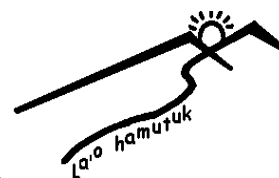


La'o Hamutuk

Timor-Leste Institute for Development Monitoring and Analysis

I/1a Rua Mozambique, Farol, Dili, Timor-Leste

Tel: +670 332 5013 email: info@laohamutuk.org Website: www.laohamutuk.org



How much money have international donors spent on and in Timor-Leste?

A briefing paper from La'o Hamutuk, September 2009.

Between mid 1999 to mid 2009, bilateral and multilateral agencies spent approximately \$5,200 million U.S. dollars on programs related to Timor-Leste. Of this, only about one-tenth – \$550 million – entered Timor-Leste's economy, as shown on the next page.

It is difficult to obtain consistent, complete or accurate data. Money goes through many channels, including trust funds, budgetary support for the RDTL government, UN Missions, foreign military forces, and donor-managed projects inside and outside government agencies. Figures from donors and recipients differ, and the government has been inconsistent in reporting aid received over the years. At least 20% of promised donations are never delivered, and budget/fund execution always falls short of the amount planned. Nevertheless, we have tried to make accurate estimates when authoritative data is conflicting or unavailable. We welcome additions and corrections.

Although \$5,200 million is a lot of money (coincidentally about as much as Timor-Leste has saved in its Petroleum Fund to date), it is approximately **\$1.48 per Timor-Leste citizen per day, which** is one of the highest amounts of aid per capita in the world. At first glance, one might think that donors are paying unofficial “reparations” for their complicity in and blindness to the illegal Indonesian occupation.

Unfortunately, only a small fraction of this money came here to support the Timor-Leste economy. Nearly 90% of it was spent on international salaries, foreign soldiers, overseas procurement, imported supplies, consultants, overseas administration, etc. We estimate that \$550 million entered Timor-Leste. If shared equally among all citizens,

this provides about **15¢ per person per day – one-sixth of the estimated poverty line.**

During the last ten years, **Timor-Leste earned \$5,611 million from selling oil and natural gas,** as well as \$287 million from investing its Petroleum Fund. Since independence in May 2002, Timor-Leste's government has spent \$1,140 million from petroleum revenues, as well as \$204 million in budgetary support from donors and \$292 million raised with domestic taxes and fees.

During the same decade, Timor-Leste's **non-oil GDP totaled \$3,500 billion,** less than the income from petroleum or the amount of foreign assistance. GDP per capita has grown from \$316 in 1999 to \$462 in 2008, recovering from a fall during the 2006 crisis.

As petroleum money becomes available, the **State Budget has grown rapidly.** Until 2006, state expenditures were \$70-\$90 million each year, increasing to around \$110 million/year in 2006 and 2007. During 2008, the RDTL government spent \$480 million, and it plans to spend \$681 million in 2009.

Timor-Leste has a **huge trade deficit.** During the 5½ years since the beginning of 2004, the country exported \$46 million in non-oil products (more than 90% of this is coffee), while importing merchandise worth \$926 million. During both 2007 and 2008, more than half of the non-oil GDP went to imports.

Import dependency, rapid budget growth and non-sustainable government programs are clear symptoms of the “**resource curse,**” which will hit Timor-Leste's people hard when the only producing oil and gas field is exhausted in 2023. If other sectors of the economy have not grown much larger by then, people will starve. Donor assistance cannot save us from our own mistakes.

Table 1. Assistance allocated to Timor-Leste, July 1999 – June 2009

In most cases, the amount spent or received is listed, rather than what was promised or budgeted.
All dollar amounts in millions of U.S. dollars-of-the-day, without adjusting for inflation.

Form of assistance	Year	Amount	Came into TL economy	
United Nations Missions (most for int'l staff, soldiers, logistics, etc.)		\$2,353	6.4%	\$151
UNAMET	1999	92	5.0%	5
UNTAET	1999-2002	1,430	5.4%	77
UNMISSET	2002-2005	302	5.4%	16
UNOTIL	2005-2006	22	10.0%	2
UNMIT	2006-2009	507	10.0%	51
International military forces (Not including UN PKF, which are listed above)		\$750	0.7%	\$5
Interfet (paid by contributing countries and Japan)	1999-2000	250		
International Stabilisation Force (ISF, mostly paid by Australia)	2006-2009	500 [◇]		
TFET (Trust Fund for East Timor) (Donor money managed by WB and ADB)	2000-2005	\$170	20%	\$34
Donor budgetary support (Donor direct grants to TL government budget)	See Table 2	\$204	50%	\$102
Bilateral and multilateral donor projects	See Table 2	\$1,730	15%	\$260
Grand total		\$5,207	10.6%	\$552

Table 2. Annual assistance, state budget and economy overview, July 1999 – June 2009

Year*	Donor projects	Budget support	State exen- ditures	Non-oil domestic revenue [#]	Petrol. revenue spent	Petrol. revenue saved	Non-oil GDP ⁺	Imports	Exports
1999	82	26	n.a.	2	0	0	126 ⁺	n.a.	n.a.
2000	152	32	n.a.	14	14	0	288	n.a.	n.a.
2001	197	23	n.a.	20	11	0	335	n.a.	n.a.
2002	202	33	69	19	29	0	313	n.a.	n.a.
2003	199	35	67	29	41	0	306	n.a.	n.a.
2004	189	34	71	34	64	205	309	114	7
2005	105	10	93	37	85	366	332	102	8
2006	150 (est.)	11	137	41	260	733	321	88	9
2007 (6 mo)*	99	0	56	20	40	633	398	199	8
2008	223	0	480	45	396	2004	499	258	13
2009 (6 mo)‡	132 (proj.)	0	181	43	200	817	295 ⁺	164	2
Total	\$1,730	\$204	\$1,154	\$304	\$1,140	\$4,758	\$3,523	\$925	\$ 46

Data compiled by La'o Hamutuk from many sources, including UN General Assembly reports; OECD online database; RDTL budgets, execution reports, and papers for Development Partners' Conferences (RDTL Ministry of Finance); Petroleum Fund Quarterly Reports (BPA), *Review of Development Cooperation in Timor Leste* (NORAD, 2007), *Economic Impact of Peacekeeping* (Carnahan et. al., Peace Dividend Trust, 2005); *Independent Analysis of UN Contributions to Timor-Leste Economy* (Peace Dividend Trust, 2007).

◇ Australia values its ISF costs higher. We have tried to estimate the additional cost of deploying these soldiers to Timor-Leste rather than keeping them in Australia and New Zealand.

* From 1999 through 2007, Timor-Leste used a July-June fiscal year, the same as the UN. Beginning in 2008, Timor-Leste budgets on a calendar year basis, with 2007 as a transitional half-year.

Money earned by Timor-Leste from domestic taxes, user fees, customs, etc. This stopped growing in 2008 due to the tax cuts in the Tax Reform Law.

+ GDP and trade data are by calendar years (including the full year of 2007). For the half-calendar-years of 1999 and 2009, the annual GDP has been halved.

‡ This table covers the ten years from July 1999 through June 2009. Petroleum revenue, state expenditures and trade data for 2009 is actual for the first half of the year; other 2009 figures are estimates for that period.