

Economic Bulletin

A Quarterly Publication of the Banking and Payments Authority of Timor-Leste

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Timor-Leste in Human Development Report, 2005

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Note that...

- ? **The Human Development Report 2005, published by UNDP, has many information about Timor-Leste**
- ? The HDI-Human Development Index of our country is 0.513 (placed of 140th), in maximum of 0.963 (Norway) and one minimum (Niger; 177th and the last place)
- ? **The rate of population growth estimate for the periode 2003-2015 is of 4.9%, the large in the world and higher then the earlier estimation in Timor-Leste (3.9%); both of them is the higher in the world**
- ? The number of childbirth of each women is of 7.8 child, the second major in the world
- ? **The international assistance is quantitative and qualitatively insufficient to permit for developing countries reached the Millennium Goals and for that should be increase and improve**
- ? The fuel prices in Asia have increase due to the increase in international price of oil and the reduction of subsidies pay in some countries.

The UNDP-United Nation Development Program publishes annually, since 1990, the so called Human Development Report (HDR) that includes various pieces of information about the state of economic and social development of many countries. The 2005 edition of the Report was just published, it includes information about 177 countries, including our's.

Besides these reports covering the world, many countries also publish national reports on human development in the world. That was the case of Timor-Leste in 2002. In that year, the office of the UNDP in Dili published a report, until now the only edition of a national report (significantly with the title "Ukun rasik a'an"). A second report is expected to be published.

One important information published in the HDR is the Human Development Index (HDI), a development indicator which combines information about income, education and health of the population in a country to give an idea about the level of a country's development. This index varies between zero and 1 and is expressed with three decimal places.

This year, the Report uses data from 2003 to calculate the index and concludes that the five countries with the best indices are, in descending order, Norway (0.963), Iceland (an island of North Atlantic, with 0.956), Australia (the first country of Asia-Pacific, with 0.955), and Luxemburg and Canada (both with 0.949).

Timor-Leste, with the HDI of 0.513, appears in the 140th place. Niger, an African country in the South Saharan desert, appears in last position (177th) with an index of 0.281.

The HDI of Timor-Leste is closer to the average of the countries called "Under Developed Countries": 0.518. Note also that, among independent Asian countries, Singapore is the best classified (25th) with an index of 0.907. It is followed by South Korea (28th with HDI=0.901, just minus 0.003 than the country above Portugal). Of the South Asian countries, it is recorded, 0.796 for Malaysia (61st place), 0.778 for Thailand (73rd), 0.758 for Philippines (84th, immediately above China) and 0.697 for Indonesia (110th place, two positions below Vietnam).

In the set of Portuguese speaking countries,

our country appears in the 5th position, after Portugal (27th), Brazil (63rd) with 0.792, Cape Verde (0.721) and Sao Tome (0.604). Ranked after Timor-Leste are Angola (160th), Mozambique (168th) and the Guinea-Bissau (172nd).

The value of the index for our country results from the combination of various partial indicators which are combined for calculation of the HDI. In these indicators, Timor-Leste registers a **live expectancy** at birth of 55.5 years, significantly below the maximum of 82 years of Japan, the average of 77.7 years of the industrialized countries and even of the average of 65 years for the group of developing countries. Indonesia has an average of 66.8 years. The average of Timor-Leste is almost equal to the Papua New Guinea (55.3).



The **adult literacy rate** (here considered those over 15 years old), another of the indicators used to calculate the HDI, was in Timor-Leste 58.6%, well below the average of 76.6% for the combined developing countries and for countries like Indonesia (87.9%) or Philippines (92.6%), although close to Papua New Guinea (57.3%). Niger, the country with the lowest HDI, had a rate of just about 14.4%. Another indicator referred to in the HDI2005 is the **probability of a person, at birth, NOT reach 40 years old**. Naturally, the larger is this number, the worse is the sanitary condition of the population. In the case of Timor-Leste, this probability was 25.5%. In Singapore, for example, this rate is about 1.8% and in Indonesia, 11.2%. Thailand has a rate of 9.9% and the Philippines of 7.2%. In Niger the rate is 41.4%.

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Timor-Leste in Human Development Report, 2005 (concl. of page 1)

But it is in relation to **the average annual growth rate of the population** that the situation of Timor-Leste is in particular noteworthy in the context of the data published in the last HDR. The Report indicates that with 4.9% a year, our country is the world recorder as for the population growth (estimated rate for 2003-2015), largely exceeding those second and third in the ranking, Uganda (3.7%/year) and Burundi (3.4%/year). Those numbers can be compared with other countries in the region where we are included: Singapore, with a rate of 1.1%, Malaysia, 1.6%, Philippines, 1.6% and Indonesia, with 1.1%. The Papua New Guinea has a rate of 1.8%. The average rate for under developed countries is around 2.3%.

Recall that the higher is this rate, the faster should be the **rate of production growth** so that it can take place an effective improvement of the economic and social condition of each individual of a country. Note, for example, that countries in East Asia have had an economic growth of about 5-6% per year and that the rate of population growth has been of about 1-1.5%, making the growth rate of per capita income about 4-5% for each year. If we apply the growth rate of income per capita of 4% for our country, it means that the annual growth of our production should be next to 9% (with the rate of population growth of 4.9% verified by HDR) or of about 8% (with the rate of population growth of 3.9% which was appears to be the result of the Census 2004, and of the inquiry about the condition of our population realized in 2003). Yet the growth rate of the PIB for next years, as assumed in the Budget of the State, can not be far from 6% (2005-06), or even from 4% (in the two years thereafter).

One of the consequences of that very high rate of population growth is an age structure in which youngsters with age below 15 years old represent a too big percentage. In Timor-Leste this percentage is of 42.5%, more than the 36% of the Philippines, 29% of Indonesia and 21% of Singapore. Recall that the existence of such a big proportion of youngsters, if it is an expectation in the future, it is also a great responsibility in the short-medium term, as they put big pressure on health and education systems, pushing the country, with few resources, to allocate a big share of them to those sectors---- which leaves fewer resources to foster economic growth and improve living standards.

Our country is also (almost) the recorders regarding the number of child-births per woman. In fact, with 7.8 child-births, Timor-Leste places itself immediately next (but almost the same) to the country with smallest HDI, Niger with its 7.9 childbirths per woman. The Malaysian women have normally just 2.9 childbirths, the Philippines, 3.2, and our neighbor Indonesia has 2.4 childbirths per woman. The women of the richest countries of the OCDE have an average of 1.8 child and the average of the East Asia and Pacific is around 1.9 childbirth per woman.

Another indicator of the report is the percentage of **children below 5 years old, which have weight inferior to that they should be have for their age.** Note that this is a crucial phase for the growth of a child,

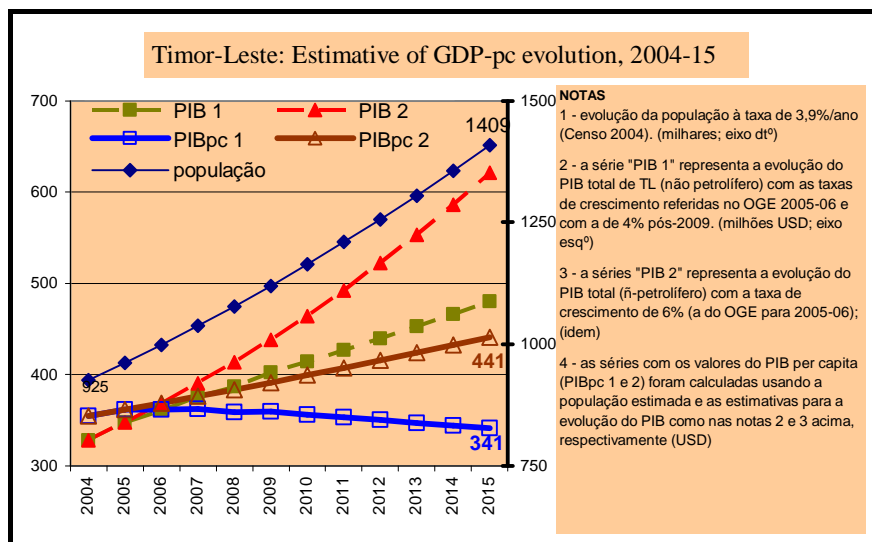
and that deficiencies in that age will be carried over for the rest of their live. This percentage was (in the period 1995-2003) 43% in our country, when in Malaysia it was 12% and in Thailand and Philippine, 15%. Here is an area where it seems almost everything remains to be done, as some observers refer to that, even with the limitation of available resources in many communities, it is possible to improve the quality of feeding of those children (and of adults, that will reflect on that).

Still in relation to the health of the children, ---- and of their mothers ----, the HDR2005 refers to that in Timor-Leste only 24% of childbirths (average of 1995-2003) were accompanied by specialized personnel (midwives, physicians). In Papua New Guinea this percentage is 53% and in Indonesia, 68%. The rate of Philippines is 60%.

The report also confirms that one of **the main health problems** in our country is the incidence of tuberculosis. In each 100 thousand inhabitants, there would be 753 cases, in Indonesia this number is 674.

The **rate of infantile mortality** (for each thousand children born with live), was (in 2003) of 87----i.e., in each thousand children born with life, 87 die before completing one year old. This value climbs to 124, when we talk about those children that died before completing 5 years old. In Indonesia the first rate is of 31 and the second is 41; in Papua New Guinea these values are, respectively, 69 e 93, larger than 27 and 36, respectively, for Philippines.

The HDR 2005 contains more information about Timor-Leste but we end with the information on **income per-capita** for 2003, which is in current USD of that time, was around USD389. To be noticed, however, that the estimated value for population (800 thousand inhabitants) it looks like is below the result of data from the Census 2004, and because of that the income per capita should be, in that year, a little lower than the indicated value. This was, even then, above the income per capita estimated for Bangladesh (USD 376), Laos (USD 375) and Cambodia, of just USD 315 per capita. The correspondent value for Indonesia was USD 970 and for Papua New Guinea, USD 578. Philippines had an income of USD 989 and Vietnam of USD 482.



The fuel price evolution in some Asian countries

As we all know, crude oil prices have increased significantly since the beginning of the year (around +50%). In the other Economic Bulletin we assessed some of the reasons and followed up on the essential of the observed evolution – and the benefits that Timor-Leste have extracted from that fact. But “there is no beauty without if not”, and if the country, at all, benefits from this evolution, in fact it is the Timorese consumer – and of almost all the world... – that have supported the cost of the increase in oil prices in its two main ways of consumption: the gasoline and the diesel.

The evolution in our country – that brought the gasoline price, in the last months, from about 70 to 85 cents of USD/liter – is not much different than what has been observed in other countries and likewise in those countries, nothing can be done to change this evolution, determined by complex factors of international nature.

Our neighbor Indonesians, for example, have faced in the last year two significant increases; the first in March, of 29% relatively to the previous price, and the second in the last 1st October, of about 88%!...In total, the price this year has increased to almost 2.5 times. The actual price of the best quality gasoline is around 4.500 rupiahs (or about 45 cents); and of the diesel, around 4.300 rupiahs, two times as much as last year's price (2.100 rupiahs).

These increases are justified by the necessity to reduce significantly the government financial effort to subsidize oil derivative prices (gasoline, diesel, kerosene), which affects negatively the public accounts and the capacity to use resources in more productive activities for economic growth and the combat against poverty. Beside that, these subsidies are socially unfair, as they benefit both the poor and the rich – that are the ones who consume individually, more gasoline and diesel.... Even though, these subsidies will still be maintained at around USD 8.7 billion.

The future trend will be towards, similarly to what happens in all countries, making disappear these subsidies and reflecting in the consumers the level and evolution of the energy price in the international market. Its maintenance, for the moment, aims not to put at stake the relative social peace the country has been benefiting, which is important for the recovery of the national economy – and, with it, the reduction of poverty. Recall that the last increases were always badly received by the population, given rise to waves of significant violence. The current increases were no exception, but the population seems now to be getting a better understanding that there is no alternative to the increases if crude oil prices in the international market have increased as it has happened since early this year.

Beside that, note that the current situation is different than the one before as Indonesia, besides being a producer of oil and natural gas, is now a net importer of energy and has to pay international market prices.

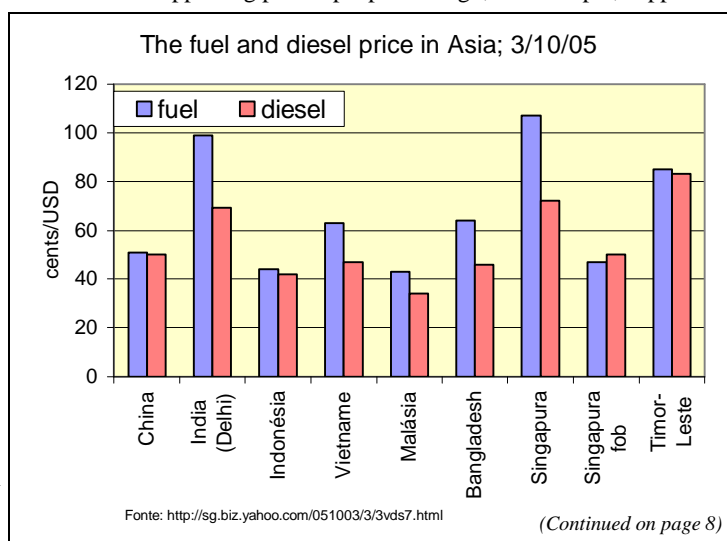
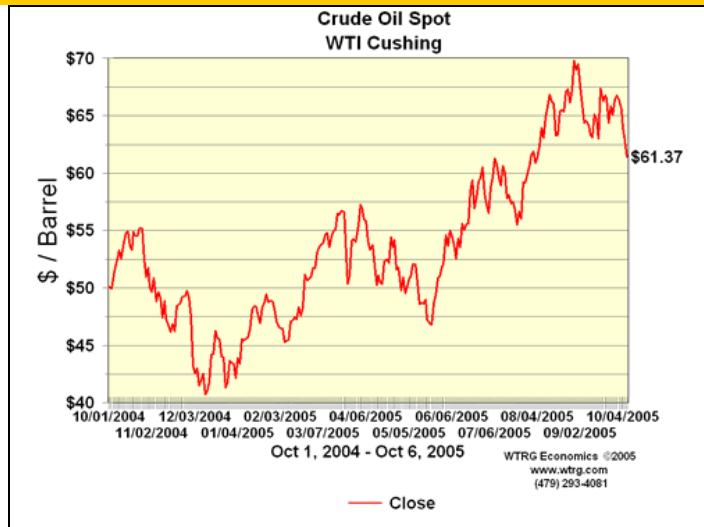
Also in Thailand, the price has increased significantly since early this year (+1/3), having surpassed the 0.51 cent per liter (super gasoline) to 0.68 cent (USD cents, daily exchange rate). In Australia, it costs around USD 1.05/liter.

A lesson seems to be evident; that countries should not fall into the temptation to subsidize energy prices because that will deviate to a socially unfair expenditure, the money that can be better used supporting poorer people through, for example, support

to development and to agrarian commercialization, and to investment in roads and other infrastructure (school, health centers, etc). Beside that, it is necessary to not forget when subsidies are granted, many other activities will also fight for the benefit from the concession of subsidies. Yet, as we know, there is a tendency for the benefits to be granted to those who have more power to claim and not necessarily to those more in need

Finally, another argument against the concession of subsidies is the fact that they change in fact the reality of the functioning of the market. And in economies that affirm to give primacy to this, it does make sense change to alter its function with subsidies that, as we have seen, on top of that, are yet socially unfair.

An interesting aspect of this study is the comparison of the evolution of these countries with the one observed in more industrialized ones.



Fonte: <http://sg.biz.yahoo.com/051003/3/3vds7.html>

(Continued on page 8)

The International Aid for development : Increase the quantity and improve the quality

Timor-Leste has benefited, since 1999, from an extremely significant support of the international community, either from bilateral donors or from multilateral institutions. Without this aid, it would have been difficult, if not impossible, to arrive at where we have arrived. Don't think, however, that because this aid was given for free -- at least the counterparts, where they exist, are not essentially in financial form---it was always necessarily good and "exempt of sin". Just think about the confusion that was installed in some sectors---for example, the justice and the linguistic issue--- due, principally, to the mistakes incurred by donors (including the UN while administrative institution of our country during almost three years).

The objective of this text is not, however, to analyze --- and, much less, to judge --- the contribution of our "development partners" to the evolution of our country. The objective of this study is the international aid in general and not the one that was/is given to Timor-Leste. For such and because we judge very interesting ---even for having origin in an international organization that is responsible for most of the aid to developing countries --- below we present some essential aspects of the analysis carried out by the recently published Human Development Report, edition on early last September by UNDP-the United Nations for Development Programs (see <http://hdr.undp.org/reports/global/2005> ; principally in pages 7-9 and 74 and after).

It is recognized in the Report that, although being one of the most effective weapons in the war against poverty that exists at the world level, the truth is that we have to recognize that "for the time being, this weapon is sub-utilized, has its objectives and goals fixed in an ineffective way and, for all of this, needs alteration. Reforming the international aid system is a fundamental requirement for one to turn back to a way capable of reaching the Millennium Goals.

That will only be possible if both members in the partnership that was established for the signing of the Declaration of the Millennium--- developing countries and developed countries --- do their parts: the first by establishing standards for the operation of their economies and societies that permit to reach that objective and use in an effective way the financial support that was received for that effect, and the second by making the necessary resources available (financial and others) so that it will be possible to achieve the targets established for the Millennium Goals.

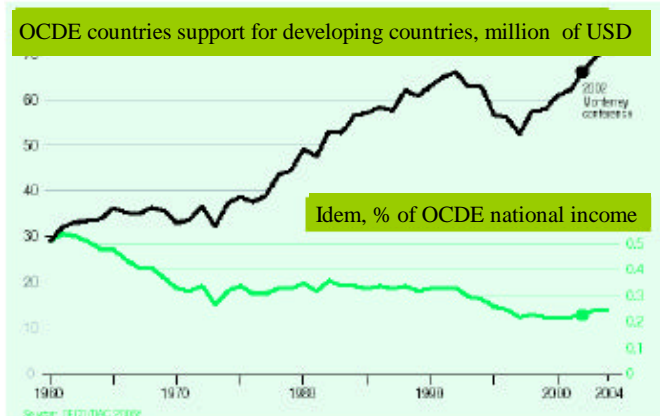
"There are three conditions for an effective aid: Firstly, it should be granted in a sufficient amount to support the take-off in the human development process. (...) Secondly, the aid should be granted in a predictable form and with the relatively reduced costs, making that each dollar of aid obtains the maximum counterpart. Thirdly, an effective aid requires its 'appropriation ' by the receiving country."

As for these several aspects, it has to be recognized that, albeit the improvement obtained, we are very far from the point of having reached a satisfactory situation: "although there has been progress in the increase of quantity and quality of the support, none of these conditions are yet reached. And that in spite of it becoming more and more evident that the subject of international aid is not, in some way and as it has been seen by some (principally in rich countries), a simple action of "charity" for those poor. It is, actually, more and more a condition for the social and political stability of the world, essential for all, rich and poor.

As for the quantity of available support, when the Declaration of Millennium was signed (2000) "the glass was three-fourth empty". Today, the "glass" is to be filled, it is almost half full, for what have contributed the conclusions and commitments of the so called "Conference of Monterrey" (Mexico, 2001) on the financing of the development. The rich countries spend today about 0,25% of their national income in the financing of the stock of international aid but we cannot forget that the commitment of the countries of the OCDE was of spending 0,7%--- goal that was only reached and, even, surpassed by the countries of Europe of the North (Sweden, Norway, Finland; Denmark and Holland).

Trying to correct this situation, the countries of the European Union have committed to increase gradually their expenditures in international cooperation until they reach, in 2010, 0,51%--- nevertheless very far away from the goal set by themselves of 0,7%.

These (good?) perspectives of increase of the support are not, however, enough to assure the financing of the efforts of the necessary developing countries to reach the goals set for several Millennium Objectives. In fact, it is considered that the money lacking increases from the 46 billion of USD in 2006 to the 52 billion in 2010, being the "gap" of financing especially big in Africa, exactly the area of the world that needs more and which is far from reaching the goals that were fixed (unrealistically? It seems that yes...). To reach the goals, Africa should see doubled the amount of aid received from now up to 2010. This panorama in relation to Africa repeats itself, although with smaller gravity, in the rest of the developing areas, so that "if one wants to reach the Millennium Goals, it is necessary that the next 10 years [the ones that lack to the limit of the period for reaching, 2015] mark a clear rupture with the practice of the last 15 years". Namely, the amount of help has to increase significantly: "from 1990 [the beginning of the period of 25 years to reach Millennium Goals] (...) the average per capita income of the rich countries increased USD 6.070 while the per capita support given , by these countries fell USD1. These numbers suggest that the winners



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Monetary statistics

Million of USD	Jun_05	Jul_05	Aug_05	Sep_05
Net foreign assets	353,405	369,589	370,692	415,005
<i>Claims on non-residents</i>	<i>409,087</i>	<i>430,071</i>	<i>435,432</i>	<i>484,623</i>
Claims of the ABP/BPA	363,052	385,167	392,341	432,684
Claims of the commercial banks	46,035	44,904	43,091	51,938
<i>Liabilities to non-residents</i>	<i>55,682</i>	<i>60,482</i>	<i>64,740</i>	<i>69,617</i>
Liabilities of the ABP/BPA	12,439	11,944	11,944	11,944
Liabilities of the commercial banks	43,243	48,538	52,796	57,673
Internal credit	-257,054	-275,745	-268,808	-309,671
Credit to the Central Administration/Government	0	0	0	0
credit from ABP/BPA	0	0	0	0
credit from commercial banks	0	0	0	0
Deposits of the Central Administration/Government	337,790	358,793	353,504	394,830
deposits with ABP/BPA	337,790	358,793	353,504	394,830
deposits with the commercial banks	0	0	0	0
<i>Net credit to Central Administration = credit - deposits</i>	<i>-337,790</i>	<i>-358,793</i>	<i>-353,504</i>	<i>-394,830</i>
Credit to private sector (corporations, individuals)	80,735	83,048	84,696	85,158
credit from the ABP/BPA	0	0	0	0
credit from commercial banks	80,735	83,048	84,696	85,158
Deposits of the commercial banks with ABP/BPA	6,252	5,564	7,273	3,853
Demand and term deposits	92,300	89,638	91,058	93,594
Demand deposits with commercial banks	56,710	55,730	55,665	57,011
From non-financial public corporations	0	0	0	0
From corporations and individuals	56,710	55,730	55,665	57,011
Term deposits	35,590	33,909	35,393	36,583
ABP/BPA term deposits	0	0	0	0
Corporations and individuals	35,590	33,909	35,393	36,583
Other net assets				
from ABP/BPA	893	628	649	722
from commercial banks	501	103	-79	-62
Equity and reserves	25,347	36,806	37,591	35,931
Equity contributed by owners	16,263	26,884	26,884	26,884
ABP/BPA	7,727	18,227	18,227	18,227
Commercial banks	8,536	8,657	8,657	8,657
Earnings	5,666	5,113	5,685	3,842
ABP/BPA	1,222	175	332	460
Commercial banks	4,444	4,938	5,353	3,382
General and special reserves	3,417	4,808	5,022	5,205
ABP/BPA	643	1,922	1,922	1,922
Commercial banks	2,775	2,887	3,100	3,284

(1) The negative value of "net claims on central government" means that the banking system is holding more government deposits than government debt (of which there is none in Timor-Leste). For a similar reason "domestic claims" is also negative

In quarterly terminate on last September the BPA proceed some alteration in the form to classify some of the monetary statistics components in the form to make them more related to the international standard promote by International Monetary Fund. Some difference that was verified in these components have origin in this alteration of the accounting criteria.

There have been register of continue increase in the claims on non-resident, that has increase about 18% between end of June and end of September. This was due to fundamentally --- but not exclusively --- the application, in overseas, the BPA resources resulted by government deposits (more than 17% related to last quarter), some of this has origin, as we aware, in the Timor Sea income. To be notice that in this quarterly was constituted the Petroleum Fund (PF) with the initial capital of 204,603,705 USD. This value is, due to the application of the accounting rule, include in the BPA balance sheet, that affect significantly the BPA claims on non-resident. If we take out the value of PF (of 247.4 million USD at the end of September), this was of 185.3 million of USD.

The total deposits in the commercial bank had an small increase in the quarterly of September but the credit was increase about 7%.

Finally, the fact that is was realized in the last quarter the additional capital of BPA through supply, from government, of the resources necessity to complete the capitalization of the Central Bank, that was fixed in 20 million USD in the UNTAET regulation that was create the BPA on 30 of November 2001. The amount still lack to reach this value that will be transfer by the "ABP Reserve" after obtain the necessity authorization of the Government, that can be occur in the next future.

Prices evolution in Dili

Inflation rate development measured by Consumer Price Index					
Items	CPI	CPI	CPI	Quarterly * inflation rate	Year on year ** Inflation rate
	Sep	Jun	Sep		
	2004	2005	2005		
All Groups	114.9	115.8	116.4	0.5	1.3
Foods	115.6	113.7	114.0	0.3	-1.4
Alcohol and Tobacco	116.9	128.3	127.7	-0.5	9.2
Clothing and Footwear	129.8	130.8	131.7	0.7	1.5
Housing	109.3	116.6	116.2	-0.3	6.3
Household Furnishings	106.0	104.4	103.8	-0.6	-2.1
Health	111.6	120.8	128.6	6.5	15.2
Recreation and Education	109.8	109.7	109.5	-0.2	-0.3
Transport and Com.	105.3	114.7	116.8	1.8	10.9

Explanation:

*) % Change of CPI on Sept 2005 against June 2005 **) Idem, on Sept 2005 against Sept 2004

The Consumer price index (CPI), as published by National Statistics Department of Minister of Planning and Finance of Timor-Leste, shows that consumer price are increasing of about 0.5% during quarter on September compared to the last quarter. The year on year inflation rate (September 2005 related to the September 2004) had an acceleration (to 1.3%) in relation to the correspondent rate verify in last quarter (Jun/05 to Jun/04) that was about -0.4%.

This acceleration was provoked by an increase in the food prices, in the clothing and footwear, in the health expenditure and of the transportation and communication. In this two last are the main contribution for the increase in the price for the September (Y-O-Y), followed by alcohol and tobacco. The increase in the transportation was due to the increase in the fuel and the solar price in the result of adjustment of the internal price to the international price evolution, while our country can not do anything.

Interim Summary Financial Statements of ABP/BPA

Autoridade Bancaria e de Pagamentos de Timor Leste
Banking and Payments Authority of Timor Leste

Av. Bispo Medeiros, Cx Postal 59, Dili, Timor-Leste
Tel. Nº (670) 3 313 718, Fax. Nº (670) 3 313 716

RESUMO TRIMESTRAL DO BALANÇO E DEMONSTRAÇÃO DE RESULTADOS

BALANÇO		DEMONSTRAÇÃO DE RESULTADOS	
Em 30 de Setembro de 2005		Período Concluído em 30 de Setembro de 2005	
ACTIVOS	US Dollars	PROVEITOS	US Dollars
Caixa e Depósitos	26,505,003	Juros recebidos de activos financeiros	1,120,305
Investimentos	160,656,669	Transferência orçamental	60,000
Outros activos	1,138,342	Rendimento de títulos de governos estrangeiros	1,440,837
TOTAL do ACTIVO	188,300,014	Taxas e recuperação de custos	88,449
PASSIVO		Outras receitas	4,567
Moeda emitida	1,709,087	TOTAL dos PROVEITOS	2,714,158
Depósitos do Governo	147,439,943	CUSTOS	
Depósitos de instituições Financeiras Nacionais	6,329,717	Despesas financeiras	2,034,158
Depósitos de instituições Financeiras Estrangeiras	11,944,229	Distribuição de moeda	18,526
Outros passivos	267,772	Despesas com Pessoal	94,870
TOTAL do PASSIVO	167,690,748	Despesas Operacionais	65,250
ACTIVOS LIQUIDOS	20,609,266	Depreciação	41,036
SITUAÇÃO LÍQUIDA		TOTAL dos CUSTOS	2,253,842
Capital	18,227,188	RESULTADO LÍQUIDO	460,316
Reserva Geral	1,921,762		
Lucros Retidos	460,316		
TOTAL da SITUAÇÃO LÍQUIDA	20,609,266		

As contas sumariadas acima são apresentadas de acordo com o artigo 56.2 do Regulamento 2001/30 e foram preparadas com base nos registos financeiros da ABP tal como existentes até a data de 30 de Setembro de 2005. Estas contas não foram auditadas.

Durante o período de formação do Fidejussor a transferência de USD 248,065,482 assim como os investimentos relacionados não foram incluídos nas contas acima.


Abraão de Vasconcelos
Director Geral

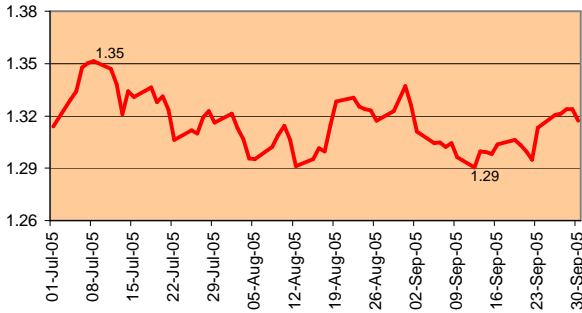
Outubro 13, 2005

Foreign Exchange markets

Latest developments

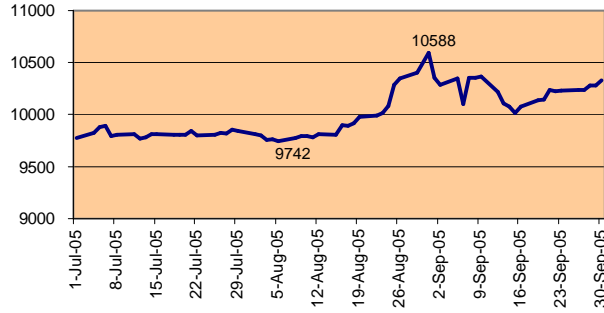
In the two graphs below and to the left, where we can see the amount of foreign currency (AUD-Australian dollar, and Euro) that each unit of national currency (USD) can buy, a depreciation of USD is represented by an ascent of the respective curve. In the graph of the right, representing the amount of Indonesian rupiahs bought by each USD, a depreciation of the USD is represented by a descent of the curve because it will allow to buy less rupiahs.

AUD per USD
(July - September 2005)



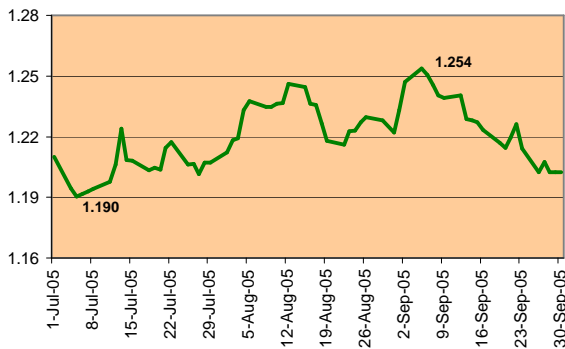
Source: Oanda and Bloomberg

IDR per USD
(July - September 2005)



Source: Oanda and Bloomberg

USD per Euro
(July - September 2005)



Source: Oanda and Bloomberg

Those chart shows that the relative instability of USD exchange rate continue in the third quarter of this year. This is most related to the AUD and the Euro, while in relation to IDR (Indonesia rupiah), there is maintain stable until middle of the period, after that suffer an depreciation.

The depreciation due to the effort of Indonesia economy for the external competitive to face the perspective of the price evolution due to the subsidies reduction to the oil and there can be affect the accelerate in the inflation (about 10%/year).

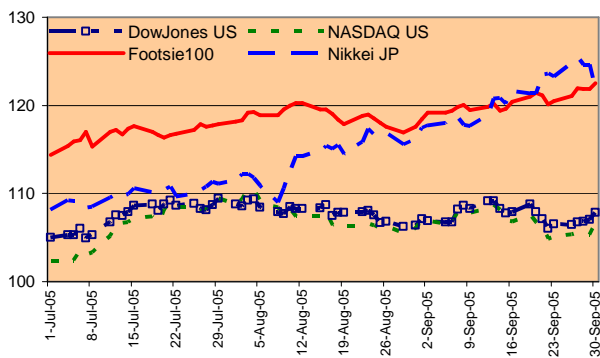
While the exchange rate against the Euro, after had verified an depreciation until the early of September, during this month the USD has become appreciate.

Also in relation to the AUD, the USD had an depreciation until the early of September, the evolution was converted from the moment 1.20.

Financial Markets

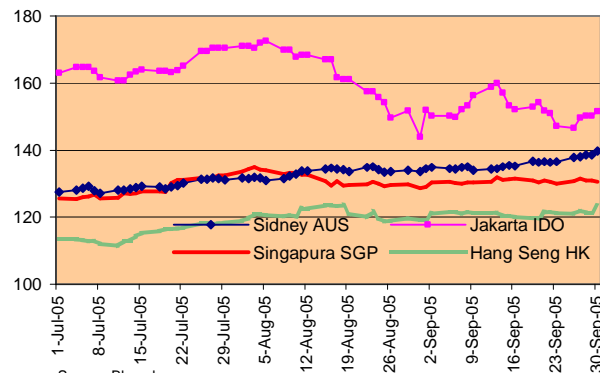
Latest developments

Evolution of Stock Exchange indexes
31/Dec/2003=100



Source: Bloomberg

Evolution of Stock Exchange indexes
31/Dec/2003 = 100



Source: Bloomberg

The evolution of the fuel price (concl...)

The International Energy Agency, in its September Bulletin, provide us with some interesting information. Like these: the price of gasoline was on average USD 1.707 per liter in England, 1.665 in Germany, and 1.601 in Italy. Of the countries for which data was presented, the United States, with 0.751 USD/liter, was the country with the less expensive gasoline.

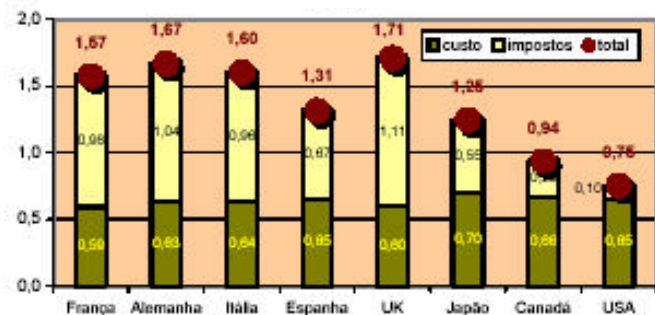
Notice that these price differences are essentially the result of different taxes levied on oil products since the gasoline price before tax (essentially the cost plus the profit margin of market intermediaries) was approximately equal in all countries, situating in almost all cases between 0.6 (60 cent) and 0.7 USD (70 cent) per liter.

It results from these values that the share of taxes on gasoline prices was about 60% in the majority of countries, declining to 14% in the United States and 30% in Canada. Surprisingly, the USA are one of the countries where the price of gasoline before tax is the highest, it only becomes cheaper to the final consumer due to the low fiscal burden applying to oil products--- what is a very powerful incentive to their use (and abuse....). Of note, the diesel price is, in most European countries, around 70-75% of the gasoline price, due to lower fiscal burden of the diesel (around 45-50%, against 60% for gasoline). This discrimination intends to be an incentive for the use of public transportation. In the United State and due to the low fiscal burden applicable to these products, the difference be-

tween the diesel price and the gasoline price is very small ---as it is observed in Timor-Leste, for example...

Finally, one refers to several studies confirming that when the level of development in a country increases, there is a tendency to increase taxes on fuel, given that these taxes are relatively easy to collect and that they are a source of considerable volume of revenues. Yet, the situation in developing countries, with less complex fiscal systems, points out to the progressive increase in taxes on fuel. Also here, our country will difficultly deny the rule... Sooner or later...

Fuel price in several countries of the OCDE (USD)



The international Aid for development (concl.)

of the globalization process, the richest countries, didn't give priority to the help the losers of that process--- in spite of they could benefit from that". In fact and as it is stated in HDR, "the collective safety depends more and more on the capacity to face the underlying causes of poverty and inequality. And however, for each USD supplement expense in aid, the rich countries affected USD 10 to the military budgets. The increase in military expenditures observed since 2000 would have been, only for itself, enough to, if allocated to international support, to reach the already widely proclaimed objective of spending 0,7% of the national income in external aid."

But there are other curious information: "the \$7 billion needed annually over the next decade to provide 2.6 billion people with access to clean water is less than Europeans spend on perfume and less than Americans spend on elective corrective surgery". And, however, such investment could have saved about 4 thousand lives every day.

Simultaneously with this lack of quantity of support, there are also big problems with its quality. The donors are conscious of that and for that they signed, in March/2005, the Declaration of Paris about Effectiveness of the International Aid. Unfortunately also here, the practice is far away from the donors' declarations.

One of the worst practices is the so called "tied aid", which translates into the supply of goods and services paid for the donor country in its own country--- a lot of times at superior costs to those that could be found in international markets. One institution "conservatively estimate the costs of tied aid for low income countries at \$5-\$7 billion" more than if donors were supplied where costs are lower and not in their own countries--- turning that support into a support to their own companies, so much or more than to the developing countries...

To pay more for aid means, in practice, that it is smaller than the one that would effectively be, since the same money could be used to accomplish cheaper and more useful projects to development, which remain to be completed.

Still in relation to the quality of the aid, the document that we are analyzing pays attention to the fact that the announced "partnership" among developing and developed countries is limited only, lot of times, to paper, since the obligations of ones and others are different, turning the expression "development partners" into something empty of content, since one is not truly before two groups of countries that are acting in consonance to a common good.

In fact, according to HDR2005, "there is a continuous imbalance as to the responsibilities and obligations" among the "partners." "Aid recipients are required to set targets for achieving the MDGs, to meet budget targets that are monitored quarterly by the International Monetary Fund (IMF), to comply with a bewildering array of conditions set by donors and to deal with donor practices that raise transaction costs and reduce the value of aid. Donors, for their part, do not set targets for themselves. Instead, they offer broad, non-binding commitments on aid quantity (most of which are subsequently ignored) and even broader and vaguer commitments to improve aid quality. Unlike aid recipients, donors can break commitments with impunity. In practice, the new partnership has been a one-way street. What is needed is a genuine new partnership in which donors as well as recipients act on commitments to deliver on the promise of the Millennium Declaration."