2016 Timor-Leste & Development Partners Meeting (TLDPM)

Financing for Sustainable Development in Timor-Leste

Implementing SDG9

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SDG 9 Definition: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

- **Develop** quality, reliable, sustainable & resilient **infrastructure** for economic and Human development
- **Promote** inclusive and sustainable **industrialization** and, by 2030, significantly raise industry’s share of employment and GDP
- **Increase** the access of small-scale industrial and other enterprises to finance
- **Enhance** scientific research, upgrade the **technological capabilities** of industrial sectors
Making the case for Industrial Development

Relevance of SDG9 to Timor-Leste:

- **Economic** diversification; SDP & Economic Policy Reform
- **Infrastructure** development progressing steadily
- **Resource** availability and market demand
- **Manufacturing** industries can create jobs
- **Reduction** of Poverty
- **Preparing** capabilities for access to highly competitive markets (ASEAN)
Where Are We Now?

Pre-Industrialization- Policy Development phase

- **Situation analysis**: National Industrial Survey - 2014
- **Industrial** Development Policy final stages.
- **Industrial competitiveness** identification and capabilities assessment
- **Access to finance** assessment “Small and medium industries and enterprises”
- **Demonstrative pilots** Small agro-transformation industries
TL approach to Industrial Development (SDG9)

Integrated multi-partnership approach:

- **Enhancing** Timor Leste Business Environment competitiveness: fiscal, economic and legal reforms
- **Improving** infrastructure
- **Dynamic** framework for Resource and Demand based Industrial action plan
- **Skills** and technological catch up.
- **Small** and Medium Enterprises enhancement: business skills and access to finance
Stages of industrial catch-up processes

Stage Zero
- Monoculture, subsistence agriculture, and dependency

Stage One
- Simple manufacturing under foreign guidance

Stage Two
- Have supporting industries, but still under foreign guidance
- Agglomeration (acceleration of FDI)

Stage Three
- Management & technology mastered, can produce high quality goods

Stage Four
- Full capability in innovation and R&D as global leader

Pre-industrialization
- Initial FDI absorption
- Internalizing parts and technology
- Internalizing skills and technology
- Internalizing innovation

Creativity
- Technology absorption

Arrival of manufacturing FDI

Japan
US
EU

Japan
US
EU

Taiwan
Korea

Malaysia
Thailand

Vietnam
Myanmar

Glass ceiling for ASEAN countries (middle income trap)
Small and Medium-sized Enterprises/industries Promotion

**Enterprise Financing: Segments Not Served**

Entrepreneurs of small and medium sizes with no guarantees are not served by the current financial market.

- **Banks Loans**
  - No credit supply
  - With guarantees

- **Micro Finance Loans**

- **Government Grants (*)**

- **Credit Unions**
  - With guarantees
  - No guarantees

- **Existing Business**

- **New Business**

(*) Government grants based on the ministries’ and secretaries’ programmes (sector, activity, location)
Targets and Potential Partners

SDG 9 key targets by 2030: Promote inclusive and sustainable industrialization, Employment & SMEs.

- **Gov.**: Ministry of: Industry Commerce and Environment, Economic Coordination, Education, Central Bank, SEM and SEFOPE

- **Private Sector**: Chamber of Commerce and Industry Investing in industrial development (Business owners, Banks and financial services providers)

- **Development partners**: Government of Korea, UNDP, Government of Japan and the German Cooperation

- **CSO**: Cooperatives
Moving from Pre-Industrialization Challenges and Opportunities

- **Development** Partners commitment “questioning the relevance of the agenda, the target and goal”
- **Technological** and skills catch-up in Industrialization
- **Finance** availability
- **Private** sector capability
- **Product** Quality assurance
- **Market** competitiveness
Salt Industry: to improve manufacturing, create Job and Reduce Poverty
The Way Forward

Areas for Government, Donor, CSO, and Private Sector Collaboration

- **Mobilize** more development assistance for the industrial development sector.
- **Support** innovation and technological catch up
- **Private sector** investment
- **CSO**: sustainable “green” Inclusive Industrial Policy development
Together for Development, Progress and Better working conditions. Thank You.