AGENDA

1. WHERE SHOULD WE GO?
2. WHERE ARE WE NOW?
3. WHAT SHOULD WE DO AND WHO SHOULD DO IT?

YELLOW ROAD WORKSHOP
22 - MAY - 2013

WHERE SHOULD WE GO?

PED: Upper Middle Income Country by 2030
By 2030 Timor-Leste should be a upper-middle income country with a secure, well-educated and healthy population.

Program 2012-2017
Create opportunities for all, in a fair and inclusive manner, to enable the growth of a dynamic and innovating economy.

STAGE I
- Human Resource Development;
- Infrastructure;
- Strategic Industries
- MDGs no "New Deal"

STAGE II
- Infrastructure;
- Strengthening Human Resources;
- Market Formation.

STAGE III
- Eradication of Extreme Poverty;
- Strong Private Sector & "Kooperativa";
- Diversify Non-Oil Economy

I. Institutional Framework:
   - Strong and credible institutions.

II. Social Capital:
   - Qualify and adequate human resources.

III. Infrastructure:
   - Adequate and appropriate infrastructure.

III. Macroeconomic Stability:
   - High, inclusive and sustainable economic growth;
   - Moderate inflation;
   - High employment and productivity;
   - Sustainable fiscal policy.
STRATEGIC DEVELOPMENT PLAN 2011-2030

"Vision: Timor-Leste to be an upper-middle income country by 2030"

TRANSFORMING STRUCTURE OF ECONOMY

MODERNIZE AND DIVERSIFY ECONOMY

AGRICULTURE

TOURISM

PETROLEUM

KEY SUPPORTING SECTOR: Infrastructure and Human Capital Development

7.5%
7.0%
6.4%
5.9%
5.4%
4.9%
4.3%
3.8%
3.3%

Potential Inflation Trend

Acceptable inflation range
based on SPD

Potential downward inflation range

OBJECTIVE: Create opportunities for all, in a fair and inclusive manner, to enable the growth of a dynamic and innovating economy.

Main Targets in 2015

- 80% of children have access to good quality of basic education;
- Health clinic for villages with population 1,500 and 2,000;
- Approximately 30,000 houses built for poor people.
- Productivity in agricultural sector increased significantly, robust development in tourism sector, and private sector involved in all industries, primarily from Small and Medium Enterprises
- All rural roads rehabilitated;
- 70% of rural population access to clean and safe water;
- 24/7 electricity and telecommunication service for all people;
- All the existing sea ports been rehabilitated.

Social Capital

- 93% of children have accessed to good quality of basic education;
- Health clinic for villages with population 1,500 and 2,000;
- Approximately 30,000 houses built for poor people.

Economy

- Productivity in agricultural sector increased significantly, robust development in tourism sector, and private sector involved in all industries, primarily from Small and Medium Enterprises

Infrastruct

- All rural roads rehabilitated;
- 70% of rural population access to clean and safe water;
- 24/7 electricity and telecommunication service for all people;
- All the existing sea ports been rehabilitated.
**WHERE SHOULD WE GO?**

New Deal: 3 inseparable components (PSG, FOCUS, TRUST)

1. Peacebuilding and Statebuilding Goals
2. Legitimate Politics
3. Security
4. Justice
5. Economic Foundation
6. Revenues & Services

**TRUST**

- Transparency
- Risk-sharing
- Use and strengthen country systems
- Strengthen capacities
- Timely and predictable Aid

**WHERE SHOULD WE GO?**

SDP Matrix (1)

**WHERE SHOULD WE GO?**

**Conclusion**

- By 2030 Timor-Leste should be a upper-middle income country with a secure, well-educated and healthy population.
- To achieve SDP vision, we should implement SDP in short, mid, and long-terms;
- To achieve SDP vision, we should meet all the necessary requirements.
- Never loose sight of our vulnerabilities – hence ensure “New Deal” is implemented;
- SDP matrix is an instrument to coordinate, monitor and evaluate progress of our work.

**Opportunities and challenges in the area of:**

- Social capital
- Infrastructure
- Economy:
  - Economy growth
  - Inflation
  - Fiscal policy: 1) Domestic revenue; 2) Petroleum Revenue; and 3) Budget execution.
### Yellow Road Workshop
22 May 2013

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**Where Are We Now? TL Fragility Assessment**

#### PSG Objectives

<table>
<thead>
<tr>
<th>Objective</th>
<th>Fragility Phase</th>
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<tbody>
<tr>
<td>Legitimate Politics</td>
<td>+</td>
</tr>
<tr>
<td>Security</td>
<td>-</td>
</tr>
<tr>
<td>Justice</td>
<td>-</td>
</tr>
<tr>
<td>Economic Foundations</td>
<td>-</td>
</tr>
<tr>
<td>Revenues &amp; Services</td>
<td>-</td>
</tr>
</tbody>
</table>

#### Phase 1: Crisis

- Build & Reform

#### Phase 2: Fragility Phase

- Transition

#### Phase 3: Transformation

- Phase 4: Results

- Phase 5: Resilience

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**Where Are We Now? Social Capital: Results and Challenges (1)**

<table>
<thead>
<tr>
<th>No</th>
<th>SOCIAL CAPITAL INDICATORS</th>
<th>Responsible Entities</th>
<th>Result 2009</th>
<th>Target 2015</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Recency Rate</td>
<td>All</td>
<td>85</td>
<td>85</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Children age 5-underweight</td>
<td>MoPW</td>
<td>85</td>
<td>85</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Primary School Enrolment</td>
<td>MoPW</td>
<td>80.7</td>
<td>100</td>
<td>Achieved</td>
</tr>
<tr>
<td>4</td>
<td>Students up to grade 4th</td>
<td>MoPW</td>
<td>85.9</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Mortality of children less than 5 years (per 1,000)</td>
<td>MoPW</td>
<td>66</td>
<td>85</td>
<td>Advanced</td>
</tr>
<tr>
<td>6</td>
<td>Infant mortality (per 1,000)</td>
<td>MoPW</td>
<td>50</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Children receive “healthcare services”</td>
<td>MoPW</td>
<td>80.7</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Mother mortality (per 100,000)</td>
<td>MoPW</td>
<td>450</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>% mother get assistance from nurse and/or doctor when give birth</td>
<td>MoPW</td>
<td>25.6</td>
<td>63</td>
<td>+</td>
</tr>
<tr>
<td>10</td>
<td>Life-expectancy of women, rural</td>
<td>MoPW</td>
<td>20.5</td>
<td>82</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Population with age 25-59 that understand HIV/AIDS</td>
<td>MoPW</td>
<td>91</td>
<td>85</td>
<td>-</td>
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<tr>
<td>12</td>
<td>Malaria (per 1,000)</td>
<td>MoPW</td>
<td>113</td>
<td>75</td>
<td>-</td>
</tr>
<tr>
<td>13</td>
<td>Children - underweight</td>
<td>MoPW</td>
<td>100</td>
<td>100</td>
<td>-</td>
</tr>
<tr>
<td>14</td>
<td>Children under 5 years old sleep in insecticide mosquito net</td>
<td>MoPW</td>
<td>100</td>
<td>100</td>
<td>-</td>
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</tbody>
</table>

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**Where Are We Now? Social Capital: Results and Challenges (2)**

<table>
<thead>
<tr>
<th>No</th>
<th>SOCIAL CAPITAL INDICATORS</th>
<th>Responsible Entities</th>
<th>Result 2009</th>
<th>Target 2015</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>% population access to internet</td>
<td>MoPW &amp; MTT</td>
<td>0%</td>
<td>100%</td>
<td>Achieved</td>
</tr>
<tr>
<td>2</td>
<td>% population access to telephone services; MTT</td>
<td>MoPW &amp; MTT</td>
<td>0%</td>
<td>100%</td>
<td>Achieved</td>
</tr>
<tr>
<td>3</td>
<td>% population access to clean water</td>
<td>MoPW &amp; MTT</td>
<td>0%</td>
<td>100%</td>
<td>Achieved</td>
</tr>
<tr>
<td>4</td>
<td>% households access to electricity; MoPW</td>
<td>0%</td>
<td>100%</td>
<td>Achieved</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>% School Buildings - constructed and rehabilitated</td>
<td>MoPW and MSS</td>
<td>0%</td>
<td>100%</td>
<td>Achieved</td>
</tr>
<tr>
<td>6</td>
<td>% bridges - constructed and rehabilitated; MoPW</td>
<td>0%</td>
<td>100%</td>
<td>Achieved</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>% National Airport - constructed and rehabilitated; MoPW</td>
<td>0%</td>
<td>100%</td>
<td>Achieved</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>% Regional Airport - constructed and rehabilitated; MoPW</td>
<td>0%</td>
<td>100%</td>
<td>Achieved</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>% Port - constructed and rehabilitated; MoPW</td>
<td>0%</td>
<td>100%</td>
<td>Achieved</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>% of population access to telephone services; MTT</td>
<td>MoPW &amp; MTT</td>
<td>0%</td>
<td>100%</td>
<td>Achieved</td>
</tr>
<tr>
<td>11</td>
<td>% health clinic - constructed and rehabilitated; MoPW</td>
<td>0%</td>
<td>100%</td>
<td>Achieved</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>% population access to health services; MTT</td>
<td>MoPW &amp; MTT</td>
<td>0%</td>
<td>100%</td>
<td>Achieved</td>
</tr>
</tbody>
</table>

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**Where Are We Now? Economy: Results and Challenges**

<table>
<thead>
<tr>
<th>No</th>
<th>ECONOMICS INDICATORS</th>
<th>Responsible Entities</th>
<th>Result 2009</th>
<th>Target 2015</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>% Employment</td>
<td>SEPFOPE &amp; MoF</td>
<td>75</td>
<td>75</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>% females get employment</td>
<td>SEPFOPE &amp; MoF</td>
<td>75</td>
<td>75</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>% Vulnerable employment</td>
<td>SEPFOPE &amp; MoF</td>
<td>75</td>
<td>75</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>% Employment in formal sector</td>
<td>SEPFOPE &amp; MoF</td>
<td>75</td>
<td>75</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>% GDP from SME</td>
<td>SEPMO &amp; SEPMAF</td>
<td>50</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>% Investment from SNS</td>
<td>SEPMAF</td>
<td>50</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Public investment (capital expenditure) (SM) 2011</td>
<td>SEPMAF &amp; SEPSP</td>
<td>50</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>% Economic Growth</td>
<td>MoPW</td>
<td>10.8</td>
<td>25.5</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>% Non-oil GDP</td>
<td>MoPW</td>
<td>122.8</td>
<td>97.6</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>% Oil production</td>
<td>MoPW</td>
<td>10.9</td>
<td>4.4</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Domestic Revenue (SM)</td>
<td>MoPW</td>
<td>134.1</td>
<td>183.7</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>% Non-oil deficit 2011</td>
<td>MoPW</td>
<td>101.2</td>
<td>86.8</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Import (SM) 2011</td>
<td>MOCA</td>
<td>119.6</td>
<td>119.6</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Export (SM) 2011</td>
<td>MOCA</td>
<td>53.2</td>
<td>53.2</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Balance of import and export (SM) 2011</td>
<td>MOCA</td>
<td>-286.6</td>
<td>720.8</td>
<td></td>
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</tbody>
</table>

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**Where Are We Now? Infrastructure: Results and Challenges**

<table>
<thead>
<tr>
<th>No</th>
<th>INFRASTRUCTURE INDICATORS</th>
<th>Responsible Entities</th>
<th>Result 2009</th>
<th>Target 2015</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>% length of national roads - constructed and rehabilitated; MoPW &amp; MSS</td>
<td>0%</td>
<td>100%</td>
<td>Achieved</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>% length of district roads - constructed and rehabilitated; MoPW &amp; MSS</td>
<td>0%</td>
<td>100%</td>
<td>Achieved</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>% length of rural roads - constructed and rehabilitated; MoPW &amp; MSS</td>
<td>0%</td>
<td>100%</td>
<td>Achieved</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>% bridges - constructed and rehabilitated; MoPW &amp; MSS</td>
<td>0%</td>
<td>100%</td>
<td>Achieved</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>% National Airport - constructed and rehabilitated; MoPW &amp; MSS</td>
<td>0%</td>
<td>100%</td>
<td>Achieved</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>% Regional Airport - constructed and rehabilitated; MoPW &amp; MSS</td>
<td>0%</td>
<td>100%</td>
<td>Achieved</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>% Port - constructed and rehabilitated; MoPW &amp; MSS</td>
<td>0%</td>
<td>100%</td>
<td>Achieved</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>% of population access to electricity; MoPW &amp; MTT</td>
<td>0%</td>
<td>100%</td>
<td>Achieved</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>% health clinic - constructed and rehabilitated; MoPW &amp; MTT</td>
<td>0%</td>
<td>100%</td>
<td>Achieved</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>% population access to health services; MTT</td>
<td>MoPW &amp; MTT</td>
<td>0%</td>
<td>100%</td>
<td>Achieved</td>
</tr>
</tbody>
</table>

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**Where Are We Now? TL Economic Growth**

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total GDP Growth Rate (%)</td>
<td>14.8</td>
<td>66.3</td>
<td>-0.6</td>
<td>12.1</td>
<td>-7.0</td>
<td>-7.0</td>
<td>12.1</td>
<td>13.8</td>
</tr>
<tr>
<td>Oil GDP Growth Rate (%)</td>
<td>77.6</td>
<td>79.9</td>
<td>-2.7</td>
<td>11.6</td>
<td>-10.6</td>
<td>-4.1</td>
<td>6.0</td>
<td>2.4</td>
</tr>
<tr>
<td>Non-Oil GDP Growth Rate (%)</td>
<td>568.0</td>
<td>545.4</td>
<td>3,366.3</td>
<td>5,034.4</td>
<td>4,521.8</td>
<td>4,206.2</td>
<td>4,140.4</td>
<td>4,430.6</td>
</tr>
<tr>
<td>Total GDP (SM)</td>
<td>1,621.8</td>
<td>2,510.5</td>
<td>4,065.1</td>
<td>4,034.4</td>
<td>4,521.8</td>
<td>4,206.2</td>
<td>4,140.4</td>
<td>4,430.6</td>
</tr>
<tr>
<td>Oil GDP (SM)</td>
<td>1,102.2</td>
<td>1,957.5</td>
<td>3,522.0</td>
<td>3,428.1</td>
<td>3,412.1</td>
<td>3,281.7</td>
<td>3,478.4</td>
<td>3,748.7</td>
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<tr>
<td>Non-Oil GDP (SM)</td>
<td>519.6</td>
<td>553</td>
<td>543.1</td>
<td>606.3</td>
<td>695.5</td>
<td>784.6</td>
<td>858.0</td>
<td>952.2</td>
</tr>
</tbody>
</table>

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*Preliminary Estimation.
Note: All figures are based on the updated figures from National Account.
Where Are We Now?
Economy: TL GDP Per-capita

- 2004 = $546
- 2011 = $850
- In 7 years, GDP per-capita increased to $304, with an average $43/year

- SDP 2030 = $4,000 (Upper Middle Income)
- 2011 = $850
- To achieve SDP vision, in 19 years, GDP per-capita must increase by a minimum $3,150 with an average $166/year

Can we achieve SDP vision? What should we do?

Where Are We Now?
Economy: Sectoral Contribution to GDP (1)

Where Are We Now?
Economy: Sectoral Contribution to GDP (2)

Nominal GDP by Sector, in 2010 US$ millions

- Agriculture, forestry and fishing
- Public administration
- Retail & wholesale
- Real estate activities
- Construction
- Information and communication
- Transport
- Accom & restaurants
- Manufacturing
- Others

Where Are We Now?
Economy: Public Investment

Where Are We Now?
Economy: Inflation in Timor-Leste

Economy: Prices of locally produced goods also increase

- 2009
- 2012

Live chicken, Cabbage, Onion, Sand*
Recurrent expenditure contribute to inflation; inflation in TL causes by external and internal factors.
### Where Are We Now?

#### Economy: Classification of TL in WB Doing Business

<table>
<thead>
<tr>
<th>Classification of TL 2013</th>
<th>Classification of TL 2012</th>
<th>Observation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total 185 Countries</td>
<td>169</td>
<td>169</td>
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<tr>
<td>Starting a Business</td>
<td>147</td>
<td>151</td>
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<tr>
<td>Dealing with Construction Permits</td>
<td>116</td>
<td>118</td>
</tr>
<tr>
<td>Getting Electricity</td>
<td>40</td>
<td>45</td>
</tr>
<tr>
<td>Registering Property</td>
<td>185</td>
<td>185</td>
</tr>
<tr>
<td>Getting Credit</td>
<td>159</td>
<td>158</td>
</tr>
<tr>
<td>Protecting Investors</td>
<td>193</td>
<td>196</td>
</tr>
<tr>
<td>Paying Taxes</td>
<td>61</td>
<td>56</td>
</tr>
<tr>
<td>Trading Across Borders</td>
<td>81</td>
<td>82</td>
</tr>
<tr>
<td>Enforcing Contracts</td>
<td>185</td>
<td>185</td>
</tr>
<tr>
<td>Registering Inolvency</td>
<td>185</td>
<td>185</td>
</tr>
</tbody>
</table>

### Where Are We Now?

#### Trend of Development Assistance (on Grant Basis 2011-2015)

- **Development Assistance Planned:**
  - **2011:** USD Millions 26%
  - **2012:** USD Millions 43%
  - **2013:** USD Millions 14%

- **Development Assistance (Actual):**
  - **2011:** USD Millions 26%
  - **2012:** USD Millions 14%
  - **2013:** USD Millions 0.2%

### Where We Are Now?

#### Social Capital 2014 Planned Disbursement

- **Public Sector Management and Good Governance:**
  - Planned: 26%
  - Disbursement: 14%
  
- **Security:**
  - Planned: 17%
  - Disbursement: 5%

### Where We Are Now?

#### Infrastructure Development 2014 Planned Disbursement

- **Electricity:**
  - Planned: 26%
  - Disbursement: 14%

### Where We Are Now?

#### Economic Development 2014 Planned Disbursement

- **Agriculture:**
  - Planned: 26%
  - Disbursement: 14%

### Where We Are Now?

#### Institutional Framework 2014 Planned Disbursement

- **Public Sector Management and Good Governance:**
  - Planned: 26%
  - Disbursement: 14%

### Where We Are Now?

#### Conclusion

- **Many progress been made in the area of social capital, infrastructure, and economy; however, no appropriate indicators in place to measure;**

- **High economic growth (drives by public sector), but inflation is also high;**

- **Needs to develop potential sectors to contribute more to TL’s economic growth;**

- **Budget execution ± $1.1 b**

### Where We Are Now?

#### Expected Outcomes from Discussion

- **Same understanding SDP matrix and requirements to achieve SDP objectives;**

- **Same understanding of measurement indicators;**

- **Same understanding of “Timor-Leste’s current status.”**