports were twice as much as 2011.
Government should continue to reduce state expenditures.

- The Government will take $0.8 billion from the Petroleum Fund this year, compared with $1.5 billion last year.
- This year’s reduction is possible because we withdrew more than we needed from the Petroleum Fund in 2012.
- However, state spending is still escalating at an unsustainable rate.
- Recurrent appropriations in the 2013 budget are 21% higher than actual recurrent spending in 2012.

Our economic resources are not distributed fairly.

- Most of our economy is from exporting oil and gas reserves which belong to all of our people.
- A small upper-class is getting most of the benefits.
- The richest 10% has income 14 times as much as the poorest 10%, even when subsistence farming and barter are considered.
- Half of our population gets by on less than $1.33 per person per day.

State spending focuses too much on infrastructure, not benefiting our people

- The 2013 budget will spend $144 million on the Tasi Mane Project, which could cost more than $10 billion in total.
- This project will not earn enough return to cover its cost.
- It will provide very few jobs.
- Most of the money will go to foreign contractors.
- Farmers will lose land which could produce food.
- Our dependency on imports will get worse.
- Poverty will soar when the oil is gone.

In addition, the Government is building Suai and Dili airports, the Oecusse Economic Zone, Tibar port, and two Comoro bridges. Who will get the benefits?
Spending ignores human resource development

• The 2013 state budget allocates 4.2% for health, less than half of global norms.
• It allocates 8.4% for education, while other developing countries allocate 20% or more.
• Countries on track to achieve the MDGs spend 28% of their budgets on health and education.

What is Timor-Leste’s future if our children cannot learn, have permanently limited lives due to malnutrition, or die before their time from lack of health care?

Our Private Sector should take more responsibility for Timor-Leste’s future.

• The private sector should prioritize agriculture, which can reduce poverty and develop our economy.
• Only 10% of our working-age population works for businesses, many of whom are Government contractors.
• 58,200 people work in the private sector, of whom three out of four are men. 18,000 work in construction.
• 70% of our workforce depends on non-market agriculture and informal work.

How can Government and Donors work with businesses to build an equitable and sustainable Timor-Leste, with better quality of projects and quality of life, for the long term?

Companies should invest more to build their businesses and the nation.

• Business owners take out most of their profits, only investing a little bit to grow their companies and Timor-Leste’s economy.
• Dili-based companies increased their profits 44% from 2010 to 2011, but their capital investment decreased by 30%, to less than 9% of their profits.
• Companies in the districts invested more than half their profits, a significant increase over 2010.

Recommendations

• Change direction to prioritize human and social service sectors.
• Development Partners should help Government support farmers to produce for our domestic market, including value-added processing.
• Development Partners should frankly encourage decision-makers to invest in human resources, good management and wise policies aimed at sustainable and equitable development.
• Development Partners should prioritize programs to help our poorest and most vulnerable people, providing economic justice for them and their descendants.
• Government and Development Partners should get serious about education and health, including quality of service. Our people are the foundation of Timor-Leste development.
• The state, the private sector, development partners, and every citizen must focus our money, our resources, our time and our efforts on improving the lives of every Timorese person, including our children and grandchildren.

If we don’t work smarter and harder for a better future, who will?