Poverty and Timor-Leste’s Economic Development Strategy

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1. Taking stock
   • Trends in public spending, poverty and nutrition

2. Looking ahead
   • Budget and revenue projections
   • Strategic sectors

3. Some suggestions
The surge in public spending since 2007 has lifted non-oil GDP, but households’ consumption has risen more slowly.

Source: RDTL Budget books (various years), Timor-Leste Transparency Portal

Source: Timor-Leste National Accounts 2000-2012
Service delivery has improved, but improvements in childhood nutrition have been slower.


Source: World Development Indicators
And despite rapid growth, formal employment opportunities are limited, and international competitiveness lags.


Source: Timor-Leste Labour Force Survey 2013 (DRAFT)
Declining oil revenues highlight the importance of fiscal sustainability and economic diversification.

The draft 2015 Budget plans for spending to remain above sustainable levels until 2019.

Source: RDTL Draft 2015 Budget

Source: RDTL Draft 2015 Budget, authors calculations
Agriculture is a key sector for growth and poverty reduction.

<table>
<thead>
<tr>
<th></th>
<th>GDP growth 1980-2011</th>
<th>Agriculture Growth 1980-2011</th>
<th>Agriculture TFP growth</th>
<th>Per capita Income per year</th>
<th>Population growth</th>
<th>Poverty ($1.25 per day per capita)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Viet Nam</td>
<td>6.9 % p.a.</td>
<td>3.6%* p.a.</td>
<td>2.2% p.a.</td>
<td>$259 ▼ $1,235</td>
<td>1.6% p.a.</td>
<td>64 % in 1993 ▼ 17% in 2008</td>
</tr>
<tr>
<td>Indonesia</td>
<td>4.9 % p.a.</td>
<td>3.0% p.a.</td>
<td>1.8% p.a.</td>
<td>$1,125 ▼ $3,112</td>
<td>1.7% p.a.</td>
<td>63% in 1984 ▼ 18 % in 2011</td>
</tr>
<tr>
<td>Philippines</td>
<td>3.1 % p.a.</td>
<td>2.0% p.a.</td>
<td>1.3% p.a.</td>
<td>$1,699 ▼ $2,182</td>
<td>2.3% p.a.</td>
<td>35% in 1985 ▼ 18.4% in 2009</td>
</tr>
</tbody>
</table>

Tourism can be an important source of income and employment.

Source: World Development Indicators

Source: World Travel and Tourism Council
Tourism development in Timor-Leste

- National Strategy focuses on eco, marine, historical and adventure tourism. Some good work done already: training, infrastructure, identification of key sites etc.

- Key challenge is to build partnership between government and the private sector:
  - Work together to resolve constraints and grow the sector.
  - Identify relevant models / lessons from other countries
  - Investment facilitation
  - Improved data *(the two charts below are included to highlight issues with current data collection – in particular the failure to distinguish between tourists and other visitors, and to survey the sector as a whole)*

Source: World Development Indicators

Source: Timor-Leste in Figures, 2013, 2009: Survey of large hotels
Some suggestions on the strategic approach..

1. Look beyond non-oil GDP growth
   • Quality
   • Inclusiveness

2. Focus on quality / efficiency of public spending
   • Capital investments - rates of return & sustainability
   • Recurrent spending – prioritize human development

3. Support diversification
   • Provision of core public goods
   • Sector strategies to solve coordination failures
Thank you