

Productive economic sectors are essential for sustainable development in Timor-Leste

Adilsonio da Costa Junior

1.ST TLSA-Brasilia

Schisms, continuities and new syntheses in Timor-Leste

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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.

Outline

- ☐ Introduction
- ☐ Challenges in countries heavily dependent on oil and gas revenue
- ☐ TL's productive sectors are underdeveloped
- ☐ Alternative options: agriculture, tourism and agriculture-based processing industry
- ☐ Conclusion and Recommendation

Introduction

- ☐ Timor-Leste's economy is heavily dependent on oil and gas exports, and return on investment from the Petroleum Fund (PF)
- ☐ Contribute about 90% to annual state budget
- ☐ Already spent \$10 billion from PF
- ☐ 1.2 Million population and the land area, about 15,000 km²

Introduction Continued...

- ☐ Majority of the population depends on agriculture (65% of households)
- ☐ Poverty: about 41% of the population
- ☐ Health and education facilities remain limited
- ☐ Productive economic sector has not yet been well developed.
- ☐ Government focus on development of mega-projects in the infrastructure sector.

Petroleum Dependency

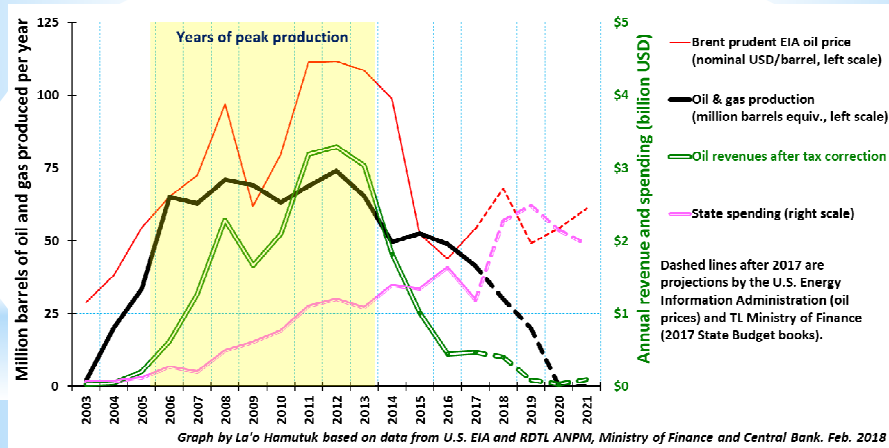
(million current US dollars)	2013	2014	2015	2016
Petroleum GDP	\$4,234 (75%)	\$2,591 (64%)	\$1,496 (48%)	\$820 (33%)
Non-oil GDP	\$1,415 (25%)	\$1,454 (36%)	\$1,609 (52%)	\$1,702 (67%)
Productive (agric & manuf)	\$306	\$310	\$294	\$305

- ☐ State revenues in 2017:..... **\$2,217 million**
 \$1,612 million (73%) was from investing the Petroleum Fund (\$1,295m unrealized)
 \$ 422 million (19%) was from oil and gas revenues
 \$ 183 million (8%) was from non-petroleum sources
- ☐ Executed 2017 State Budget:..... **\$1,289 million** (\$1,387m appropriated)
 \$1,079 million transferred from the Petroleum Fund
 \$ 183 million from non-petroleum (domestic) revenues
 \$ 27 million from loans which will have to be repaid (\$102m planned)
- ☐ 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.

Timor-Leste's oil and gas income is limited, and has been falling since 2012.

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



Challenges in countries heavily dependent on oil and gas revenue

Resource curse

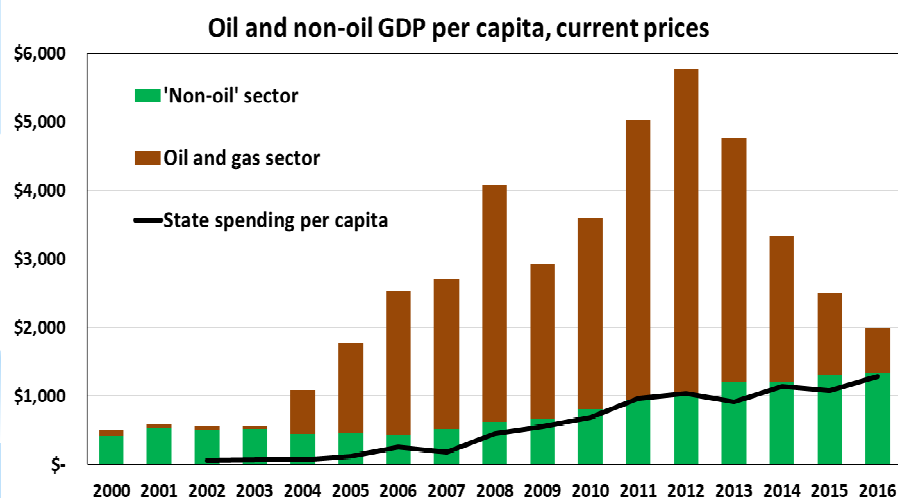
“The concept of the resource curse suggests that countries endowed with natural resources, such as minerals, oil and gas, have been less able to develop their economies than others with fewer natural resources.” (Auty, 1993)

Challenges in countries heavily dependent on oil and gas revenue

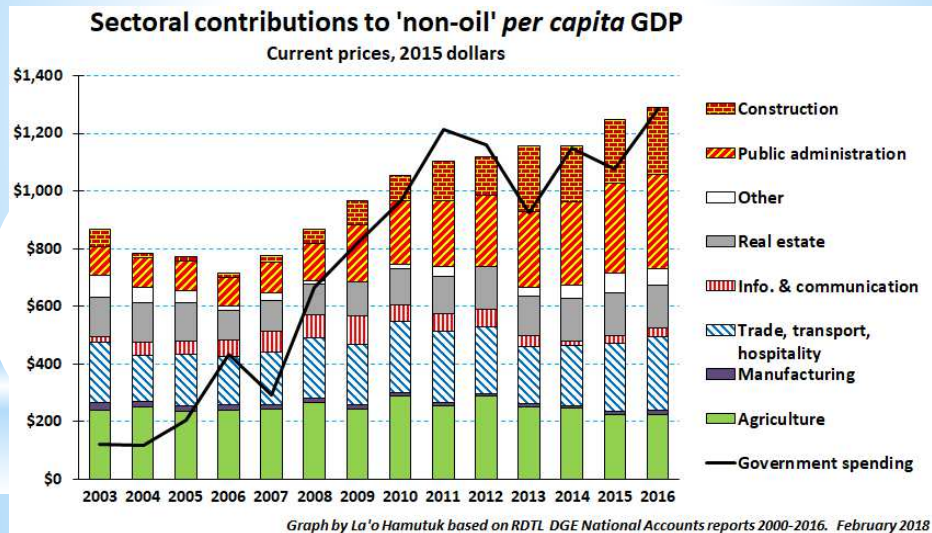
- ☐ Lack of attention to developing productive economic sectors (such as agriculture or light industry).
- ☐ Conflict because of struggles over resources and corrupt government.
- ☐ Misguided management of resources and inefficient spending and borrowing.
- ☐ Prioritizing large-scale projects such as airports, highway and other infrastructure; less investment in basic services that all people need.

Timor-Leste's productive sectors are underdeveloped

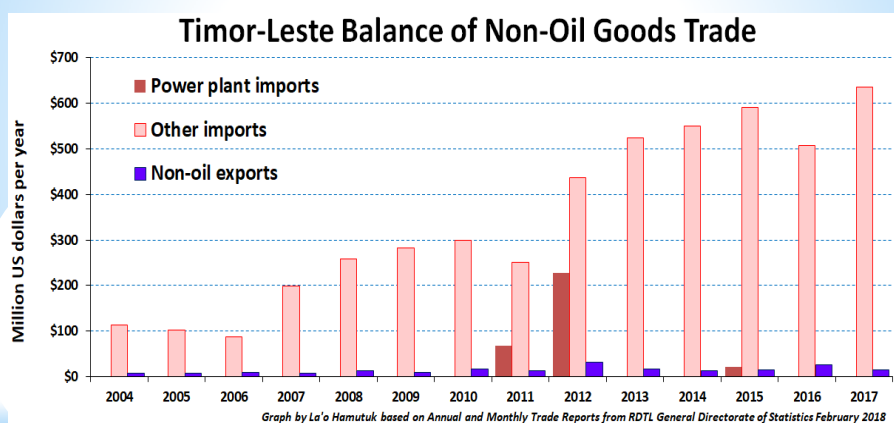
Oil GDP fell 85% between 2012 and 2016, and will continue to fall.



The non-oil, non-state GDP per capita is stagnant.



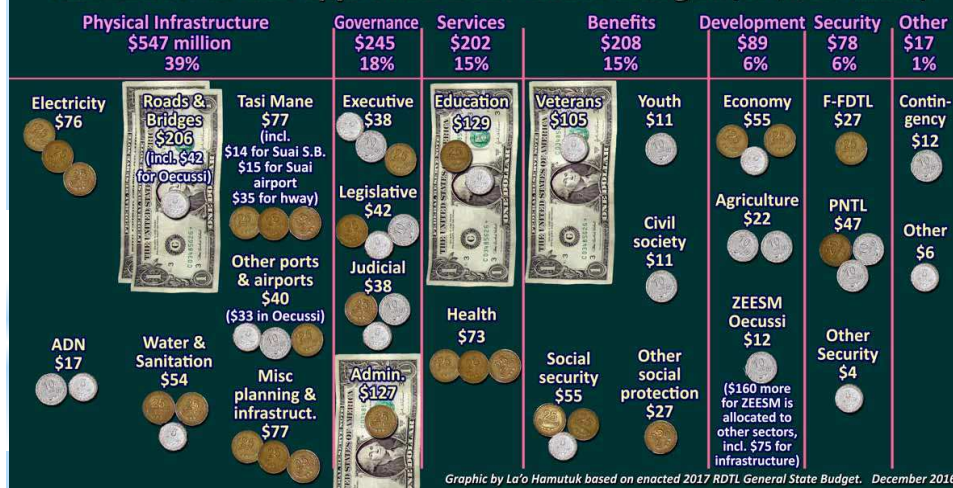
Import Dependency



The graph shows legal goods trade only. Three-fourths of donor spending and two-thirds of state spending leaves the country.

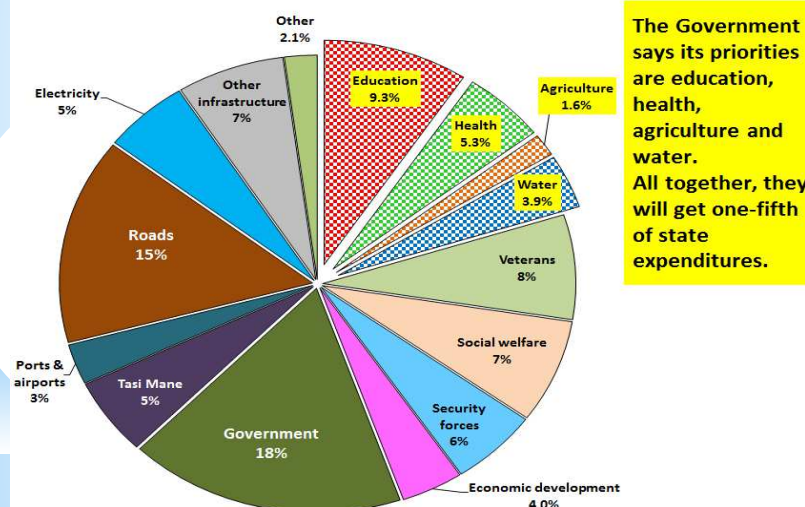
The 2017 Budget still neglects farmers, students and health care.

Allocation of the approved 2017 State Budget (US \$1,387 million)

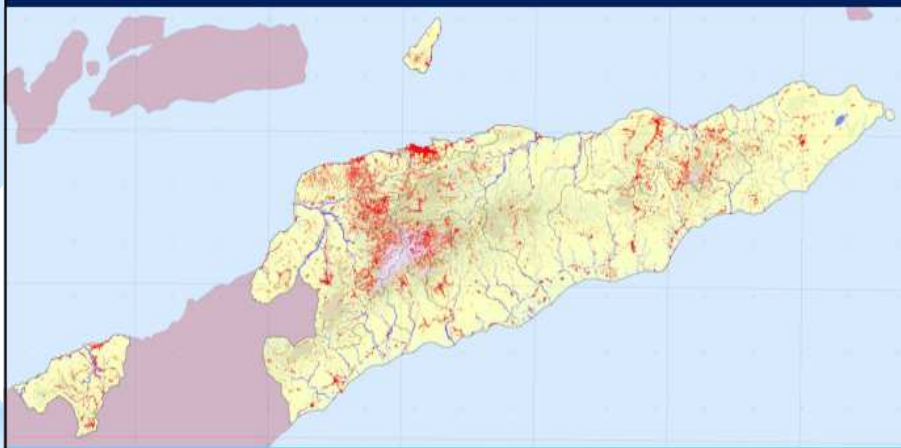


The money doesn't match the promises.

Appropriated spending in the 2017 State Budget \$1.39 billion total



Most people lives in rural areas by subsistence agriculture



Agriculture got 1.6% of state expenditures in 2017, although it is the livelihood of 65% of the population.

Alternative options:

- ☐ Organic agriculture
- ☐ Eco- and environmental tourism
- ☐ Agriculture-based processing industry



Some local organic product-Produced by local private companies and also rural women group with brand “Aroma Timor” Parsic.



Conclusion

- ☐ Timor-Leste must invest in its people and also diverse economic sectors.
- ☐ Economic diversification and strengthening our people and workers to prepare for the day our oil money runs out and we can no longer pay for imports.
- ☐ Timor-Leste must change the direction of its economic development policies, to prioritize and invest wisely in productive sectors, especially agriculture, which most people in Timor-Leste depend on.
- ☐ Developing the agricultural sector (with a focus on organic agriculture) will also help to stimulate the development of other sectors such as tourism and small industry.

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La'o Hamutuk
 PO Box 340, Dili, Timor-Leste
 Wired phone: +670-3321040, Mobile: +670-77234330 info@laohamutuk.org

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Index pages

- 2017 General State Budget (12/17)
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Obrigadu

