



YELLOW ROAD WORKSHOP

22 - MAIU - 2013



AGENDA



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

RD9





YELLOW ROAD WORKSHOP

22-May-2013


Timor-Leste

What Should We Do and Who Should Do It?




What Should We Do Who Should Do It?

Outline




- ❖ Opportunities and challenges
- ❖ Indicators
- ❖ Fiscal policy:
 - 1) Fiscal rules;
 - 2) Sustainable fiscal policy.



What Should We Do Who Should Do It?


SDP Matrix



To monitor with efficiency and effectively, each responsible entity should update results of implementation of SDP targets


Estado PED a 1 Abril 2013 (para TLDPM)

SECTOR ESTRATÉGICO SOCIAL					
Sub-Sector	Nome	Meta para 2017	Entidade responsável	Estado	Estado actual
			GeTL	PD	
EDUCAÇÃO E FORMAÇÃO PROFISSIONAL					
EFP-1		Pelo menos metade de todas as crianças timorenses, meninas e meninos, entre os três e os cinco anos de idade, estarão matriculadas e a receber uma educação pré-escolar de qualidade.	ME	concluído em curso	cancelado
EFP-2		Terá sido desenvolvido um novo currículo nacional para o ensino pré-primário, com programas de formação de professores e manuais de aprendizagem aprovados.	ME	concluído em curso	cancelado
EFP-3		Uma educação básica de qualidade estará disponível para 92% das crianças timorenses.	ME	concluído em curso	cancelado
EFP-4		Haverá uma mudança de paradigma na qualidade e relevância do ensino secundário, permitindo aos alunos adquirir as competências práticas para obterem empregos ou obter o conhecimento científico-humanístico de base necessário para continuarem os seus estudos no ensino superior.	ME	concluído em curso	cancelado



What Should We Do and Who Should Do It?

OPPORTUNITIES: Development Partners



Clear vision

Quantity of human resources

Commitment to contribute

Public investment to attract private sector


Good management of petroleum revenues

Willingness to listen to each other

National effort to reduce and control Inflation


Continuing investment in human resources

Potential to increase domestic revenues



What Should We Do and Who Should Do It?

OPPORTUNITIES: Government and PN



Peace and stability

Clear vision

Consensus for National Interest

Recognize challenges and willingness to improve

Enough money to be spent

Good public financial management

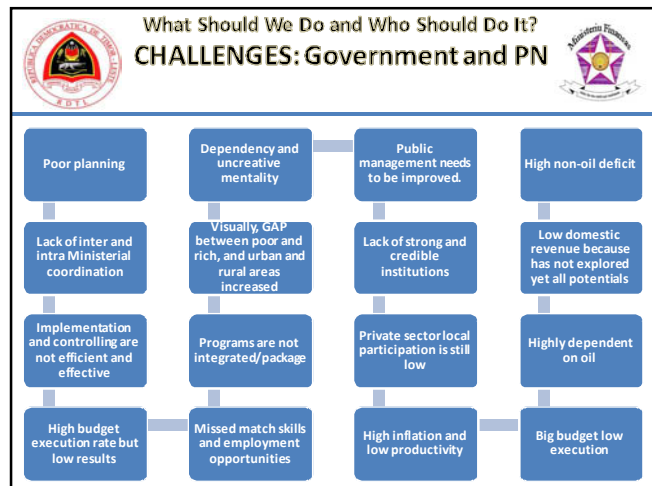
High economic growth in the region

International forum:
- G7+ (18 countries);
- ESCAP (4.1b population)
- HLP, SRS6, EITI, etc.

Transparency

World Class PF Management (EITI)
#1 in Asia
#3 in the world

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What Should We Do and Who Should Do It? Social Capital: INDICATORS (1)

No	SOCIAL CAPITAL INDICATORS	Resp. Entities	Results 2009	Targets 2015	Challenges	Opportunities	What should we do?	How can you contribute?
1	Poverty Rate	All	41	14				
2	Children age <= 5 underweight	MoH	45	31				
3	Primary School Enrollment	MoE	82.7	100				
4	Students up to grade 5th	MoE	65.9	100				
5	Mortality of children less than 5 years old (per 1,000)	MoH	64	<96				
6	Infant mortality (per 1,000)	MoH	44	<53				
7	Children receive "Imunisasiun Sarampu"	MoH	68.2	100				

What Should We Do and Who Should Do It? Social Capital: INDICATORS (2)

No	SOCIAL CAPITAL INDICATORS	Resp. Entities	Results 2009	Targets 2015	Challenges	Opportunities	What should we do?	How can you contribute?
8	Mother mortality (per 100,000)	MoH	450	<252				
9	% mother get assistance from nurse and/or doctor when give birth	MoH	29.6	60				
10	Utilization of contraception tools	MoH	22.4	40				
11	Treatment before give birth(ANC 1)	MoH	86	75				
12	Population with age 15-24 that understand HIV/AIDS	MoH	37.4	80				
13	Malaria (per 1,000)	MoH	113	45				
14	Children under 5 years old sleep in insecticide mosquito net	MoH	45.5	100				
15	Incidensia TB (per 100,000) Prevalensia TB (per 100,000)	MoH	145 378	138 353				

What Should We Do and Who Should Do It? Social Capital: INDICATORS (3)

No	SOCIAL CAPITAL INDICATORS	Resp. Entities	Results 2009	Targets 2015	Challenges	Opportunities	What should we do?	How can you contribute?
16	TB cases been detected (DOTS)	MoH	70	85				
17	TB cases been cured (DOTS)	MAF	50	55				
18	Forestryland	MoPW	66	78				
19	Population access to clean water	MoPW & MoS	49	60				
20	Population access to good sanitation.	All	62.5	?				
21	Life expectancy in 2011	MSS	?	?				
22	Beneficiaries of veteran payments (%)	MSS	?	?				
22	Beneficiaries of elderly subsidy (%)	MSS	?	?				

What Should We Do and Who Should Do It? Social Capital: INDICATORS (4)

No	SOCI CAPITAL INDICATORS	Resp. Entities	Results 2009	Targets 2015	Challenges	Opportunities	What should we do?	How can you contribute?
23	Beneficiaries of "bolsa da ma e" (%)	MSS & MoE	?	?				
24	Number of beneficiaries of social assistance (disaster)	MSS	?	?				
25	Beneficiaries of Public Servants Pension Program (%)	MSS	?	?				
26	Average years of Schooling	MoF	?	?				
27	% enrollment in secondary school	MoE	?	?				
28	% enrollment in tertiary school	MoE	?	?				

What Should We Do and Who Should Do It? Infrastructure: INDICATORS (1)

No	INFRASTRUCTURE INDICATORS	Resp. Entities	Results 2009	Targets 2015	Challenges	Opportunities	What should we do?	How can you contribute?
1	% km of national roads – constructed and rehabilitated;	MoPW	?	?				
2	% km of district roads - constructed and rehabilitated;	MoPW	?	?				
3	% km rural roads - constructed and rehabilitated;	MoPW	?	?				
4	% bridges - constructed and rehabilitated;	MoPW	?	?				
5	% National Airport - constructed and rehabilitated;	MoPW	?	?				
6	% Regional Airport - constructed and rehabilitated;	MoPW	?	?				
7	% Port - constructed and rehabilitated;	MoPW	?	?				

What Should We Do and Who Should Do It? Infrastructure: INDICATORS (2)

No	INFRASTRUCTURE INDICATORS	Resp. Entities	Results 2009	Targets 2015	Challenges	Opportunities	What should we do?	How can you contribute?
8	% School Buildings - constructed and rehabilitated;	MoPW	?	?				
9	% households access to electricity;	MoPW	?	?				
10	% health clinic - constructed and rehabilitated;	MoPW & MSS	?	?				
11	% population access to telephone services;	MTT	?	?				
12	% population access to internet.	MTT	?	?				
13	% School Buildings - constructed and rehabilitated;	MoPW	?	?				

What Should We Do and Who Should Do It? Economy: INDICATORS (1)

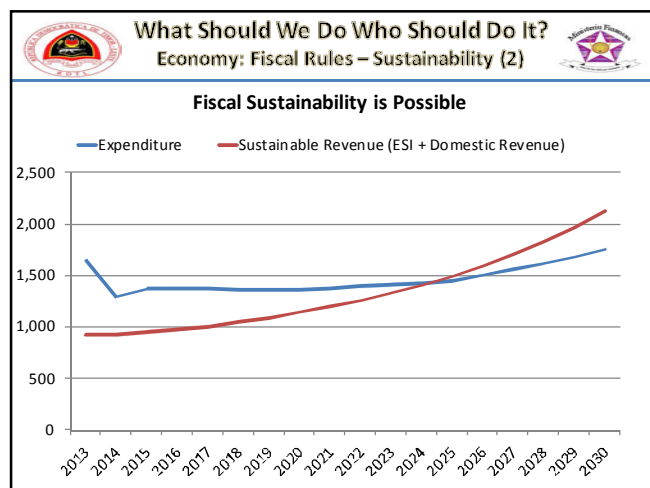
No	ECONOMIC INDICATORS	Resp. Entities	Results	Targets 2015	Challenges	Opportunities	What should we do?	How can you contribute?
1	% Employment	SEPFOPE	?	?				
1	% Trainees get employment	SEPFOPE	?	?				
3	% Vulnerable employment	SEPFOPE	?	?				
4	% Employment in formal sector	SEPFOPE	?	?				
5	% FDI	SEAPRI	?	?				
6	% Investment from SME	SEAPRI	?	?				
7	Public investment (capital expenditure \$M) 2011	MoF & SEAPRI	588.2	?				



What Should We Do and Who Should Do It? Economy: INDICATORS (2)



No	ECONOMIC INDICATORS	Resp. Entities	Results	Targets 2015	Challenges	Opportunities	What should we do?	How can you contribute?
8	% Economic Growth	MoF	10.8	11.5				
9	Non-oil balance % of non-oil GDP	MoF	112.4	97.4				
10	% Inflation	All	10.9	4-6				
11	Domestic Revenue (\$M)	MoF	134.1	181.7				
12	% Non-oil deficit 2011	MoF	101.2	88.8				
13	Import (\$M) 2011	MCIA	339.6	?				
14	Export (\$M) 2011	MCIA	53.2	?				
15	Balance of import and export (\$M) 2011	MCIA	-286.4	?				



What Should We Do and Who Should Do It? Economy: Fiscal Rules (1)



TYPES OF FISCAL RULES	AIM OF THIS TYPE OF FISCAL RULE	WHY IS THIS TYPE OF RULE IMPORTANT
Sustainability	To ensure that expenditure is set at an affordable level. The Government is not going to run out of money in the future	If the Government runs out of money: •Expenditure has to be suddenly cut •Massive disruption to services •Sharp contraction in economy
Macroeconomic	Ensure expenditure is consistent with low inflation, sustainable economic growth and a competitive economy	Government spending too much in the short term can lead to high short term economic growth. But also high inflation. High prices reduce competitiveness and long term economic growth.



 What Should We Do and Who Should We Do It? Economy: Fiscal Rules – Macroeconomic (3) 	
Question	Answer
What is the non-oil balance as a % of non-oil GDP.	Non-oil balance as a % of GDP = (domestic revenue – total expenditure)/non-oil GDP
What is it showing?	A larger balance shows a more expansionary budget. Too large balance will be associated with inflation and a loss of competitiveness.
What is the logic of this measure?	Spending financed by domestic revenue is not inflationary. Because the increase in expenditure by the Government is matched by a increase in tax revenue. And therefore a reduction in spending by consumers or businesses. Spending financed by oil revenue increases the money circulating in the economy. And is therefore expansionary and can increase inflation.
What is the right level for the non-oil balance as a % of GDP	Requires more detailed work. Some evidence that in Timor-Leste non-oil balances as a % of GDP above 60% to 80% have coincided with high inflation

 What Should We Do and Who Should We Do It? Economy: Summary of Fiscal Rules (4) 			
Rule	What it means in practice for 2014	Advantages of Rule	Disadvantages of Rule
1: Estimated Sustainable Income	Reduce total 2014 budget (excluding rollover) to \$1,020 million or less.	ESI has well thought out methodology.	Government policy is to frontload. Immediately going back to ESI might involve delaying some Infrastructure Fund projects.
2: Frontload in short term. ESI in medium term.	Recurrent expenditure not above \$875 million. IF spending not above 200 to 250 million per year until 2017 (excluding rollover)	Fits Government policy. Should be possible to complete all infrastructure projects which have started.	Complex to work out how much frontloading is sustainable. Getting back to ESI only possible with strong economic growth and low inflation.
3: Recurrent expenditure should not grow by more than 6% a year.	Recurrent expenditure not above \$883 million.	Shows commitment of Government to low inflation.	Evidence for recurrent expenditure and inflation link. But it is hard to prove.
4: Non-oil fiscal balance as a % of GDP	Should never be above 80% and should fall to 60% in medium term.	Distinguishes between economic impact of expenditure financed by Petroleum Fund and Domestic Revenue.	Complexity. Overlap with rule 3.

 What Should We Do and Who Should We Do It? Expected Outcomes 
<ul style="list-style-type: none"> • Same understanding on opportunities and challenges for Timor-Leste; • Same understanding on development partners contribution to SDP matrix; • Recommending national priorities for 2014.

 What Should We Do and Who Should We Do It? QUESTION FOR DISCUSSION 
<ul style="list-style-type: none"> • What can you do to help implement the SDP? What are your comparative advantages? • What are opportunities and challenges (your perspective) for Timor-Leste?