JOSE Ramos-Horta guns his Mini Moke along Dili’s pot-holed backstreets, waving and laughing with barefooted children running to see their President. “I'll show you the real Timor,” he says as the Moke races past ramshackle homes where some of the world’s most disadvantaged people live in squalor, despite a five-year government spending spree.

On the eve of leaving his country’s highest office, Ramos-Horta, a Nobel laureate, lashed out at what he sees as the mismanagement of his fledgling nation, saying it needs to change direction to lift almost a million Timorese from poverty.

East Timor President Jose Ramos-Horta spends the day in Suai.

In interviews with The Saturday Age in Dili and the town of Suai, Ramos-Horta criticised government programs and policies, including stalled negotiations over the multibillion-dollar Greater Sunrise oil and gas project in the Timor Sea and the spending of almost $US800 million ($A771 million) on a troubled heavy oil electricity plant.

He also condemned a new generation of foreign-educated Timorese politicians involved in "pervasive corruption".

Four years after being shot and almost killed during an attack near his house, Ramos-Horta dismisses speculation he is set to accept a job overseas, saying he plans to remain in East Timor for at least two years to lead efforts to unite the country by pressing for Fretilin, the largest of the country's political parties, to be included in a ruling coalition. That ambition sets the scene for a bitter power struggle with Xanana Gusmao.

Gusmao and Ramos-Horta are East Timor's top two political figures, self-declared "brothers" who worked closely for years to create an independent East Timor. The outcome of their new rivalry will largely determine the future of the country a few hundred kilometres off Australia's north-west coast.

Gusmao, a former revolutionary leader-turned-Prime Minister, has for years strongly opposed Fretilin and is certain to try to block its return to power, six years after it was unseated amid political upheaval and violence that led to an international military presence.

Dabbing sweat from his face after hearing a litany of complaints from impoverished people at a public meeting in Suai, 62-year-old Ramos-Horta said that despite an extraordinarily high ($US1.67 billion) budget the government has squandered the chance to improve health and education services and to kick-start rural development in the country of 1.1 million.

"Xanana Gusmao cannot claim success because the country remains abysmally poor, poverty is pervasive and infrastructure like roads are far worse than they were five years ago," he said.

Many of East Timor's bishops and community leaders were disappointed and surprised that Ramos-Horta, whose leadership was pivotal in preventing civil war in 2006, came third in the first round of presidential elections in March, excluding him from a run-off election earlier this month.

But he was a reluctant candidate, deciding only at the last minute to stand again because 100,000 Timorese signed a petition urging him to put his name
forward. "I did not want to run away. I made myself available," he said.

Since his defeat, Ramos-Horta has been inundated with requests not to abandon the country as it prepares to celebrate the 10th anniversary of its independence next month.

He is considering options that include the creation of a high-level position where he could help broker an end to what he calls "lingering tensions" between groups in the west and east of the country.

He also may become a special envoy to help East Timor prepare to join the Association of South-East Asian Nations (ASEAN). Ramos-Horta said Fretilin, which won the most votes at the last election in 2007 but was unable to form government, must be part of any new administration formed after general elections in July.

"Fretilin represents the majority of people in eastern districts and is the strongest of the political parties ... it has moderated itself after five years walking in the political wilderness," he said.

Ramos-Horta said if he could contribute to creating a coalition of east and west, "I will have made a huge contribution to the country."

He backs the view of analysts who say the country has fallen into the trap of a "resource curse", in which developing countries with an abundance of non-renewable resources neglect development needs.

The respected Timor-Leste Institute for Development Monitoring and Analysis (known as La'o Hamutuk or "Walking Together") warned recently that East Timor was heading towards financial disaster as declining oil revenues no longer sustained an economy dependent on government spending and imported production.

More than US$3 billion of petroleum revenue has been spent but this has scarcely improved the lives of most people, it said.

The government is also pressing ahead with a multi-lane south coast highway and development of a corridor of petroleum infrastructure for an industry that does not yet exist. The projects will cost billions of dollars.

Ramos-Horta said the government should have better-researched options to provide electricity in the country before signing an agreement to build the heavy oil power plant and a nationwide grid.

The cost of the project has almost doubled amid complaints of unsatisfactory work by a Chinese state-owned company.

Ramos-Horta also said that East Timor could not afford not to develop the Greater Sunrise field, which would provide financial security for the country for up to 30 years.

He said it was a mistake for the Gusmao government to make piping the gas from the field to a refinery in East Timor a "matter of national pride".

"The issue should not have been politicised ... it should have been considered on the basis of technical and economic assessments," he said.

The government and Fretilin opposition are blaming each other for the Greater Sunrise stalemate ahead of a February 2013 deadline for reaching agreement on a plan.

Ramos-Horta says he is "frankly perplexed" that for 12 months the government refused to talk with the Woodside-led consortium that wants to build a floating LNG processing plant above the field, rather than piping the gas to East Timor.

The government even organised demonstrations against Woodside executives in Dili. "We must be the only country in the world that has organised demonstrations against international investors," he said.

The comments are certain to anger Gusmao, who has accused the consortium of trying to steal his country's natural resources.

Ramos-Horta listens in a local hall as community leaders complain about the government's broken promises to buy crops, poor roads, lack of reliable electricity and the fourth death in a crocodile attack in a month: there is no mention of justice for the 1999 killings.

Ramos-Horta leaves office at midnight on May 19, the night of East Timor's independence celebrations. He said he will not miss the trappings of office and has no wish to enter party politics. "There is life after being president ... unfortunately people like me are much needed in the country," he said.