Timor-Leste: 2021 economic survey
By Charles Scheiner
12 June 2021

Contents

Economic overview and recent economic trends ........................................................................ 2
Political situation and Covid-19 ................................................................................................. 6
Public expenditure and revenues ............................................................................................... 7
Petroleum: revenues, dependency and the Petroleum Fund ...................................................... 9
Petroleum production and revenue: past, present and future .................................................. 13
Greater Sunrise and the Tasi Mane Project ............................................................................. 17
Conclusion .................................................................................................................................. 19
References ................................................................................................................................. 21

Abstract
As Timor-Leste nears the end of its petroleum-exporting era, the transition to a sustainable economy has become even more challenging due to partisan political competition, disastrous flooding and the pandemic. This article describes the current economic context, and deteriorating trends. After a brief discussion of the political situation and the impacts of Covid-19, it explores expenditure and income trends in recent state budgets, with particular focus on dependency on oil and gas revenues and their investments, which pay for 80% of state spending and may run out within a decade. It then assesses in detail revenue prospects from current and future oil and gas activities, including Greater Sunrise and the planned Tasi Mane petroleum infrastructure project. The analysis shows that it is highly likely that resource revenue will continue to decline. This article uses information from primary sources, Timorese analysts, and the author’s two decades of observations, engagement and interviews in Timor-Leste, analysing policies based on evidence and avoiding ideological or political biases other than for economic and social justice.

In 2002, Timor-Leste emerged from centuries of autocratic foreign rule and violent Indonesian occupation. Its people have created a vibrant, peaceful society and a democratic government under the rule of law. Economically, the country has evolved from depending on foreign aid, through exporting oil and gas, to living on the returns from investing revenues received from extracting non-renewable resources.

There have been three governing coalitions since 2017, and the current one was formed in May 2020. Although the changes were nonviolent and followed legal processes, they disrupted normal governance. The state budgets for 2017, 2018 and 2020 were enacted many months late, curtailing state spending on which much of the country’s economy depends.

Petroleum revenues have drastically declined, and other reserves will probably not produce revenues comparable to the US$20 billion already received. This heightens Timor-Leste’s major challenges: import dependency, unemployment, lack of economic diversification, poverty, inequality, inadequate public services and COVID-19 (Neves 2016, 2018; Cardoso 2019; Lundahl 2020 chapter 6).

1 Charles Scheiner is a researcher at La’o Hamutuk, the Timor-Leste Institute for Development Monitoring and Analysis, an independent Timor-Leste policy research and advocacy organization.

A version of this article will be published in ANU’s Asia and the Pacific Policy Studies journal.
As the term “resource curse” means different things depending on the writer’s perspective, this article will not use it. However, Timor-Leste’s overwhelming reliance on revenues from exporting oil and gas for the last 15 years has influenced most leaders’ thinking: many approach every issue by spending extractive assets, see money as the solution to every problem, and are unable or unwilling to realistically plan for the future. As a result, agriculture and other productive economic sectors have been neglected, and little has been done to strengthen the country’s most valuable resource – its people.

Many international academic writers have looked at the implications of petroleum money in Timor-Leste (John 2020; Lundahl 2019, 2020), but few use primary sources or fully explain the country’s specific historic, cultural and economic contexts. Reports and data from International Financial Institutions (World Bank 2020a, 2020b; IMF 2019; ADB 2020a, 2020b) are frequently cited, but the information in them is often dated, incomplete, out of context, shoe-horned into global methodologies or filtered through free-market ideology. Furthermore, some government and donor agencies are reluctant to collect and/or publish information which may not reflect well on their work – no poverty or labour market studies have been released for more than five years.

Timor-Leste-based NGOs (Oxfam 2019; La’o Hamutuk 2008, 2015, 2016a, 2016b, 2018, 2020b, 2020c, 2021d; Fundasaun Mahein 2021a, 2021b) usually understand societal and local issues better, but write for non-academic readers, as do bloggers (Cardoso 2019, 2020, 2021a, 2021b; Guterres 2018; Neves 2019, 2020) and other commentators. The many lively, well-informed debates among Timorese intellectuals on these issues, often over coffee or social media, are overlooked by most academic research.

This article attempts to fill some gaps in the published literature, especially in relation to Timor-Leste’s public finances, petroleum dependency and prospects. It relies primarily on primary and local sources, as well as international analyses when they provide useful perspectives. It also draws on the author’s two decades of observations, engagement and interviews in Timor-Leste.

The article starts by providing a brief economic overview and summary of recent trends. It then discusses recent political developments and Covid-19. Its main focus is on public finances and petroleum dependency and prospects, including the major Greater Sunrise and Tasi Mane projects.

**Economic overview and recent economic trends**

Timor-Leste entered nationhood in 2002 with a heavy burden. During 450 years of colonialism and occupation, little had been done to educate its people or develop a sustainable economy. A generation of Indonesian occupation and war had inflicted incalculable physical, cultural and societal damage. When Indonesia destroyed most of the buildings and infrastructure in 1999, and Indonesian teachers, bureaucrats and business people moved back to their country, the victors in the struggle for independence created something few of them had ever lived in: a democratic state under rule of law, where the government listens to and provides services for its people. They also needed to build infrastructure, invent a legal system and develop the economy.

Timorese people’s civil, political, cultural and social rights are infinitely better than they were before 1999; economic rights, not so much. More than 40% of the population live in poverty, unable to afford daily necessities (DGE 2016). Timorese children suffer more severe malnutrition than their neighbours in Southeast Asia and the Pacific (slightly worse than PNG). More than half of children under age five are stunted, the third worst in the world (FAO 2021; von Grebmer 2020).
The young majority expects their elders to lay good foundations for their lives

The young country of Timor-Leste has a young population; more than half of its people were born after the Indonesian occupation ended 21 years ago. Most of them live in rural areas and are growing up with inadequate food, poor education, substandard health care and few employment opportunities. Although some, especially the brightest kids from middle class families, have access to much better education and jobs than their parents did, most do not – even though the country’s future depends on them.

Timor-Leste has 1.3 million people, and about two-thirds are working-age, defined as 15-64. La’o Hamutuk’s (2021e) analysis shows that only about a quarter of the 820,000 working-age people work in the formal economy (Figure 1). The rest are subsistence farmers or fisherpeople (although they may sell a small amount of surplus), not being paid for work, or students. Of those who earn mostly cash income, roughly equal numbers work for the government, the private sector, and very small family businesses.

**Figure 1: Principal livelihoods of the Timorese working-age population**

Unemployed, unpaid household, informal, retired or not seeking work 27%
Subsistence farmers & fisherpeople 27%
Students 21%
Employed by TL government 7%
Petroleum sector 0.1%
Private sector (incl. govt contractors) 9%
Int’l agencies; local and int’l NGOs 1%
Self-employed (market, taxi, kiosk, etc.) 6%
Work or study outside TL 2%

Source: La’o Hamutuk 2021e, compiled from DGE 2017, DGE 2019, MoF 2018, and their own research.
About two-thirds of households in Timor-Leste engage in farming, even if they also do other work. Their agricultural holdings average 1.5 hectares (DGE 2020b).

Private sector employment by businesses is falling, with about 15% fewer jobs in 2018 than there were in 2014 (DGE 2019). In the same period, the working-age population increased by more than 10% (DGE 2017).

Many people talk up the jobs that will be created by anticipated large projects supported by foreign investors, including the Heineken brewery in Hera, the Bolloré container port in Tibar, the Australian TL Cement mine and factory in Baucau, the Pelican Paradise Resort in Tasi Tolu and the Tasi Mane petroleum Project on the south coast. However, all together they will employ fewer people after construction is finished than the 4,000 who enter the working age population every two months.² Heineken is the only one of these which has been built, and its closure may be imminent (Lusa 2021).

Because economists and office-holders give attention to GDP growth, I’ll discuss it here. However, it’s not the most appropriate indicator, because it counts dollars, not people, and undercounts the poor, especially informal producers.³ “Non-oil” GDP excludes activities related to oil and gas production, while including activities financed by petroleum-enabled government expenditure. ⁴ Figure 2 shows the evolution of the “non-oil” component of Timor-Leste’s nominal GDP.

Figure 2: Sectoral contributions to non-oil GDP per capita
Constant (2015) prices, production approach

Sources: DGE 2020a; DGE 2021c.

² Heineken employed 125 people before layoffs started (Lusa 2021). According to proponents’ optimistic estimates, Tibar port will directly employ 200 workers during operation (Advisian 2017, p. 314), TL Cement 700 (WorleyParsons 2017, p. 4), Pelican Paradise 1,500 (ASPEC 2018, p. 4-18), and Tasi Mane 730 (ACIL Allen Consulting 2016, pp. iii-v).

³ Although GDP methodology assigns monetary value to subsistence production and land ownership (imputed rent), but not to unpaid household work, it gives poor people’s reality far less weight than that of affluent people. For example, if one of the richest families in Timor-Leste increased their ‘production’ by 10% (say, by $100,000), that would add as much to the GDP as 200 low-income families doubling their productive output (from $500 to $1,000 each). Furthermore, using GDP (or GDP growth) to represent economic progress neglects poor people, inequality, barter and exchanges within extended families.

⁴ The contribution of the oil and gas sector to Timor-Leste’s GDP has been difficult to assess, as its activities are conducted by overseas companies, in an offshore area where sovereignty was disputed until 2019. It’s also unclear whether conversion of nonrenewable resource assets into financial assets should be considered production. What is clear is that petroleum activities were much larger than non-oil GDP in 2004-2014 and have dropped since then.
Non-oil GDP per capita declined from 2003 until 2006, but it then grew fairly rapidly, almost doubling by 2016. Since then GDP per capita has again declined. After adjusting for inflation and population growth, the sectors of agriculture and manufacturing produce less output than they did at the time of independence. The growth is in the top two segments, construction and public administration, which come almost entirely from petroleum-funded state spending. The black line shows how much the government spent each year, and its decline since 2016 is reflected in the declining GDP. The bar for 2020 is a preliminary government estimate (DGE 2021c) of negative 8.5% GDP growth from reduced spending due to late budget adoption, as well as from the Covid-19 pandemic. No sectoral breakdown for 2020 is yet available.

One consequence of the small local productive economy is that the country relies heavily on imports for the daily needs of its people and institutions. Timor-Leste’s trade balance has been broadly consistent for the last eight years. Every year, the country imports about $500 million worth of goods, mostly from Indonesia and China (Figure 3). Non-oil exports are usually around $20 million per year. During 2013-2019, 90% of them were coffee.

The deficit in services trade has averaged about $350 million per year, although it was $80 million lower in 2020 due to reduced travel and construction. From 2017-2019, Timor-Leste’s balance of payments deficit (excluding oil and investment income) averaged about $940 million/year, although it dropped to $750 million in 2020, due to reduced and delayed state expenditures. As a rough estimate, at least half of the money leaving the country is government purchases of goods and services from foreign providers (BCTL 2020).

Today, Timor-Leste covers its trade deficit with money from petroleum revenues and investment returns, which is not sustainable, as discussed below. When that money runs out, the country will not be able to pay for as many imports and the trade deficit will decline. The impact on families will be devastating if local food production has not markedly improved.

Because Timor-Leste uses the U.S. dollar as its official currency, it has no control over exchange rates. Between 2011 and 2014, annual inflation was around 10%, as rising government spending drove prices up (DGE 2021b). About six years ago, government spending stabilized and became more efficient, and since mid-2014 inflation has averaged about 0.6% per year. Nevertheless, prices in Timor-Leste are about

---

Figure 3: Balance of goods trade (excluding oil and gas exports)

![Graph showing balance of goods trade](image)

Source: DGE 2021a.

The decline in spending is due to a variety of factors: partisan disputes (resulting in late budget enactment), reduced inefficiency and waste, lower prices for imported fuel, and completed capital spending on large electricity, port and road infrastructure projects (with little spent on maintenance).
25% higher than in Indonesia, the source of many goods sold in Timor-Leste (World Bank 2021, NY.GDP.MKTP.PP.CD and NY.GDP.MKTP.PP.KD).

People in the capital are much better off than those in the rest of the country, although only a handful are wealthy by international standards. A wealth index created using the 2016 Demographic and Health Survey showed that only 7% of Dili families are among the poorest 40% of households nationwide (DGE 2018).

Thousands of young Timorese go overseas to work, mostly in the U.K., as well as in government-organized programs in Australia and South Korea. They send home about $100 million per year in remittances, a significant amount though a smaller fraction of GDP than in 57 other countries (World Bank 2021, BX.TRFR.PWKR.CD.DT). Overseas workers acquire knowledge and work habits from their exposure to the larger world, while improving the living standards of their families. However, some people (including this author) believe that Timor-Leste would be better served if these workers came home after a few years and used their skills to develop Timor-Leste’s own society and economy, rather than just sending part of the wages they get for supporting overseas businesses. This would require them to create or find jobs; as noted above, employment opportunities with private companies have been falling in recent years. Timorese people born since 2002 are no longer automatically entitled to Portuguese passports, which facilitate working in Europe and the pre-Brexit UK (McWilliam 2019). This, combined with travel impacts of Covid-19 and Brexit itself, may reduce remittances in the future.

**Political situation and Covid-19**

In early 2015, Prime Minister Xanana Gusmão resigned. He had created the CNRT (Conselho Nacional de Reconstrução do Timor) political party, served as Prime Minister (PM) for eight years and established the principal policy directions for the country (RDTL 2011). He chose his successor from the opposition party FRETILIN (Frente Revolucionária de Timor-Leste Independente), Dr Rui Maria Araujo, and established a unity government which included all political parties.

The unity dissolved in the 2017 parliamentary elections. FRETILIN got the most votes and formed a government under PM Mari Alkatiri, but its parliamentary coalition did not last, and an early election was called in 2018. Three opposition parties -- CNRT, PLP (Partido Libertação Popular) and KHUNTO (Kmanek Haburas Unidade Nasional Timor Oan) -- formed a pre-election coalition dominated by CNRT which won 34 of the 65 seats in Parliament and chose PLP’s Taur Matan Ruak as Prime Minister. FRETILIN, with 23 seats, went into opposition.

The new government’s program (RDTL 2018) devoted 30 pages to economic development, of which only five were about petroleum, the traditional focus for Timor-Leste’s policy makers. However, the new government also quickly weakened financial and environmental protection in the petroleum sector, borrowed money from the sovereign wealth fund (Petroleum Fund) for the Greater Sunrise project, greatly increased subsidies for TimorGAP (the state-owned oil company) and moved ahead with Tasi Mane and other petroleum exploration and processing projects.

Political instability hampered state functionality from mid-2017 until 2020, resulting in delayed state budgets and consequent economic downturn. In nearly three years between the 2017 elections and the government restructuring in early 2020, Parliament enacted a total of only ten laws.

In late 2019, CNRT decided to enforce its will over the Prime Minister by opposing his proposed 2020 budget. Taur Matan Ruak resigned, but his resignation was not accepted by the President. In early 2020, many people felt that the threat of Covid-19 required a functioning administration and did not want another early election. In May 2020, FRETILIN joined PLP and KHUNTO to form a different governing coalition, retaining Taur Matan Ruak as Prime Minister. CNRT’s 21 MPs became the opposition and the party told its Ministers to resign.

The restructured government is the most functional and stable in three years, although CNRT calls it “de facto” and often walks out of parliament. During 2020, parliament has enacted 15 laws (two state budgets, two transfers from the Petroleum Fund, an anti-corruption law, a civil protection law and nine
monthly authorizations of the State of Emergency). The next presidential election will be in 2022, with the parliamentary election following in 2023. The current coalition is likely to last at least until then.

In April 2020, as Covid-19 began to spread around the world, Timor-Leste’s President and parliament declared a State of Emergency, placing restrictions on international and domestic travel, requiring people to quarantine when entering the country, and limiting public gatherings. The State of Emergency has been renewed monthly at least until July 2021 (La’o Hamutuk 2021c).

In August 2020, the government adopted an Economic Recovery Plan (RDTL 2020) to deal with the economic impacts of pandemic prevention on the population. The plan was written by Rui Gomes, a non-partisan technocrat who served as Finance Minister in FRETILIN’s 2017 government and was reappointed to that position in September 2020. It envisions diversifying the economy away from petroleum and offers an updated, more realistic, more appropriate and more equitable vision than the 2011 Strategic Development Plan (RDTL 2011).

Nobody in Timor-Leste died from Covid-19 until April 2021. Only 44 cases of the disease were identified during 2020, all in people who had just entered the country. Unfortunately, Covid-19 began to spread locally in February 2021. By the end of May, 16 people had died, and more than 7,000 people had tested positive (85% in Dili). Of the 2,600 active cases detected, 35 are undergoing medical treatment. Travel restrictions and “lockdown” directives to stay home were imposed in Dili and several other municipalities (RDTL 2021a; La’o Hamutuk 2021c). Although 80,000 people have received a first dose of the Astra Zeneca vaccine, virtually no one is fully vaccinated yet. It may be a long time before 1,700,000 doses are available to immunize the entire adult population.

Adding to the country’s challenges, Cyclone Seroja inflicted the worst flooding in decades on Easter Sunday 2021. The inundation killed 44 people and affected 34,000 households; six weeks later 1,700 people were still in emergency shelters (UN RCO 2021). Economic losses, including destroyed infrastructure, are estimated at $300 million (Magalhães 2021). The catastrophe has spurred interest in urban planning and climate change, and “building back better” could help diversify the country’s economy (Cardoso 2021b). Although the cyclone and the pandemic are separate emergencies, both impacted less affluent people most severely, and in April the government enacted increased spending to begin to address them (La’o Hamutuk 2021a; RDTL 2021b).

Although the rates of Covid-19 fatalities and serious illness are far lower than in most countries, the rapid spread of the disease in May (at the end of the month, 11% of people tested in Dili were infected with Covid-19, and the number of active cases increased 54% in two weeks) is worrisome, although the number of new infections began to slow in mid-June. The economic impacts on livelihoods, GDP, and agricultural production will be severe but are not yet known. In March 2021, authorities estimated that non-oil GDP had fallen 8.5% in 2020 (DGE 2021c). Between April and May, the IMF lowered its 2021 GDP growth forecast from 2.8% to 1.8%, while noting that “[t]he uncertainty around the outlook is exceptionally high” (IMF 2021).

Public expenditure and revenues

As shown in Figure 2, government spending is the principal driver of Timor-Leste’s economy. As per Figure 4, it grew very quickly from 2008 to 2012, and more slowly until 2016. Since then, spending has declined, partly due to political problems with enacting budgets on time, and partly because some major infrastructure projects, such as the national electricity system, were mostly completed. The 2021 budget envisions a big increase, but it remains to be seen how much will be executed.

---

6 Although no official review has been published, very few of the 2011 SDP’s targets have been met.
Figure 4: Budgeted and executed state spending

Sources: MoF 2018, 2020a, 2020b, 2021b and earlier years, Budget Book 1; RDTL 2021b.

The solid red line shows how much was budgeted for each year, and the double green line shows how much was actually spent. The dotted purple line is recurrent spending – spending on personnel, supplies, and day-to-day government operations. It has stayed relatively flat in recent years, while capital spending rose and fell.

In December 2020, Timor-Leste enacted its $1.90 billion state budget for 2021, the second-largest in the country’s history and the first one in four years to be enacted on time (see political discussion above). Five months later, unforeseen costs of the flooding and pandemic emergencies required it to be increased to $2.03 billion. Figure 5 is a sectoral analysis of the appropriations.

Figure 5: Appropriations in the amended 2021 budget

Sources: MoF 2020b Books 2, 3a, 3c and 4, 2021b; RDTL 2021b.
Note: Figure 5 represents what the money is allocated for, not which ministry it goes to. For example, education includes two ministries, educational institutions, scholarships, education-related infrastructure, and money allocated to municipality and Oecusse administrations for education.

For at least five years, governments led by various parties and coalitions have claimed that their priorities are health, education, water supply and agriculture (MoF 2020c, slide 9), but budgetary allocations have not matched this promise. In 2021, 18% of appropriations will go to these sectors, which is far below international good practice for developing countries, which is that at least 28% of state spending should go to education and health (UNDP 2011, p. 122).

Timor-Leste is a young country, and 38% of its people are school age (5-19). According to World Bank data, Timor-Leste allocated 8% of its state budget to education in recent years, compared with 20% in Indonesia, 13% in Australia and 16% among all Least Developed Countries (World Bank 2021, SE.XPD.TOTL.GB.ZS). Timor-Leste’s spending for health, water and education infrastructure in 2011-2018 was so low that the World Bank rounded it off to zero (World Bank 2020b, p. 34).

Agriculture, which is the principal livelihood of about two-thirds of Timorese families and produces essential food which could reduce both malnutrition and the trade deficit, gets about 2% of public spending. This is significantly more than in past budgets, but still far below what is needed. Farming is hard work, and many Timorese people have internalized Portuguese colonial values that farming is “low-class”. For these reasons, and in search of a better life, many have moved from the country to cities seeking jobs, although many maintain connections with their rural roots. It is difficult for Timorese agriculture to compete in international markets (except for niche products like high-quality coffee, spices or organic produce), but it could replace imported food within the country.7

Spending more money on neglected sectors will not solve everything. The negative impacts from inadequate funding in many “priority” sectors are compounded by lack of effective planning and execution, and shortages of well-educated and experienced personnel, which persist despite two decades of international advisors and “capacity-building.” In addition, the government sometimes reduces its involvement because it believes that development partners are covering a particular need.

Petroleum: revenues, dependency and the Petroleum Fund

In 2005, Timor-Leste enacted far-seeing legislation to establish its Petroleum Fund, which it expected to benefit “current and future generations”. The PF was established to receive all oil and gas income and invest it in secure overseas financial instruments, with the returns to be reinvested in the PF. The annually Estimated Sustainable Income (ESI) was to guide how much could be withdrawn without depleting the PF’s long-term balance. The ESI is legislated at 3% of total petroleum wealth, that is, the current balance plus a prudent, inflation-adjusted (NPV) estimate of future oil and gas revenues from projects with approved development plans.8 Withdrawals, which finance the state budget, require parliamentary authorization and can only exceed ESI with an explicit justification (La’o Hamutuk 2021a).

Non-PF sources – domestic revenues (taxes and user fees),9 direct budget support from donors, and money borrowed from international financial institutions – cover less than 15% of budgeted expenditure. The remaining “non-oil fiscal deficit” is covered by transferring money from the PF. Since the first withdrawal was made in 2007, the PF has paid for 86.2% of all state spending, and actual domestic revenues have never covered more than one-sixth.

---

7 In recent years, Timor-Leste has imported about $150 million worth of food products each year, about ten times as much as the value of the coffee it exports (DGE 2021).
8 The only approved plans are for Bayu-Undan and Kitan. Sunrise and other prospective fields are not yet included in the ESI.
9 Some domestic revenues are misleading. For example, about 14% of domestic revenues come from electricity sales by the Ministry of Public Works, which runs at a loss. Between 2010 and 2020, Timor-Leste spent $2 billion to build and operate its electricity system. During the same period, total electricity revenues were $254 million, amounting to about one-third of the fuel costs alone.
Figure 6: Revenues in the amended 2021 state budget, totalling $2.03 billion

Sources: MoF 2020b Budget Book 1, 2021b; RDTL 2021b.

Note: The RAEOA carryover is money previously transferred to the autonomous Oecusse regional authority, but not used at the time and applied to the 2021 budget.

Five of the slices in Error! Reference source not found. (the green ones) represent money withdrawn from the Petroleum Fund at some point in time. The two largest ones, the Estimated Sustainable Income (ESI) and the excess above ESI, will be withdrawn in 2021 (see below). The cash balance and carryover mostly came from the PF in previous years but were not spent; about 85% of the loans will be repaid with Petroleum Fund money. All together, the Petroleum Fund (PF) is expected to pay for 86% of 2021 budget appropriations.

Since its establishment, the Petroleum Fund has received $23.2 billion in oil income and $9.0 billion in returns on its investments. $12.8 billion has been withdrawn to pay for state expenditures, leaving $19.4 billion in the Fund at the end of May 2021.

Figure shows that, over the last decade, the PF gradually diversified its investment portfolio from U.S. government bonds to other countries’ bonds, then to stocks, and, since 2019, into petroleum projects in Timor-Leste. Although its all-bonds portfolio in 2009 made it the only sovereign wealth fund in the world which didn’t lose money during the global financial crisis, the PF now goes up and down with the global stock market.
As shown in Figure 8, PF withdrawals have exceeded ESI every year since 2009 except 2013, when much of the huge withdrawal in 2012 was not spent and was carried over. In aggregate, withdrawals total 63% more than ESI to date. Although changes in some laws have relaxed rules on governance and investment of the PF, the basic mechanisms are largely intact, even if, as discussed below, visions of long-term sustainability will not be realized (see also Scheiner 2020).

Note: The $650 million loan from the PF to TimorGAP for Greater Sunrise discussed below is considered an investment, not a withdrawal. Therefore, its principal and accrued interest remain part of the PF balance.
government expects to withdraw four times the ESI during the next five years, and the PF balance is projected to fall sharply.\footnote{Government spending forecasts use a simplistic methodology, assuming that every recurrent budget line will go up 4\% per year and that every infrastructure project will be built on time, as costed. Consequently, they are often very different from what actually occurs. Some anticipated projects (see Table 3 below) are not included in the budget, while others which are budgeted may never be built. The officially-projected PF withdrawals shown in Figure 8 are nevertheless based on these forecasts.}

Figure 9 consolidates government and the PF to look at total income flows to the state.

\textbf{Figure 9: Income to the state (including the Petroleum Fund)}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure9}
\caption{Income to the state (including the Petroleum Fund)}
\end{figure}

Source: MoF 2020\textit{b} Book 1 and previous years.

\textit{Note: In a few cases, collected revenues were returned to oil companies in subsequent years to repay over-assessed or over-estimated taxes. Figure 9 overcomes that anomaly by subtracting refunded taxes from the year they were collected, rather than the year in which they were returned, to create “tax corrected” revenues.}

The red-and-white checked segments show the oil and gas revenues Timor-Leste has received each year, which include royalties, profit oil taxes and corporate taxes. About 93\% of this has come from the still-active Bayu-Undan offshore oil and gas field, with most of the rest from the Kitan oil field which produced from 2011 to 2015. Projections from 2021 on are from state budget documents, based in turn on information provided by oil companies.

The graph shows that, although petroleum revenues rose rapidly until 2012, by 2020 they had dropped to one-tenth of their peak, and they will continue to fall. Timor-Leste has already received 99\% of the revenue it is expected to receive from nearly-depleted Bayu-Undan, and the slight increase in 2023 is taxes on decommissioning that field. As discussed below, the additional wells Santos will drill in Bayu-Undan in 2021 are unlikely to generate significant revenue for Timor-Leste.

The diagonally-striped blue segments are the returns from investing the Petroleum Fund. Some of this is dividends and interest which actually add money to the PF, but most of it is fluctuations in stock and bond prices and foreign exchange rates, which are only realized when the investment is sold. Although this fluctuates with the market (and was negative in 2015 and 2018), Timor-Leste has been very lucky so far.

The red and yellow vertically-striped segments in Figure 9 are “domestic revenues” – taxes and user fees collected within Timor-Leste – and the small red segments are loans that must be repaid with interest in the future.
The solid black line is government spending. When it is higher than the combined bars, as in 2015, 2016 and 2018, the state spent more than it took in. The Ministry of Finance expects the gap between spending and revenue to increase rapidly from 2021 on.

The government projections used in Figure 9 consolidates government and the PF to look at total income flows to the state.

Figure only look five years ahead. According to my estimates (Scheiner 2015), which were recently confirmed by government scenarios (MoF 2020b, Book 1, Figure 2) and the World Bank (World Bank 2020b, p. 36), the Petroleum Fund could be entirely empty within 10-15 years, and the diagonal segments will disappear, just as the checked ones are doing.

**Petroleum production and revenue: past, present and future**

Because Timor-Leste has been so dependent on oil and gas income, and because the other sectors of its economy are so small, many people think it is an oil-rich country. As Table 1 shows, this is not correct, even if the Sunrise project goes ahead which, as argued later, is unlikely.

<table>
<thead>
<tr>
<th></th>
<th>Timor-Leste</th>
<th>Timor-Leste</th>
<th>Australia (30% Sunrise)</th>
<th>Australia (without Sunrise)</th>
<th>Indonesia</th>
<th>Brunei</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(70% Sunrise)*</td>
<td>(without Sunrise**)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proved oil and gas reserves at end of 2019 (mmBOE)</td>
<td>540</td>
<td>32</td>
<td>16,400</td>
<td>16,200</td>
<td>10,900</td>
<td>2,500</td>
</tr>
<tr>
<td>Proved oil and gas reserves per person (BOE)</td>
<td>420</td>
<td>25</td>
<td>650</td>
<td>640</td>
<td>40</td>
<td>5,700</td>
</tr>
</tbody>
</table>

Sources: BP 2020; Santos 2021a for Timor-Leste; Woodside 2020 for Sunrise.

Note: Quantities of oil and gas are combined as “barrels of oil equivalent” (BOE), by calculating the amount of gas with the same energy content as one barrel of oil. A million BOE is written “mmBOE”.

* Under the 2019 Maritime Boundary Treaty, Timor-Leste will get 70% of Sunrise upstream revenues (Australia gets the other 30%) if the gas is liquefied in Timor-Leste. If the LNG plant is in Australia, the split will be 80/20.

** Includes only Bayu-Undan, as no other fields have approved development plans.

Timor-Leste hit the jackpot with Bayu-Undan, its largest oil and gas field. As shown in Figure 10, it was built in 2004-5 when oil prices (thin red line) were low (as were construction costs), and it produced when they were very high. For a while, it was the most profitable project in the history of ConocoPhillips.
The dashed and dotted lines in Figure 10 after 2020 are projections, but production will end soon as the Bayu-Undan reserve is almost empty. Most of the remaining resource is natural gas, which is extracted at a constant rate to match the capacity of the pipeline and Darwin LNG plant. When the field’s gas pressure can no longer sustain this rate, production will abruptly cease.

The thick black line shows the amount of oil and gas produced each year, and the double green line shows the money it generated for Timor-Leste. Revenue lagged production while Bayu-Undan capital costs were being repaid in 2004-2007. Since 2015, prices and production have been dropping, and revenues have fallen even faster as barrels have become more expensive to extract. By 2019, when the Maritime Boundary Treaty came into effect and Australia stopped siphoning off 10% of the revenues, there wasn’t much oil and gas left.

Figure 10 doesn’t anticipate the three new wells that Santos is drilling at Bayu-Undan in mid-2021 to siph up the last puddles of petroleum. The $235 million it will cost to drill them will be subtracted from revenues, so the 20 million barrels of additional production will not produce much income for Timor-Leste (Santos 2021b). They will, however, be good for Santos, providing gas to operate the Darwin liquefaction plant until the Australian Barossa field comes on line (Evans 2021a; Morrison 2021). It also doesn’t consider Santos’ recently-floated idea to store carbon dioxide from nearby Australian high-carbon gas fields in Bayu-Undan after its own gas is exhausted, although this is also unlikely to produce much revenue for Timor-Leste (Santos 2021d; Milne 2021).

Timor-Leste is currently conducting a bidding round to attract new companies to explore in its onshore and offshore territory. Although the round has been promised for more than a decade, lack of interest caused its opening to be delayed until 2019, and bids will be accepted until October 2021 (La’o Hamutuk 2021d; Scheiner 2017; Ferreira 2021). As Figure 11 shows, the most geologically promising areas within Timor-Leste’s land and sea territory have long been explored by other companies, both seismically (green lines) and under previous contracts (light grey and blue areas). After unpromising results, the companies relinquished the areas. In the last bidding rounds in 2006, no company which had already explored in this area submitted a bid, and they know the geology better than anyone else.
Figure 11: Past and present oil and gas exploration

Source: ANPM 2018; La’o Hamutuk 2020b; contracts available at La’o Hamutuk 2021d.

Note: Grey areas were under contract in 2003 or 2006, and blue areas were contracted before 2000; all these were relinquished after unsuccessful prospecting and are now vacant. Crossed circles show where test wells have been drilled during the last fifty years. Fine green lines show where seismic exploration has been done. The red line at lower right is the 2019 Maritime Boundary Treaty with Australia. Hyphenated numbers are the contracts between the government and the companies, followed by the project name and the principal companies involved.

The darker-coloured shapes are current oil and gas contracts. Most of the areas other than Bayu-Undan are speculative, and the national oil company TimorGAP is a partner in nearly all of them. As shown in Table 2, even if they meet the most optimistic projections, none of these fields (with the possible exception of Sunrise – discussed separately in the next section) is likely to generate more than a few hundred million dollars for Timor-Leste.
<table>
<thead>
<tr>
<th>Project</th>
<th>Operator (partners)</th>
<th>Oil reserve (mmBOE)</th>
<th>Gas reserve (mmBOE)</th>
<th>Possible future revenues (million USD)</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bayu-Undan current wells</td>
<td>Santos 46% (SK E&amp;S 25%, Inpex 11%, Eni 11%, JERA/Tokyo Gas 9%)</td>
<td>16</td>
<td>4</td>
<td>$209</td>
<td>Produced 800 mmBOE since 2004, will end in 2022.</td>
</tr>
<tr>
<td>Bayu-Undan infill wells</td>
<td>Santos 46% (SK E&amp;S 25%, Inpex 11%, Eni 11%, JERA/Tokyo Gas 9%)</td>
<td>16</td>
<td>4</td>
<td>$0</td>
<td>Three infill production wells drilled in mid-2021 may extend production for 1-2 years.</td>
</tr>
<tr>
<td>Greater Sunrise</td>
<td>Woodside 33% (TimorGAP 57%, Osaka Gas 10%)</td>
<td>226</td>
<td>854</td>
<td>unknown</td>
<td>Discovered in 1974. Seeking financing to proceed with development. High capital costs. TL will get 70% of state revenues.</td>
</tr>
<tr>
<td>Buffalo</td>
<td>Carnarvon 50% (Advance Energy 50%)</td>
<td>31</td>
<td>0</td>
<td>$465</td>
<td>Produced 20 mmBOE in 1999-2005 for BHP and Australia. First new well planned for late 2021.</td>
</tr>
<tr>
<td>Onshore (Covalima &amp; Manufahi)</td>
<td>Timor Resources 50% (TimorGAP 50%)</td>
<td>40</td>
<td>0</td>
<td>$600</td>
<td>First test wells planned for July 2021.</td>
</tr>
<tr>
<td>Chuditch</td>
<td>SundaGas 50% (TimorGAP 25%, Baron Oil 25%)</td>
<td>0</td>
<td>588*</td>
<td>unknown</td>
<td>Shell drilled a test well in 1998 but did not continue. New owners will decide by the end of 2022 whether to drill another.</td>
</tr>
<tr>
<td>Three other contract areas</td>
<td>TimorGAP and Eni</td>
<td>?</td>
<td>?</td>
<td>unlikely</td>
<td>Although these contracts were signed several years ago, not enough work has been done to estimate possible reserves. No wells are planned.</td>
</tr>
</tbody>
</table>

Sources: Santos 2021a, MoF 2020b and ANPM 2021 (Bayu-Undan current); Santos 2021b (Bayu-Undan infill); Woodside 2020 (Sunrise); Carnarvon 2020 (Buffalo); Lusa 2020 (Onshore); Baron 2021 (Chuditch).

Notes: Reserve estimates are in millions of barrels of oil equivalent (mmBOE), with 50% (2C or 2P) likelihood. Revenue estimates for Buffalo and onshore assume the government take will be $15/barrel, which is what Timor-Leste received from Bayu-Undan in 2019-2020.

* The Chuditch estimate is very speculative, based on a single test well 23 years ago and seismic data. The partners acknowledge that it is not consistent with standard industry methodology, and were recently granted a one-year extension, until the end of 2022, to analyze existing data and decide whether to drill another test well.

The companies involved in the projects other than Sunrise and Bayu-Undan are very small with limited commercial experience. TimorGAP, SundaGas and Timor Resources have never managed an oil or gas project or drilled a well anywhere. Carnarvon has operated only one producing project, onshore in Thailand. These companies’ reserve estimates are intended to attract investors, but companies like TimorGAP and Timor Resources, which are not traded on stock exchanges, risk nothing by exaggerating.

In recent years, most exploration wells drilled the world do not find reserves worth developing (Westwood Global Energy 2019), and offshore wells are even less likely to discover commercially viable fields. Timor-Leste has a worse record: 90 exploration wells drilled since 1970 have found only eight commercially viable fields. One which was considered non-viable was Chuditch, which has already been relinquished by at least two companies.

As Table 2 shows, the projects which are far enough along to estimate could, if all goes well, generate a total of about $1.3 billion for Timor-Leste – as much as the country received in petroleum revenues during the last three months of 2012. They might finance the state budget for one year, but are not a long-term solution to the nation’s finances or economy.
Greater Sunrise and the Tasi Mane Project

Woodside discovered the Greater Sunrise reserve in 1974, but its development was delayed by Indonesia’s illegal occupation of Timor-Leste, and then by Australia’s continuing occupation of the new country’s maritime territory. After independence, Timor-Leste and the contract holders (Woodside, Shell, ConocoPhillips and Osaka Gas) couldn’t agree on a development model. The companies calculated that a floating LNG plant or a pipeline to Darwin (using the soon-to-be-idle LNG plant currently serving Bayu-Undan), would be most profitable. But Timor-Leste insisted on a pipeline to an LNG plant in Beaçu on its south coast, so nothing happened (La’o Hamutuk 2008, 2018a).

After the Maritime Boundary Treaty was agreed in 2018, the companies were still reluctant to pipe the gas to Timor-Leste, so TimorGAP borrowed $650 million from the Petroleum Fund and used the money to buy 57% participation in the Greater Sunrise joint venture. ConocoPhillips and Shell sold their shares, relieved to be paid for a non-productive asset. The loan is accruing interest at 4.5% per year and repayments will start in 2027, although it is unclear how TimorGAP will get the money.

In 2019, ConocoPhillips sold its majority stake in the Bayu-Undan joint venture and the Darwin LNG plant to the Australian gas company Santos, completely getting out of Timor-Leste. After Bayu-Undan production ends in a few years, Santos intends to use the existing Darwin LNG plant to process gas from Barossa, in Australian waters (Santos 2021c; Evans 2021b). Darwin LNG is no longer available for Sunrise, even if Timor-Leste or hypothetical investors wanted to explore options other than Beaçu LNG.

Due to changes in the energy economy from Covid-19 and other factors, Woodside Petroleum, operator and 33% owner of the Sunrise project, revalued it at zero in July 2020 (Evans 2020).

The development of the Greater Sunrise field itself, as well as an undersea gas pipeline from Greater Sunrise to an LNG plant and export terminal in Beaçu are components of the proposed Tasi Mane project,11 which also includes:

- A port and petroleum logistics supply base in Suai
- An oil refinery in Betano, with two onshore oil pipelines between Suai and Betano
- A 150-km highway between Suai and Beaçu
- Airports in Suai and Viqueque
- New towns, water supply, ports and other facilities.

Tasi Mane is presented as a package, but each component should be evaluated on its own, and Sunrise could be developed without the airports, Suai and Betano facilities, highway or oil pipelines.

Unfortunately, most of the discussion, media coverage, and decisions about Sunrise and Tasi Mane have been personalized, politicized and nationalistic (Scambary 2015). Policy-makers have not yet seen comprehensive, unbiased, independent cost/benefit/risk analyses of each component’s economic, fiscal, social and environmental impacts. The decisions to proceed with Tasi Mane have been driven by independence hero Xanana Gusmão. Although non-Timorese academic researchers have explored the anthropological roots (Bovensiepen 2020a, 2020b), political economy (Bovensiepen 2018; Scambary 2015; Rahmani 2019) and local impacts (Cryan 2015a) of the Tasi Mane project, the risks of putting all the country’s eggs in one unsound basket have so far been overlooked by many of the country’s leaders.

Table 3 shows that the capital investment needed to build Tasi Mane will be around $19 billion dollars – equal to the entire Petroleum Fund. This does not include operational costs or consider financial returns, which require further study. However, government documents reveal that only about 12% of the required investment has been budgeted for, and nearly half of that is the money borrowed from the Petroleum Fund to buy into the Sunrise joint venture. International media have reported that China will loan Timor-Leste money to build Tasi Mane, but TimorGAP and other officials deny this. As of this writing, no known investors have expressed interest in this project.

11 Tasi Mane (“Male sea” in Tetum) is the Timorese name for the waters off the country’s south coast, which others call the Timor Sea.
Table 3: Funds spent, budgeted and needed to build the Tasi Mane project (million USD)

<table>
<thead>
<tr>
<th>Component</th>
<th>Location</th>
<th>Status</th>
<th>Spent through 2020</th>
<th>Budgeted 2021</th>
<th>Budgeted 2022-2025</th>
<th>Est. total cost</th>
<th>Percent budgeted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airport</td>
<td>Suai</td>
<td>Constructed</td>
<td>77</td>
<td>3</td>
<td>9</td>
<td>100</td>
<td>90%</td>
</tr>
<tr>
<td>Highway</td>
<td>Suai-Fatukai</td>
<td>Mostly built</td>
<td>306</td>
<td>3</td>
<td>4</td>
<td>340</td>
<td>92%</td>
</tr>
<tr>
<td>Highway</td>
<td>Fatukai-Beaçu</td>
<td>Not started</td>
<td>3</td>
<td>1</td>
<td>22</td>
<td>1,320</td>
<td>2%</td>
</tr>
<tr>
<td>Supply base</td>
<td>Suai</td>
<td>Awaiting procurement</td>
<td>51</td>
<td>5</td>
<td>745</td>
<td>900</td>
<td>89%</td>
</tr>
<tr>
<td>Airport</td>
<td>Viqueque</td>
<td>Not started</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>75</td>
<td>0%</td>
</tr>
<tr>
<td>Oil refinery &amp; pipelines</td>
<td>Betano</td>
<td>Pending design</td>
<td>5</td>
<td>-</td>
<td>6</td>
<td>1,500</td>
<td>1%</td>
</tr>
<tr>
<td>Gas pipeline, LNG plant &amp; port</td>
<td>Sunrise-Beaçu</td>
<td>Pending design, seeking financing</td>
<td>25</td>
<td>-</td>
<td>21</td>
<td>6,000</td>
<td>1%</td>
</tr>
<tr>
<td>57% share of Sunrise J.V.</td>
<td>Offshore</td>
<td>Borrowed from Petroleum Fund</td>
<td>650</td>
<td>-</td>
<td>-</td>
<td>650</td>
<td>100%</td>
</tr>
<tr>
<td>57% of Sunrise upstream capital expenditure</td>
<td>Offshore</td>
<td>Pending design, seeking financing</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,840</td>
<td>0%</td>
</tr>
<tr>
<td>Administrative and other costs during construction</td>
<td>Dili</td>
<td>Ongoing</td>
<td>58</td>
<td>63</td>
<td>-</td>
<td>500</td>
<td>25%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td><strong>1,175</strong></td>
<td><strong>75</strong></td>
<td><strong>807</strong></td>
<td><strong>18,225</strong></td>
<td><strong>11%</strong></td>
</tr>
</tbody>
</table>

Sources: MoF 2020b, 2021a; TimorGAP 2020; author’s estimates.

Note: the $650 million loan from the Petroleum Fund to purchase a controlling share of the Sunrise Joint Venture will cost an additional $512 million in interest.

Tasi Mane’s future economic benefits to Timor-Leste are greatly exaggerated (ACIL 2016; TimorGAP 2020 p. 48). Nearly all of the billions of dollars for construction will go to foreign companies. After operation begins, these facilities will provide hardly any local jobs or subcontracts. According to Australian economist Brett Inder, investing in improved coffee production would employ six times as many workers and stimulate six times as much GDP growth as the same amount invested in Tasi Mane (Inder 2019a, 2019b). In fact, studies elsewhere show that the petroleum industry creates fewer jobs per dollar than virtually any other potential investment (CBE 2011; Bacon 2011). Although exporting oil and gas from Greater Sunrise might generate revenue for Timor-Leste, other Tasi Mane components – highway, airports, refinery, supply base – are unlikely to recover their investment costs.

The only parts of Tasi Mane that have been built (or even contracted) so far are Suai airport and the first fifth of the highway (Gomes 2020). The airport is unused and overgrown with weeds, and part of the highway, which separates people from their families and farms, slid down the hill with the first heavy

---

12 TimorGAP’s 2019 Annual Report says “The Tasi Mane Project ... will increase national gross domestic product (GDP) and export earnings, while creating employment opportunities during construction and operation, as well as providing a catalyst for further development in the south coast region. It is projected that up to 10000 direct jobs will be created form Tasi Mane projects, and more than 50000 indirect jobs can be generated with the transformation of petroleum sector development from extractive to industrialization. In addition, the Tasi Mane Project will generate indirect benefits, influencing broader economic performance as a result of spillover effect to other industry sectors.” (TimorGAP 2020).
rainfall (Fundasaun Mahein 2021b). Many people have already been displaced from their homes and farms in anticipation of other Tasi Mane components (Cryan 2015a, 2015b). In addition, each part of the Tasi Mane project heightens social conflict, uses valuable land and shoreline, worsens public health, and will degrade and endanger the environment (La’o Hamutuk 2008, 2016a, 2016b; Fundasaun Mahein 2021a).

In May 2020, the restructured government replaced the Minister for Petroleum and Mineral Resources, the head of the National Petroleum and Minerals Authority (ANPM) and the head of the TimorGAP national oil company. The new holders of these positions have said that previous studies were biased and that a thorough review of Tasi Mane’s costs, benefits, and risks will be done before proceeding further. In March 2021, new ANPM President Florentino Ferreira told an oil industry conference that Tasi Mane “is currently subject to reassessment of its viabilities” (Ferreira 2021, slide 12). Nevertheless, the project has a lot of momentum, and the 2021 state budget envisions building the Suai Supply Base starting in 2022 (MoF 2020b, book 3a, page 36).

To summarise, although Greater Sunrise is Timor-Leste’s only undeveloped, proven oil and gas reserve and is much larger than other possibilities, its future is uncertain for technical, financial, ecological and political reasons. Even if it goes ahead and generates returns, it will not be nearly as lucrative as Bayu-Undan has been. The logistics are more complex, and the global petroleum economy has changed. Oil companies and other investors have been unwilling to take it on, realizing that projects of borderline viability will become unprofitable as renewable energy replaces fossil fuel to avert further calamities from climate change. Although a few components of the Tasi Mane project have been built, they and the remaining components may never provide net benefits for Timor-Leste; further construction has been delayed and is being re-evaluated.

**Conclusion**

In many areas, Timor-Leste has made great strides since independence. Civil and political rights are respected, democracy flourishes, and most state actions follow the rule of law. Infant and maternal mortality are greatly reduced, malaria and leprosy have been virtually eliminated, and many more people have access to electricity, education, and health care.

However, there is still a long way to go. Multi-dimensional poverty still afflicted 47% of people in Timor-Leste in 2016 – a significant improvement over 70% in 2009. Although this is the fourth-largest drop in the world, Timor-Leste’s Multidimensional Poverty Index (MPI) is still more than double the average for developing countries, and is worse than every non-African country except Papua New Guinea (UNDP 2020).

Timor-Leste is now at a crossroads, with risks intensified by Covid-19 and political competition. As producing oil and gas reserves near depletion, future petroleum projects will not be able to continue to finance the government’s budget and the nation’s economy. Although the urgency of economic diversification is well-understood by many Timorese analysts outside the political system (Cardoso 2020, 2021a; Gomes 2020; da Costa Junior 2018; Guterres 2018; Neves 2019, 2020), political leaders are hesitant to acknowledge that the country needs to change direction. Economic diversification is difficult to envision and to implement.

Withdrawals from the Petroleum Fund are decided by Timorese officials, but its income is not within their control. Although the Timorese people have won struggles that international “experts” said were impossible, including national independence and the maritime boundary, no amount of determination or strategizing can create new petroleum reserves or influence global oil prices and investment markets.

It is hard for many people to accept that Timor-Leste will never again receive $3 billion a year, as it did when it was converting non-renewable oil and gas assets to financial assets a few years ago, and that the savings in the Petroleum Fund will not be able to finance the state for generations. Existing fields are depleted or near depletion. New prospects are minor, apart from Sunrise which is unlikely to be
commercially viable, and there are real risks of massive waste of public funds and land on the dubious Tasi Mane project. The only way forward – it’s not a choice – is to diversify the economy.

All the Timorese authors cited in this paper came of age after independence, and their minds may be more open than those conditioned by the struggle to survive and overcome a brutal foreign occupation. Although the senior “1975” generation of leaders excelled at resistance and clandestine struggle, the skill set of national heroes may not be best suited for democracy in peacetime. Their successors, including the current President, Prime Minister and most other ministers, grew up in wartime, largely isolated from the world. However, nearly three-fourths of Timor-Leste’s people are under 35, and have enjoyed more peaceful and diverse opportunities than their forebears. As this younger generation moves into decision-making roles, they are bringing fresh energy and ideas to the nation’s development and transcending old patterns.

In August 2020, Timor-Leste’s government adopted a plan for Economic Recovery from Covid-19 prevention measures, which says:

“For Timor-Leste to grow continuously in an inclusive and sustainable way, more and better ways must be found to strengthen its production capacity and diversify its economy outside the oil sector. ... [T]he message is simple: we must rely less on our natural resources and rely more on what we can produce with our own sweat, creativity and imagination, which would imply more resources devoted to tourism, agriculture and manufacturing.” (RDTL 2020)

This is a different message than most political leaders have been hearing and promoting. However, while Timor-Leste may now be reconsidering the dominant role of oil and gas in its economy, the inertia of prior thinking will be difficult to overcome. As many Timorese politicians often declare, “Hakarak ka lakohi, Projetu Greater Sunrise ita tenke kontinua” (“Like it or not, we must continue the Greater Sunrise project”).

If decision-makers can overcome the fantasies and obsessions that have followed oil and gas into the public policy arena, the remainder of the Petroleum Fund could be used to kick-start more sustainable, equitable economic development.
An essential first step is strengthening the country’s most precious resource – its people. Investing in nutrition, education and health care will lay the foundation for whatever paths are followed in the future. Although more than half of Timor-Leste’s petroleum-fuelled period has passed, a few years remain to prepare for the next phase of the country’s history.

References

Many documents are referenced on both La’o Hamutuk and official websites, as the latter don’t always work or endure. All were accessed in March 2021 or later.


