



SPOKESPERSON V CONSTITUTIONAL GOVERNMENT



MEDIA RELEASE

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Correction of Inconsistencies in international media regarding oil and gas

The oil and gas industry is a global sector that is difficult to navigate especially with billions of dollars at stake. Building a petroleum sector in a new country is equally complex; especially in a country like Timor-Leste which was virtually destroyed at the end of the twentieth century. Timor-Leste and its petroleum sector thus far has been hailed a global success story, as has the Government's expansionary social and fiscal policies implemented since 2007 designed to peacebuild and statebuild with accelerated economic growth at the forefront.

The Government agenda has worked. In January the esteemed publication the Economist predicted that in 2013 Timor-Leste would be one of the fastest growing economies in the world. In it's top ten Timor-Leste was ranked 6th behind China in 4th position. This is greatly due to Government plans to frontload necessary infrastructure over the next decade in electricity, roads, water, ports, and airports to lay the economic foundations for private sector growth. Frontloading means: pay now so the benefits begin to flow and the economy balances with private sector investment at which time State expenditure can decline. Supported by some of the most respected firms and economists world-wide, Timor-Leste has taken the necessary steps to rebuild the nation with manageable withdrawals from the Petroleum Fund approved by National Parliament and with it, has taken ownership of their resources for this and future generations. Not everyone will agree, especially those with opposing political ideology.

"The Petroleum Economist" recently published an article mostly based on information provided by the locally run NGO La'o Hamutuk. La'o Hamutuk proudly advertises its part in this article in its Mid -Year report. Unfortunately, the article utilized outdated statistics, misinformation on budget projections and spending, and questionable sources including an unpublished World Bank report unpublished simply because it was incomplete in calculations due to lack of current data; a common problem in developing nations which is being addressed in coordination with Government statistics and other institutions. This is not the first draft report "leaked" by La'o Hamutuk, others included by example; the first draft of the Strategic Development Plan and the first draft of the 2012 UN Human Development Report - both of which were changed significantly as updated information was developed by authors.

La'o Hamutuk has often been criticized for this and similar questionable conduct; providing commentary rather than balanced analysis, often biased in presentation and exempt of integral facts needed to adequately inform the people of Timor-Leste. By example, in the January –June mid-year 2012 La'o Hamutuk report it states "*Our analysis of the non-sustainability of Timor-Leste's current macroeconomy – rapidly growing state budget, soaring population, increasing debt and limited petroleum reserves – was widely accepted and is beginning to influence policy-makers.*" Nothing further could be less accurate.

In fact the current macroeconomic framework has been endorsed by the IMF, World Bank and three international financial firms that have done over eighty macro-economic frameworks on financial projections for the Strategic Development Plan. The State budget is aligned to the Estimated Sustainable Income (ESI)



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and is less than one third of the first world budget of Timor-Leste's closest neighbor in Australia, the Northern Territory, which has a quarter of the population of Timor-Leste. Additionally, the actual population of Timor-Leste is not soaring but moderating with fertility rates dropping from 7.8 to 5.6 over the period 2003 to 2010. Debt has been designed to sustain, not deplete, the capital of the Petroleum Fund over a longer trajectory, aligned to best practice sustainability of fiscal management and the "limited" petroleum reserves are actually only in initial phases of being exploited.

This is how information provided from NGO's like La'o Hamutuk can be misconstrued to "influence" rather than inform. Luckily, the nation is getting smarter through experience and growth and while policy makers may read the oversimplified and sensationalist analysis of La'o Hamutuk, they now do so with qualified reservations having the experience of peacebuilding and statebuilding. It's advisable that reputable media such as "Petroleum Economist" follow suit and perform extensive due diligence on La'o Hamutuk's commentary and other information prior to publication.

Critical information also exempt included that to date, Timor-Leste has only explored and exploited 50% of offshore resources with 100% on shore safely awaiting exploration. Comparably, Timor-Leste's intangible capital, non-mineral, mineral and energy wealth per capita is estimated to be US\$55,660. This is US\$42,310 more than Indonesia, US\$334 more than Malaysia, and US\$39,420 in excess of the average for the East Asia and Pacific Region.¹ The estimates for the yearly Estimated Sustainable Income for the State Budget is derived from oil operators unaudited predictions; none of which have ever equated to the actual incoming revenue. In 2007 oil wealth fiscal assets were \$1.7 billion, in 2013 the wealth hit over \$12 billion. These figures over a five-year period did not coincide with the original predictions provided by operators.

Furthermore, estimations provided in the article were based on two running fields and no other potential revenue, outside Greater Sunrise, was mentioned. Spokesperson for the Fifth Constitutional Government Ágio Pereira noted "While the State appreciates all interest from international media and NGO's, both domestic and international, it is important to ensure the quality of information is the most up to date, robust in presentation and analysis provided is non-biased in format. We should be proud of our oil and gas sector amongst others. Timor-Leste has made giant strides in the international arena due to best practice governance and our accountable and transparent systems. We urge all media to practice due diligence in their journalism when reporting on Timor-Leste otherwise it could be misconstrued as a trend to promote one agenda over another which is a scenario no one wants especially from such an esteemed publication."

ENDS

¹ World Bank , Timor-Leste Country Environmental Analysis, July 2009



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