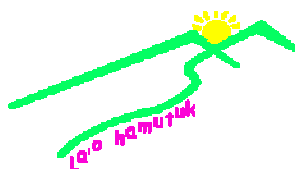


# Timor-Leste's Economic Context and Oil Dependency



**Briefing to Charles Sturt University Students –  
Australia  
Dili, 3 July 2019**

## What is La'o Hamutuk?

- The Timor-Leste Institute for Development Monitoring and Analysis, founded in 2000.
- Timorese and international people “walking together” on the journey to create a new Nation.
- An independent, Timorese, non-governmental organization which does research, policy analysis, public education and advocacy.
- A force for participatory, equitable, sustainable and evidence-based policies and practices.

## **Several important topics to discuss**

- Petroleum Dependency
- The state finance and unsustainable national economy
- Priorities to invest in non oil economy sector

## **Petroleum Dependency**

Timor-Leste has been one of the world's most petroleum-export-dependent countries.

This determines our State, our economy and our future.

## Statistic information

- Nearly half of Timor-Leste’s people live in poverty, 64% in multi-dimensional poverty.
- Two-thirds of people live in rural areas, largely by subsistence farming.
- Poor sanitation and malnutrition are endemic.
- About 1,200 Timorese children under 5 years old die from preventable conditions every year ... 30 times as many people as die from homicide

## Petroleum Dependency (nominal USD)

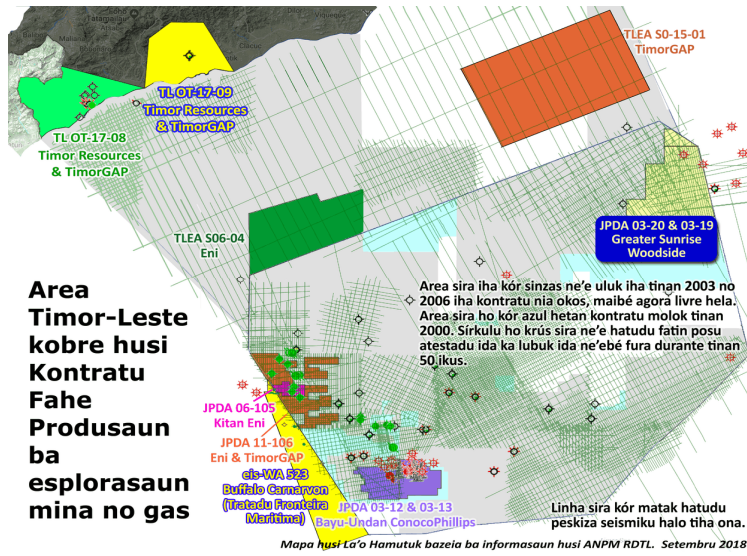
	2013	2014	2015	2016	2017
Petroleum GDP	\$4,234 (75%)	\$2,591 (64%)	\$1,496 (48%)	\$820 (33%)	\$895 (36%)
Non-oil GDP	\$1,403 (25%)	\$1,451 (36%)	\$1,597 (52%)	\$1,684 (67%)	\$1,593 (64%)
Productive (agric. & manuf.)	\$305	\$307	\$288	\$287	\$284

- State revenues in 2018:..... **\$154 million**  
 -\$460 million was lost from investing the Petroleum Fund  
 \$447 million from oil and gas revenues  
 \$167 million from non-petroleum sources
- Executed 2018 State Budget:..... **\$1,159 million** (\$1,277m appropriated)  
 \$983 million transferred from the Petroleum Fund  
 \$167 million from non-petroleum (domestic) revenues  
 \$ 39 million from loans which will have to be repaid
- State activities, paid for with oil money, are nearly half of the “non-oil” economy because some of this money circulates in the local economy.
- Petroleum and investment “income” goes to the state, not the people.

**Only South Sudan, Libya (and Equatorial Guinea?) are more dependent on oil and gas exports than Timor-Leste was before 2014.**

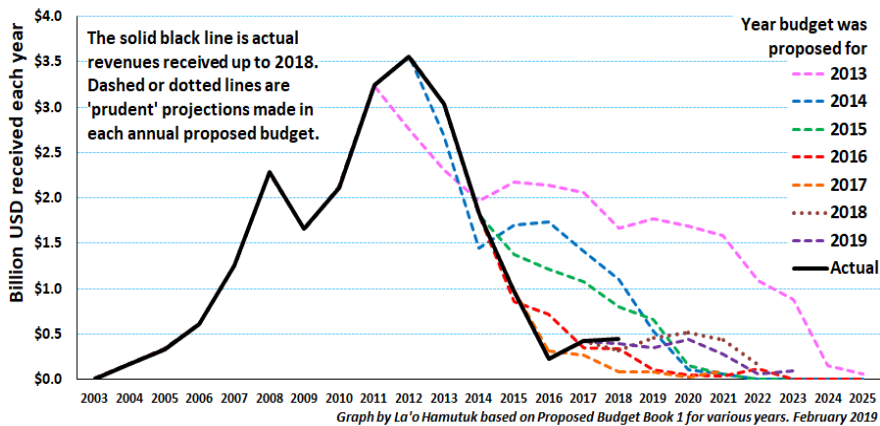
# Our seas have been explored almost 50 years

There may not be any other fields



# Oil income is lower than expected.

## Expected annual petroleum revenues

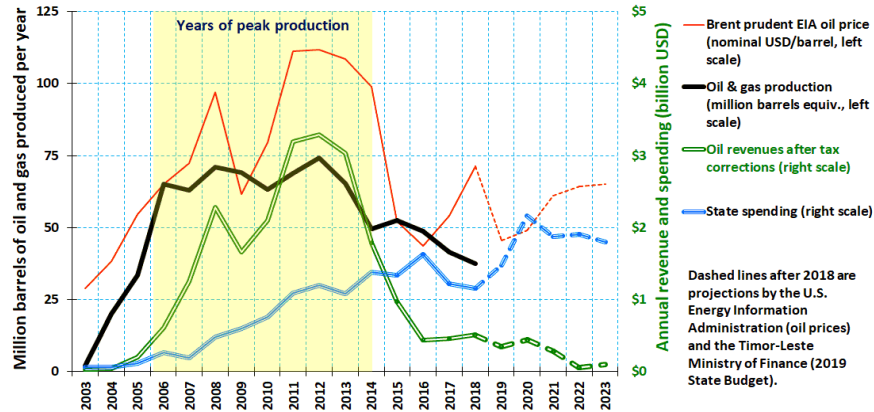


**TL has already received more than 95% of the revenues it will get from Bayu-Undan and Kitan, and they will end entirely in 2022.**

# Timor-Leste's oil and gas income continue to fall

Production is dropping faster than prices, and will not go back up.  
The price will be irrelevant when we have nothing left to sell.

**Timor-Leste's oil and gas income peaked in 2012 and will continue to fall.**



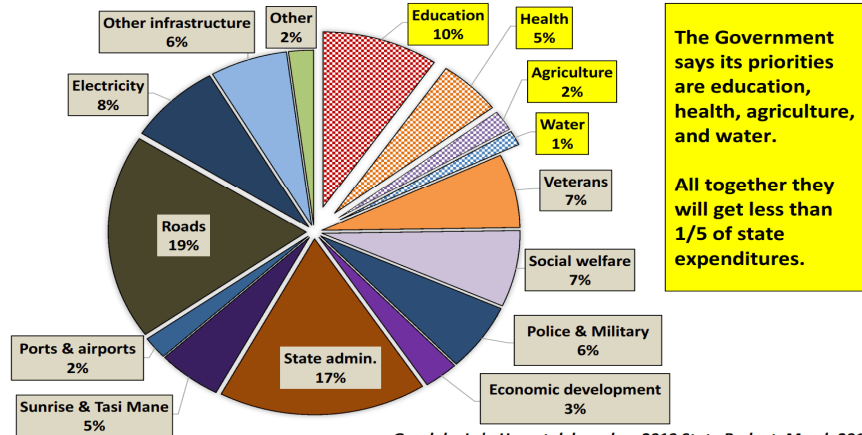
## The state finance and unsustainable national economy

Timor-Leste has almost no industry and a tiny private sector.

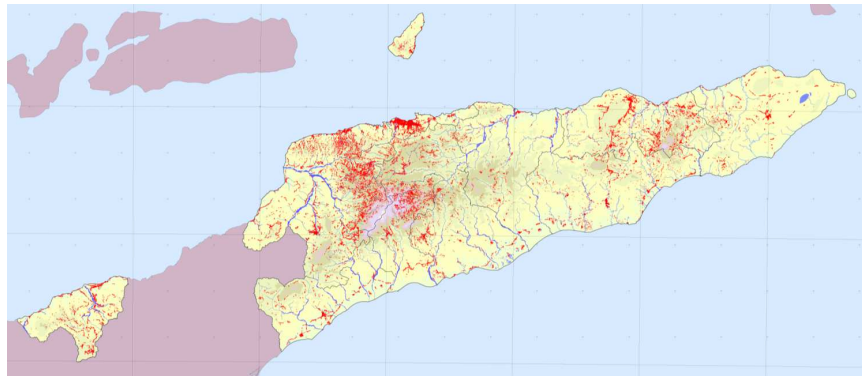
From 2008 through 2016, State Spending grew faster than nearly every country in the world.

# The money doesn't match the promises

Appropriations in the promulgated 2019 State Budget  
\$1.482 billion total



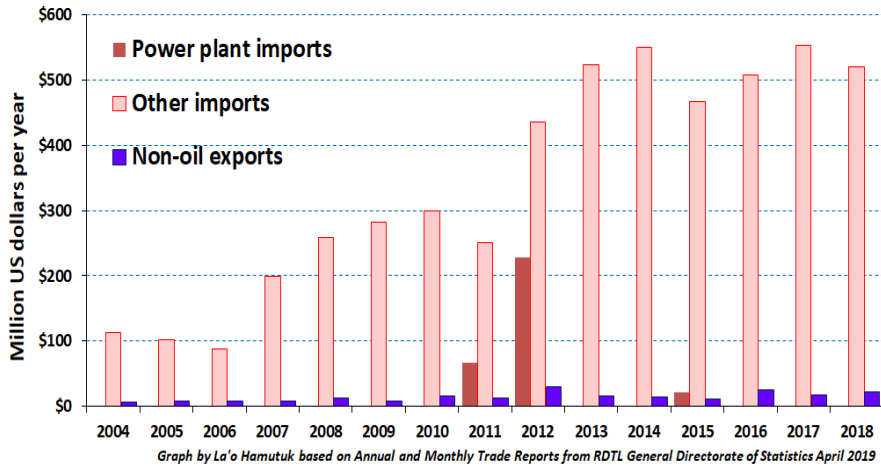
# Most people live in rural areas by subsistence agriculture.



Agriculture got 2% of state expenditures in 2019, although it is the livelihood of 65% of the population.

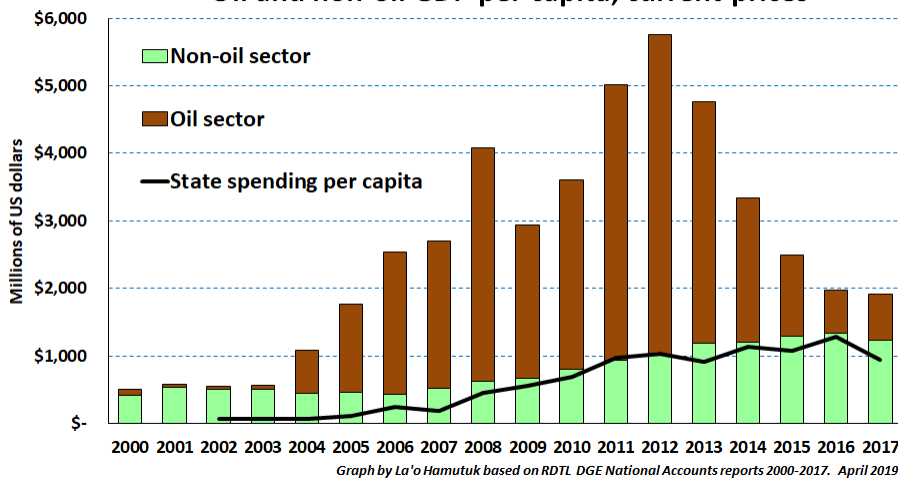
# Import Dependency

## Timor-Leste Balance of Non-Oil Goods Trade



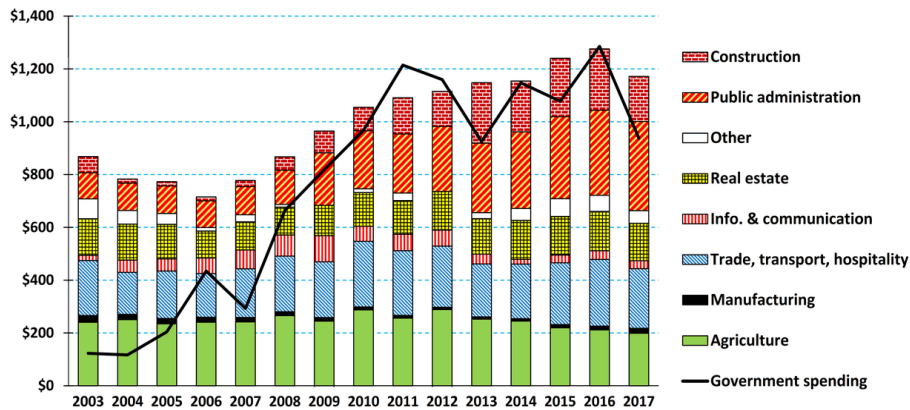
# Oil GDP fell 85% between 2012 and 2016.

## Oil and non-oil GDP per capita, current prices



**The non-oil, non-state GDP per capita is stagnant.  
Productive sectors have not grown since  
independence.**

**Sectoral contributions to 'non-oil' per capita GDP**  
Current prices, 2015 dollars



*Graph by La'o Hamutuk based on RDTL DGE National Accounts reports 2000-2017. April 2019*

## The future priorities which need government investment

- Basic services such as : education, clean water and health facilities
- Agriculture sectors
- Light industries or small food processing industries
- Tourism sectors: Community based tourism, Marine tourism and services



# Thanks



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**La'o Hamutuk**  
 PO Box 340, Dili, Timor-Leste  
 Wired phone: +670-3321040, Mobile: +670-77234330 [laohamutuk@gmail.com](mailto:laohamutuk@gmail.com)

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