Timor-Leste’s Economic Context and Oil Dependency

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

What is La’o Hamutuk?


- 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)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petroleum GDP</td>
<td>$4,234</td>
<td>$2,591</td>
<td>$1,496</td>
<td>$820</td>
<td>$895</td>
</tr>
<tr>
<td></td>
<td>(75%)</td>
<td>(64%)</td>
<td>(48%)</td>
<td>(33%)</td>
<td>(36%)</td>
</tr>
<tr>
<td>Non-oil GDP</td>
<td>$1,403</td>
<td>$1,451</td>
<td>$1,597</td>
<td>$1,684</td>
<td>$1,591</td>
</tr>
<tr>
<td></td>
<td>(25%)</td>
<td>(36%)</td>
<td>(52%)</td>
<td>(67%)</td>
<td>(64%)</td>
</tr>
<tr>
<td>Productive (agric. &amp; manuf.)</td>
<td>$305</td>
<td>$307</td>
<td>$288</td>
<td>$287</td>
<td>$284</td>
</tr>
</tbody>
</table>

• State revenues in 2018: $154 million
  - $447 million from oil and gas revenues
  - $107 million from non-petroleum sources

• Executed 2018 State Budget: $1,159 million ($1,277m appropriated)
  - $895 million transferred from the Petroleum Fund
  - $107 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.

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

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.
Oil GDP fell 85% between 2012 and 2016.
The non-oil, non-state GDP per capita is stagnant. Productive sectors have not grown since independence.

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
Access to www.laohamutuk.org