



# International Monetary Fund

## **Fiscal Strategy in Timor-Leste**

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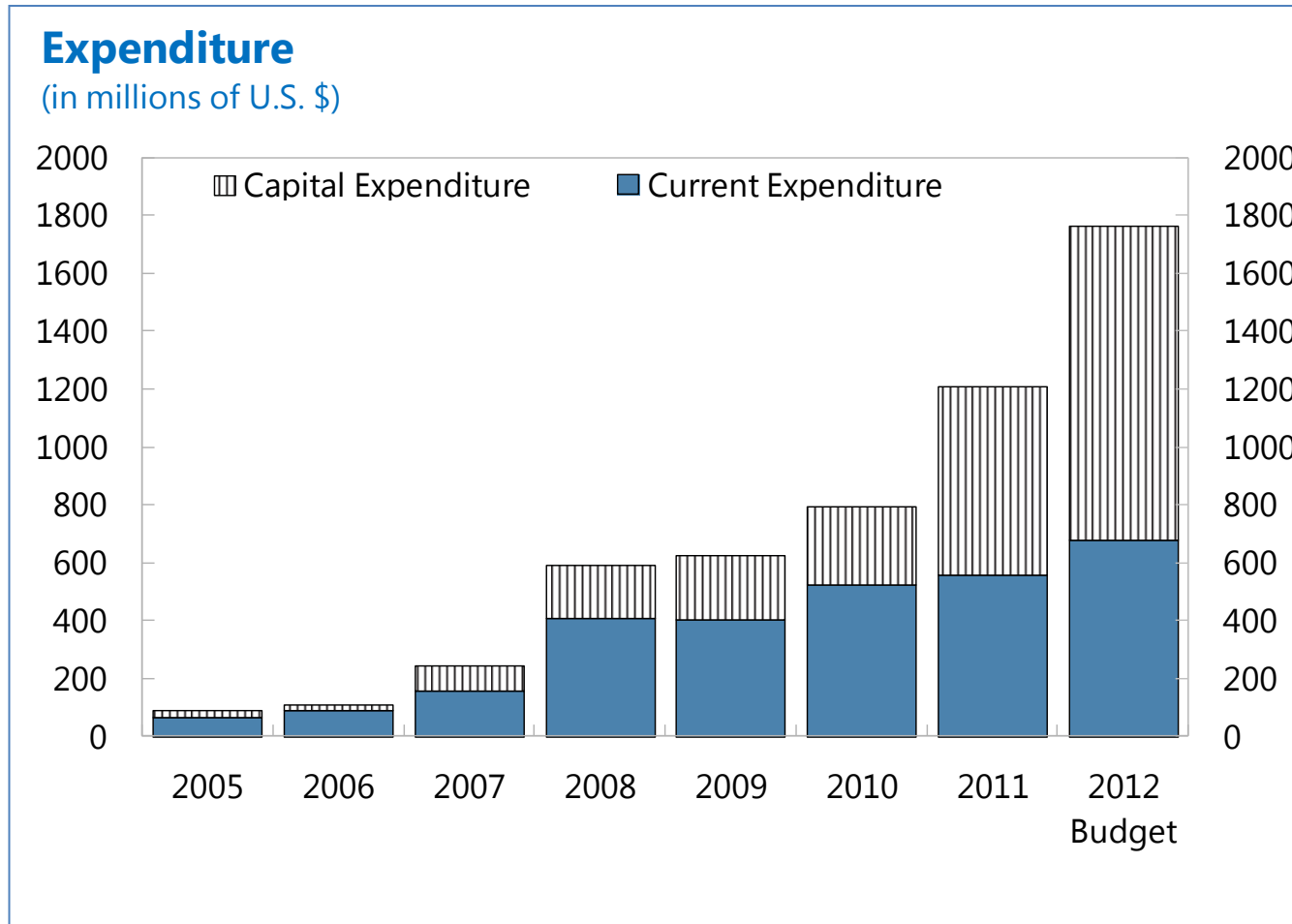
IMF, Asia and Pacific Department

Dili, November 19, 2011

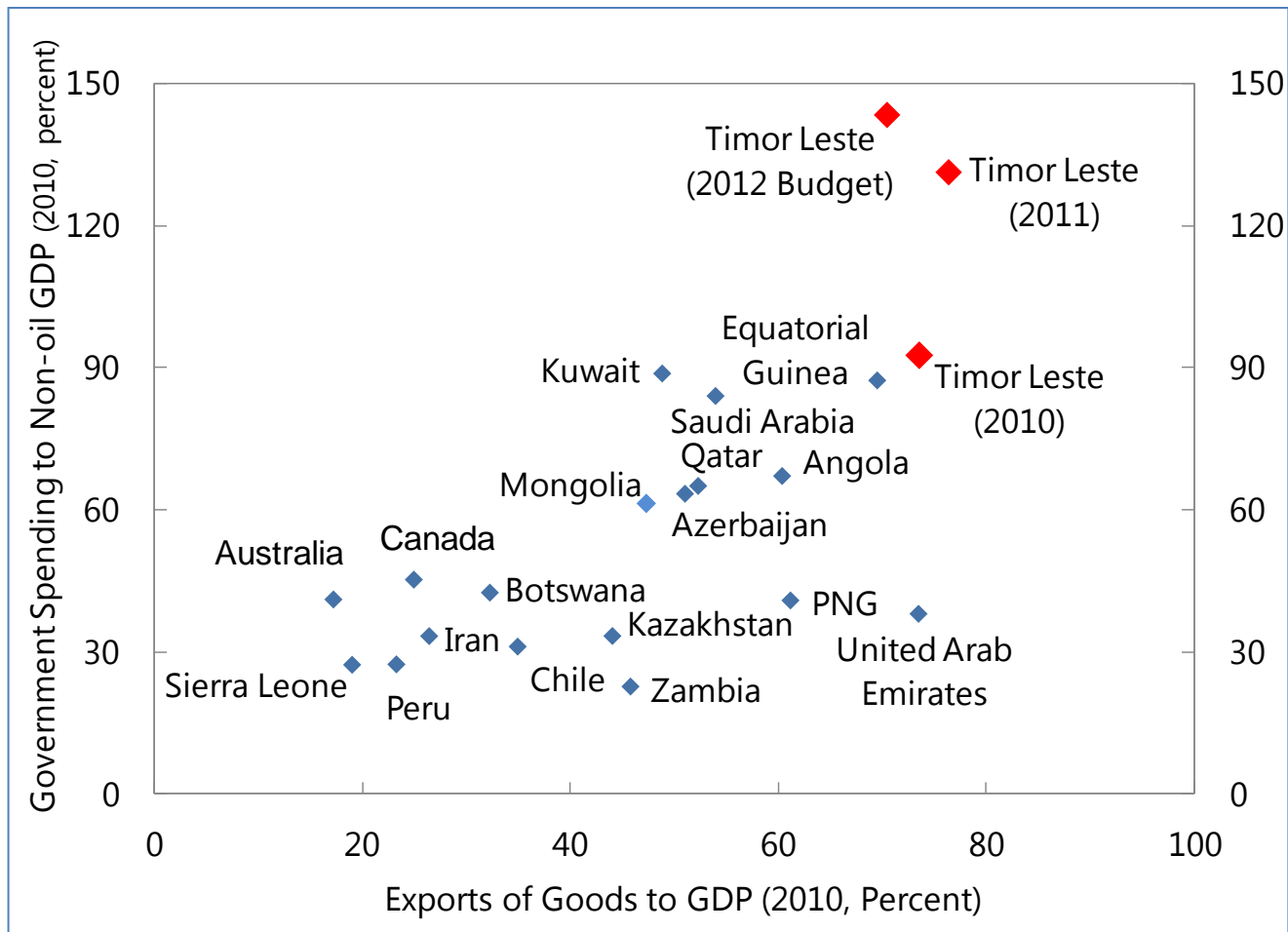
# Plan of the Presentation

- Fiscal Developments
- Inflation
- Fiscal Policy in Timor-Leste
- Fiscal sustainability over the long term

# *Government spending is growing rapidly.*



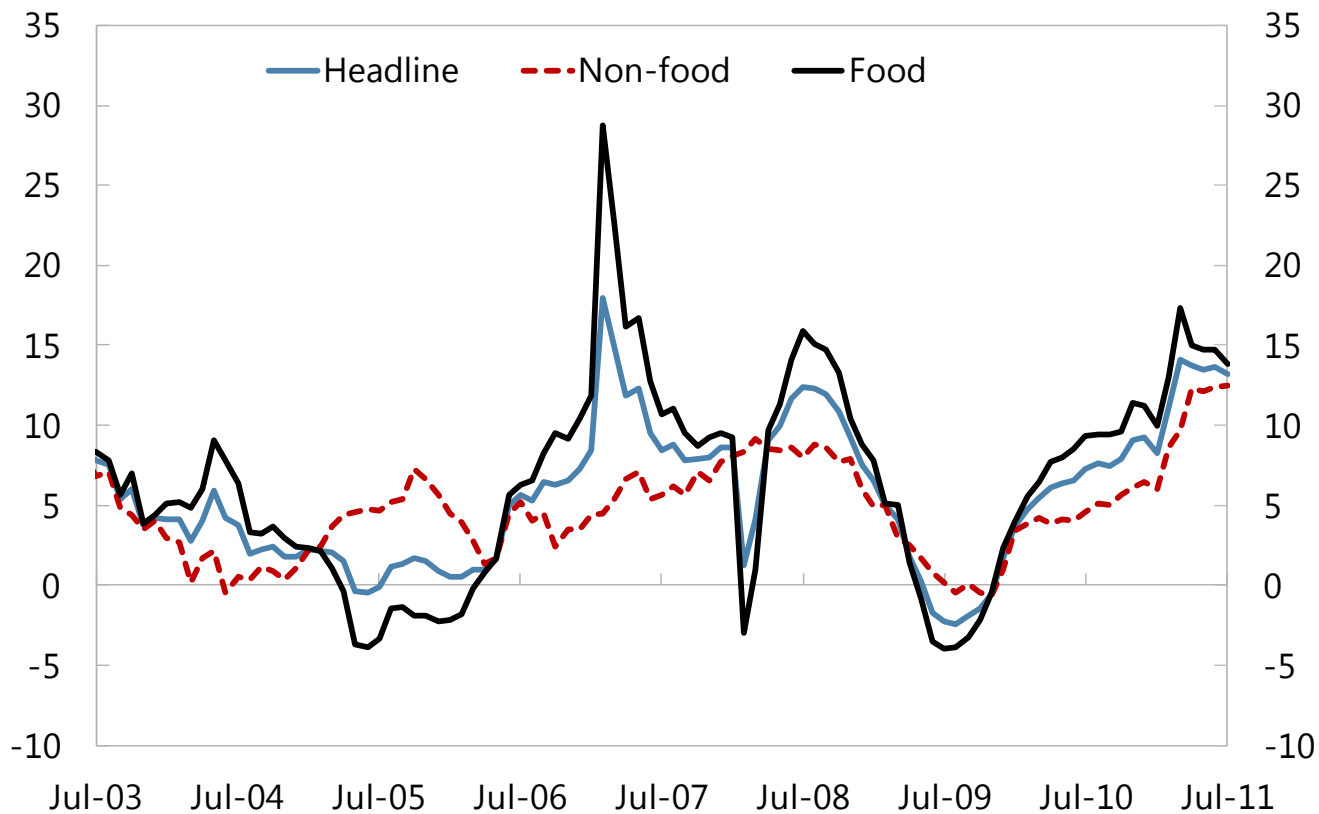
*Government spending in Timor-Leste stands out relative to other resource dependent economies.*



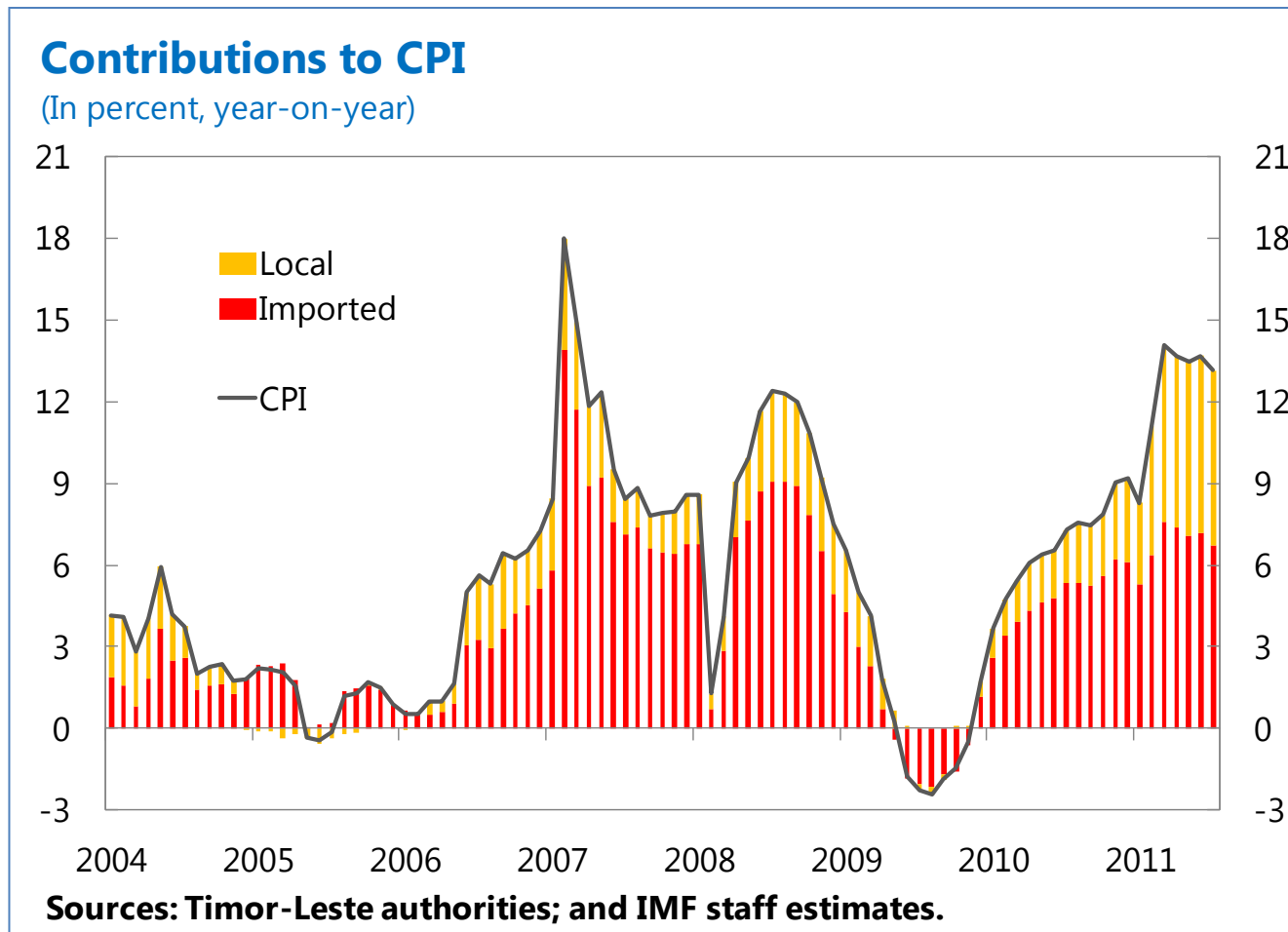
*Inflation has risen rapidly to over 10 percent, due to high food prices and strong demand.*

## Consumer Price Index

(Year-on-year percentage change)



# Inflation is becoming more broad-based.



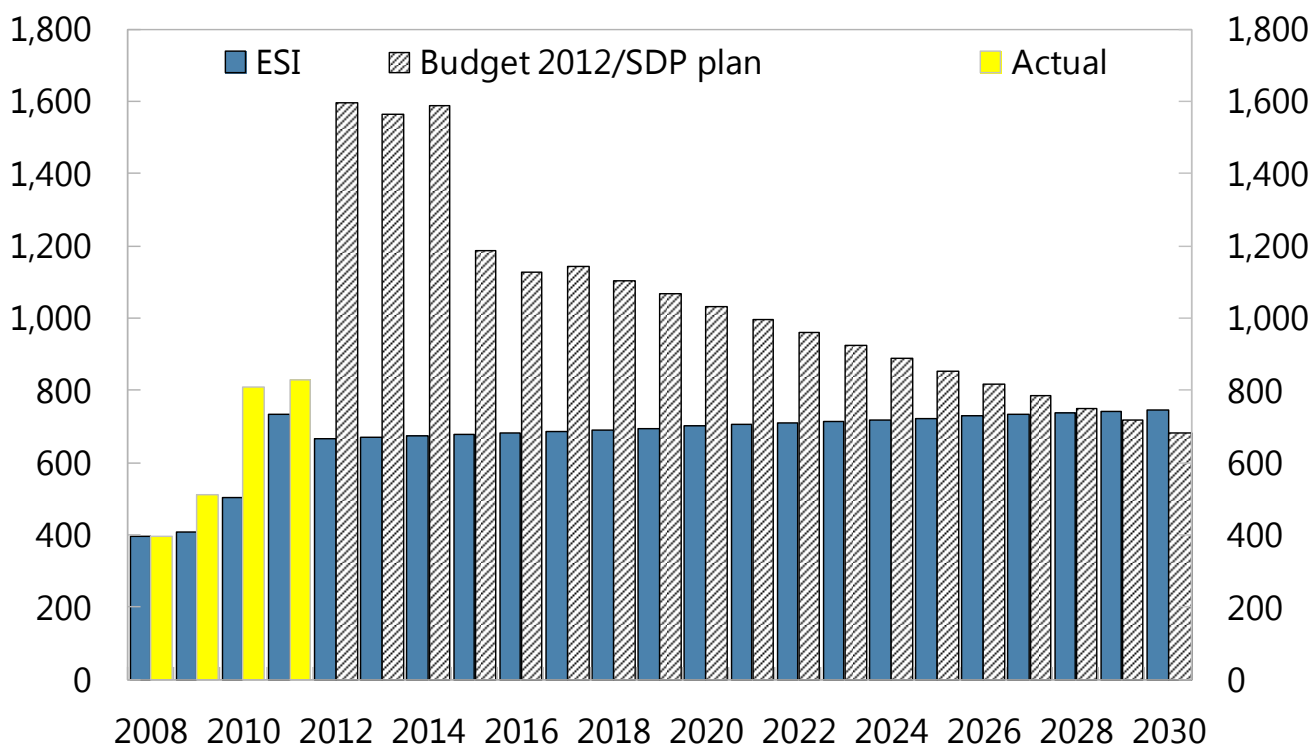
# Fiscal Policy in Timor-Leste

- Given development needs, the government plans to frontload capital spending to improve poor infrastructure
- The trade-off between
  - the need to rebuild basic infrastructure soon and
  - the pace of spending increases required to deliver sustainable high growth with moderate inflation.

# *The SDP envisages excess withdrawals for the next two decades.*

## Petroleum Fund Withdrawals

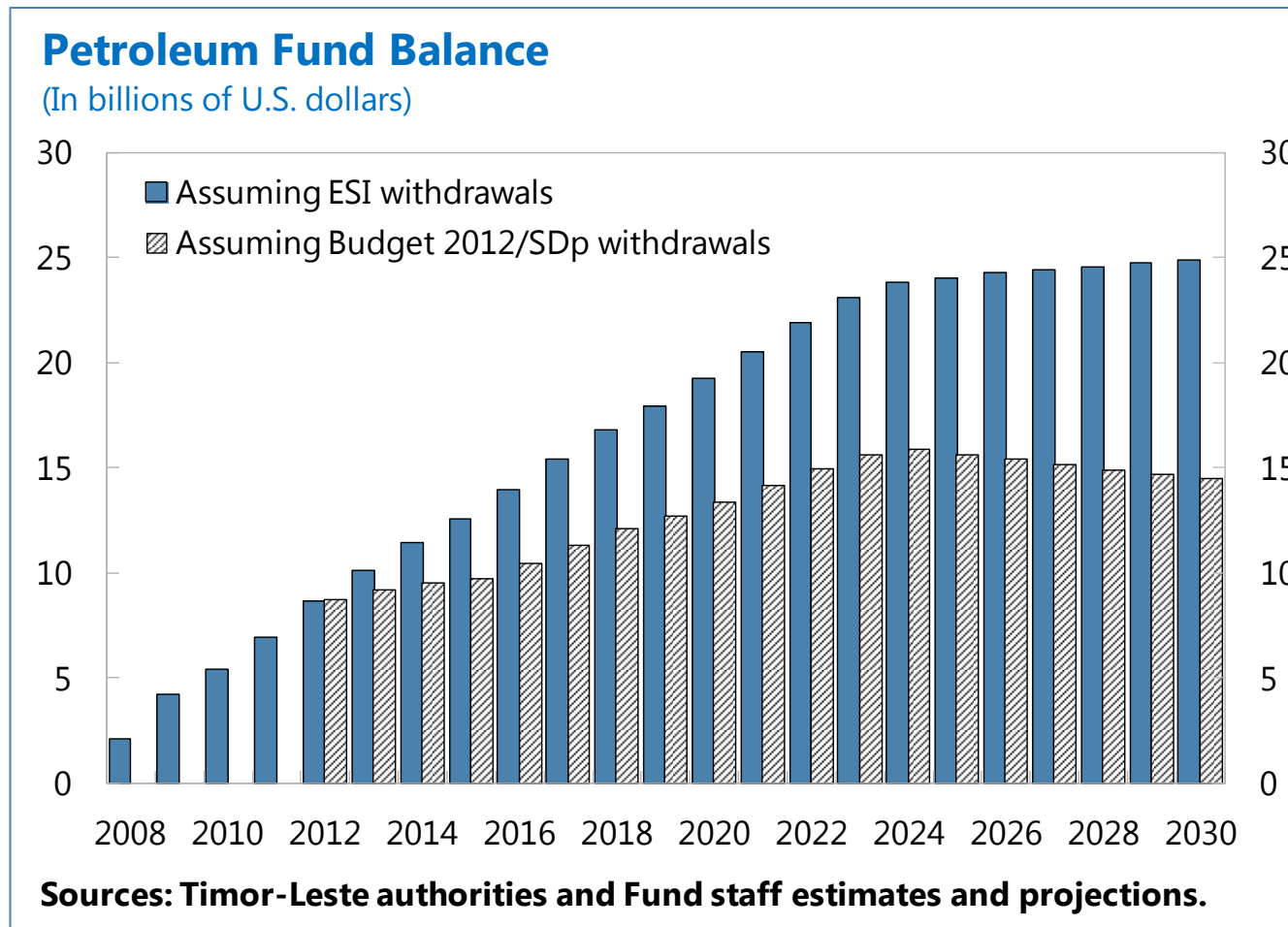
(In millions of U.S. dollars)



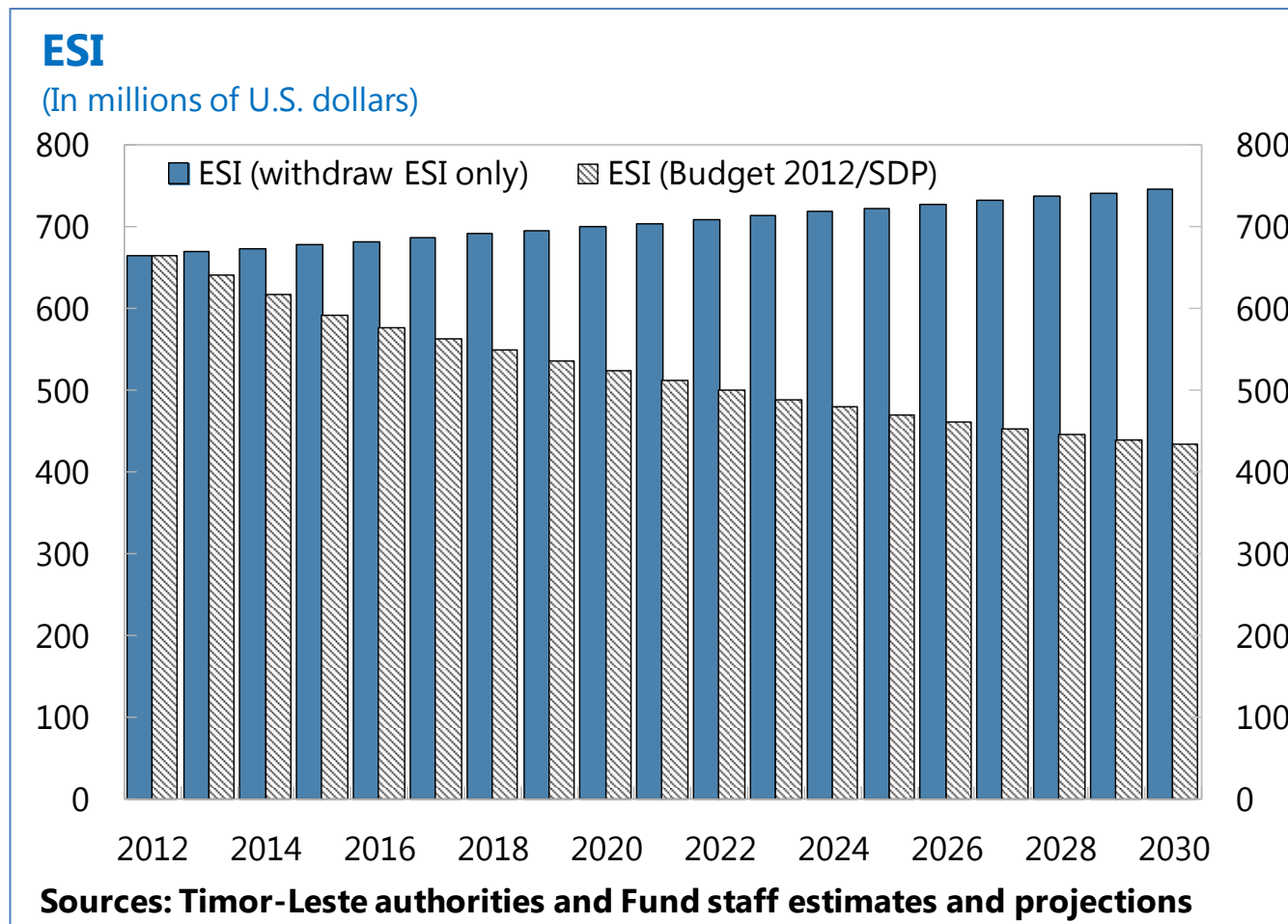
**Sources: Timor-Leste authorities and Fund staff estimates and projections.**



*The excess withdrawals would lower the projected Petroleum Fund balance by about \$10 billion by 2030.*



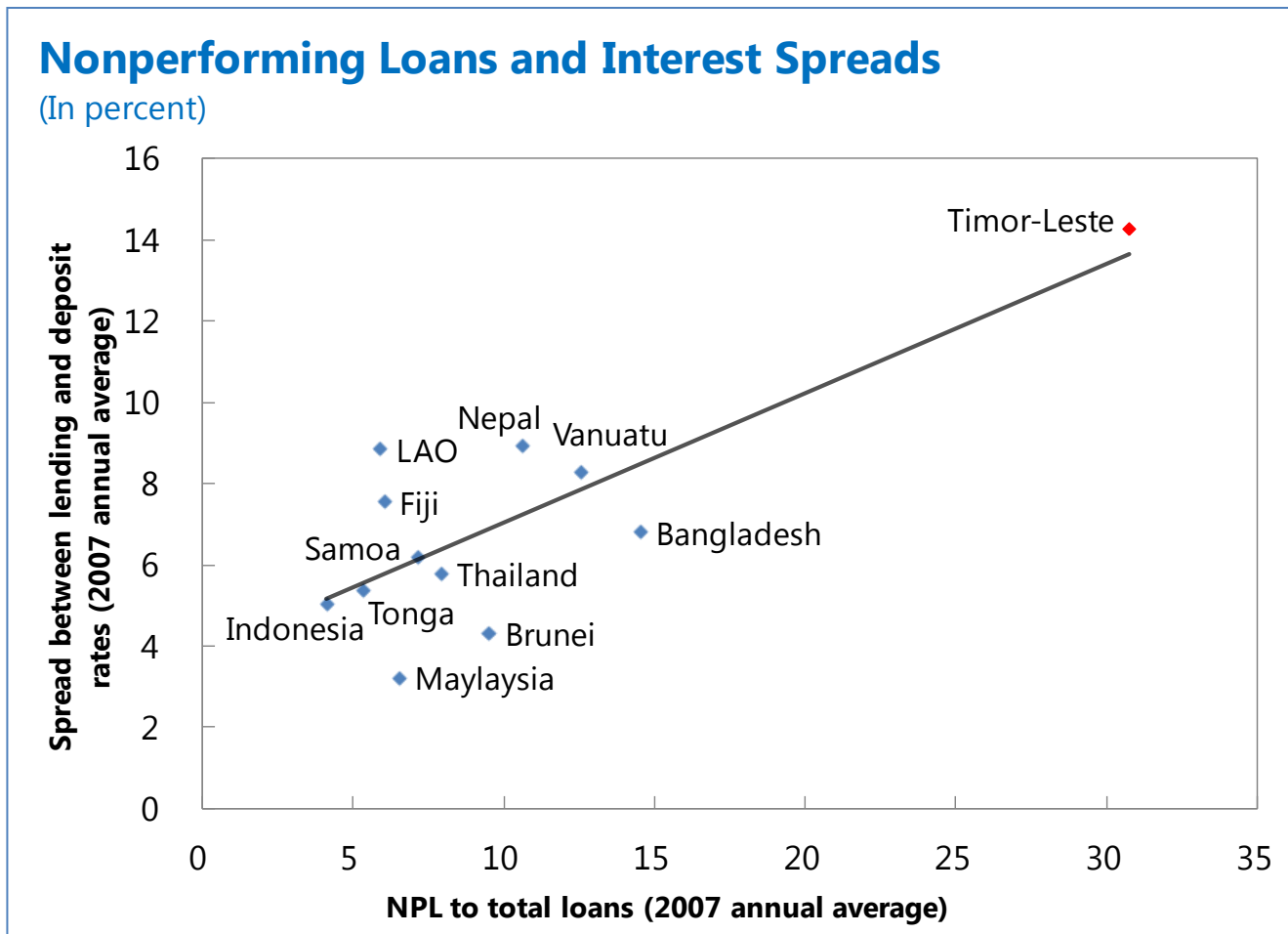
*The projected ESI would continue to decline accordingly.*



*The size of government spending is different,  
depending on countries.*

Government Spending (In percent of GDP)		
	2011	2002-11 Average
Emerging and developing economies	29.5	28.1
Central and eastern Europe	40.1	39.8
Commonwealth of Independent States	37.1	34.9
Developing Asia	22.8	21.5

# Nonperforming loans in Timor-Leste are very high, even compared to other LDCs.





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**Thank you!**