2015 Timor-Leste & Development Partners Meeting (TLDPM)  
Consolidating Institutions, Transitioning Towards Resilience

Roadmap to Bolster Timor-Leste’s Economic Sector

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4 Main Government’s Reform Agendas

- Fiscal Reform
- Ensuring Quality of Projects
- Public Administration Reform
- Harmonization of Laws
Implications of Government Restructuring for the Economic Sector

- Minister of State, Co-ordinating Minister for Economic Affairs (MECAE)
  - Strengthen co-ordination of all economic Ministries and institutions under one State Minister
  - Co-ordinate across private sectors and productive sectors of agriculture, tourism & industry

- Minister of Planning and Strategic Investment
  - Play a key role in planning strategic investments in the economy from public and private sector
Government institutions for the economic sector

**Ministry of Finance**
- Fiscal policy
- General State Budget
- Macroeconomic framework
- Economic policy

**Ministry of Planning and Strategic Investment**
- Allocation of infrastructure spending
- Planning framework
- Facilitating private investment

**Central Bank**
- Financial sector
- Limited role in monetary policy
- Financial Supervision

**Coordinating Minister of Economic Affairs**
- Microeconomic policy
- Private sector environment
- Trade and investment flows
- Labour market
- Productive sectors: tourism, agriculture and manufacturing
Main Achievements in the Economic Sector

- Average Non-Oil GDP growth for the period of 2007-2011, forecasted to grow at 7.1% in 2014;
- Macroeconomic stability through a world-class Petroleum Fund;
- Low inflation in 2014-2015, below 4%-6% of the SDP target;
- Establishment of SERVE, 1 Stop Shop for business registration;
- Basic Infrastructure: Electricity Access
- Reform in Economic Monitoring and PFM
Key Challenges

High, inclusive and sustainable growth:

- Diversifying the economy: Agriculture, Tourism, Petroleum and Manufacturing;
- Improving productivity (labor and sectors);
- Creating employment through growth;
- Private sector development
- Fiscal sustainability
  - Management of petroleum fund
  - Increase domestic revenue
  - Quality of budget and efficiency of expenditures
Overcoming Sectoral Challenges with Fiscal Reform

3 Main Component and Institutional Setup of the Fiscal Reform

- CoM and Parliament
- Ministerial Council for the Fiscal Reform (Chaired by MPIES, MECAE, and MoF)
- Fiscal Reform Commission
  - Fiscal Reform Secretariat
  - Fiscal Reform Working Groups

- REVENUE REFORM
- EXPENDITURE REFORM
- ECONOMIC REFORM

- MJ
- MOPTC
- MPIE
- MPRM
Overcoming Sectoral Challenges With Fiscal Reform

Fiscal reform aims to:
- Increase revenues from taxes and charges
- Create fiscal space
- Make expenditure more effective & Efficient
- Increase economic growth
- Increase domestic investment
- Increase foreign direct investment

Goal is to increase tax/GDP ratio to 15% within 5 years
Overcoming Sectoral Challenges With Fiscal Reform

- **REVENUE REFORM**
  - Improving revenue collection and audit systems
  - Creating, approving and implementing laws, procedures and structures for improving revenue collections.
  - Acquiring/modifying/integrating IT to improve revenue administration system;
  - Improving HR in revenue collection;
  - Public awareness on revenue issues

- **EXPENDITURE REFORM**
  - Efficient and well targeted expenditures;
  - Program budgeting and medium-term forward estimates
  - A system and framework for M&E
Overcoming Sectoral Challenges with Fiscal Reform – economic reform

- Creating employment through growth of the private sector
  - Reform of business laws;
  - Strengthened dialogue with private sector;
  - Strong focus on investment promotion and facilitation;

- Improving access to finance
  - Strengthening financial system;
  - Supporting innovation through mobile banking;

- Diversifying the economy by developing the agriculture, tourism, petroleum and manufacturing sectors
  - Renewed focus on horticulture, coffee, industrial crops, livestock, forests and fisheries.
  - Strengthening planning and co-ordination in the tourism sector.
  - Developing an industrial policy and creating an environment where competitive manufacturing can thrive.
Overcoming Sectoral Challenges with Fiscal Reform – economic reform

- Reducing poverty through rural development
  - Increasing yields and returns from agriculture.
  - Supporting small and micro businesses in rural areas.
  - Improving rural infrastructure including roads, water and sanitation.
- Community development through PNDS and PDID.
The Way Forward, Areas for Government and DP Collaboration

- Fiscal reform including revenue, expenditure and economic reform
- Public Financial Management
- Rural development and agriculture
- Establishing competitive industries and attracting investment in tourism, agriculture and manufacturing
- Strengthening the financial system and financial inclusion