

## Francisco Guterres Lu Olo for President

"I shall be a President of all and for all"

### **Media release**

**25 April 2007**



## Lu Olo will guard Petroleum Fund

**Fretilin presidential candidate Francisco Guterres Lu Olo today promised to defend Timor Leste's gas and oil resources against unscrupulous self-serving politicians.**

Lu Olo criticised election candidates who say that if elected they will "unlock" Timor Leste's petroleum fund for a massive spending spree.

"If we flood the economy with money that would only fuel inflation and encourage corruption," he said.

"Our nation's long-term future depends on the Petroleum Fund being invested carefully and spent wisely. It is not a tool for politicians seeking to buy popularity in elections.

"The fund must be spent wisely to ensure we have enough money for many years to come. Our children and grandchildren must also benefit from Timor Leste's natural resources."

He said the Petroleum Fund set up by the Fretilin government is considered "international best practice" and is vital to ensuring that gas and oil revenues are spent in a transparent and sustainable manner. The fund has been praised by leading institutions such as the World Bank and International Monetary Fund (IMF) - see below.

Lu Olo said: "Money from the fund has so far been spent on education, health and public infrastructure. For the financial year 2006-2007 22% of the fund, US\$272 million (from a Fund balance of USD\$1,235 billion), will be spent through the budget and will be invested in infrastructure, health, education and rural development.

"Those politicians who claim we have money sitting in the bank in New York earning interest are misleading the public in an attempt to buy votes. Money has been spent and will be spent in the future, but it is being spent responsibly to ensure that our nation's resources are not mismanaged.

"If you try to pour a bucket of water into a small bottle, it will overflow and be wasted. Money will not get to the poor or those who need it, and only a few privileged people at the top will benefit."

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<http://www.luolobapresidente.blogspot.com>, <http://luolo.blogspot.com>,  
<http://www.timortruth.com>

## **IMF praises the Fretilin-designed Petroleum Fund**

Presidential candidate Francisco Guterres Lu Olo has welcomed the findings of an IMF (International Monetary Fund) report on the economy of Timor Leste.

IMF Country Report No. 07/79 (February 2007) praises the Fretilin government for its "sustainable and transparent management of oil and gas resources" and "efficient public spending".

The report makes the following comments:

"Timor-Leste had made good progress in establishing the basis for a stable and healthy economy prior to the civil unrest in 2006..."

"The authorities" development strategy remains sound and focuses on the core reforms needed to promote growth..."

"An outstanding track record of fiscal soundness since independence was restored in 2002 - namely through cautious spending and prudent management of oil and gas revenues - has allowed the authorities to take credit for a rare absence of public debt."

"Oil and gas resources are to be the lever for long-term development, through a special framework for their sound management. Based on a Petroleum Fund and a savings rule, this framework is acknowledged to follow international best practices and has been operational since mid-2005 - including throughout the recent instability period."

"The Petroleum Fund is integrated into the central government

budget and transparently managed. Transfers are subject to a spending ceiling set on the basis of the fiscal sustainability policy.”

“Transparent reporting, independent audits, and the creation of an Investment Advisory Board for the Fund have ensured a high level of accountability.”

“Fund assets are invested abroad to limit risk and minimize real exchange rate appreciation pressures. Designated oversight bodies monitor operations and internationally recognized accounting firms conduct annual audits.”

“Transfers from the Petroleum Fund, which concentrates all the oil and gas revenues, can only be made into a specific Treasury account and up to an annual expenditure ceiling deemed sustainable according to a long-term savings rule: the sum of non-oil domestic revenues and the estimated permanent income from invested oil and gas revenues. This framework has proved its robustness throughout the recent period of civil unrest, by which it was not affected.”

“The long-term fiscal sustainability strategy, targeting inter-generational equity through the savings policy and petroleum fund, remains an appropriate vehicle for broad management of the oil-and-gas wealth.”

“Adherence to the saving guideline and keeping spending within ‘sustainable’ levels, along with continued prudent management of the petroleum fund should help shield Timor-Leste from the ‘oil curse’ by smoothing spending and investing the remainder abroad, while financing the needed increase in development spending.”

To view the full IMF report to go

[www.imf.org/external/pubs/ft/scr/2007/cr0779.pdf](http://www.imf.org/external/pubs/ft/scr/2007/cr0779.pdf)