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## Better Fiscal Management Can Boost Economic Growth in Timor-Leste

*New Report Urges a Change of Course for Better and more Sustainable Spending*

**Dili, November 9, 2021** – Prioritizing and improving the quality of public spending and increasing domestic revenue is crucial to promote inclusive and sustainable economic growth in Timor-Leste according to a new World Bank report launched today. Better spending in health and education is key, as these sectors play an essential role in the country's long-term development and the fight against poverty.

According to the **Timor-Leste Public Expenditure Review**, while economic growth has slowed over the past decade, the country now has some of the highest rates of public expenditure in the world - nearly 90 per cent of GDP. Domestic revenue collection is low at 8 percent of GDP compared to a 15 percent average for the region. This imbalance in income and expenditure has resulted in a large budget deficit which threatens fiscal sustainability.

*“This Report comes at a time when the Ministry of Finance is working on the Public Finance Management Reform, which is a key priority of the Program of the 8<sup>th</sup> Constitutional Government. Indeed, this exercise gives us clear warnings that the distance to a fiscal cliff will become shorter if Timor-Leste's public expenditure continues to grow at the current pace (28% per year), we will continue to live with large budget deficits, threatening fiscal sustainability. A reality that requires significant deceleration in current expenditure today rather than having to reverse it later when the petroleum wealth becomes scarce,”* said **Rui Augusto Gomes, Minister of Finance, Timor-Leste**

The report highlights the need to improve the quality of public spending, especially in areas related to human capital. Increases to health and education spending over the years has enabled critical investments but has not translated into markedly better service delivery. Timor-Leste lags behind the region with high child stunting rates and poor-quality education infrastructure, despite relatively high budget outlays of 7-8 percent of GDP. Better budgeting and resource mobilization can improve outcomes in these areas.

*“Timor-Leste has been very successful in creating a Petroleum Wealth Fund from oil and gas revenues. However, our review shows that under current spending, the petroleum fund could be depleted by the end of the decade. Therefore, it is important that the country uses its reserves wisely to support and diversify its economy and it uses its revenues more efficiently and effectively.”* said **Bernard Harborne, World Bank Country Representative for Timor-Leste**

The report outlines policy options to help Timor-Leste increase revenue collection and improve efficiency of spending to maintain more sustainable economic growth.

To learn more, the Timor-Leste Public Expenditure Review 2021 is available [here](#)

For more information about the World Bank Group’s work in Timor-Leste, please visit: [www.worldbank.org/tl](http://www.worldbank.org/tl)

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