



2015 Timor-Leste & Development  
Partners Meeting (TLDPM)  
*Consolidating Institutions, Transitioning  
Towards Resilience*

Roadmap to Bolster Timor-  
Leste's Economic Sector

*Presented by : Helder Lopes, Vice Minister of Finance*

Dili Convention Centre, 06 June 2015

# 4 Main Government's Reform Agendas

- ❑ *Fiscal Reform*
- ❑ *Ensuring Quality of Projects*
- ❑ *Public Administration Reform*
- ❑ *Harmonization of Laws*

# Implications of Government Restructuring for the Economic Sector

- ❑ *Minister of State, Co-ordinating Minister for Economic Affairs (MECAE)*
  - ❑ *Strengthen co-ordination of all economic Ministries and institutions under one State Minister*
  - ❑ *Co-ordinate across private sectors and productive sectors of agriculture, tourism & industry*
- ❑ *Minister of Planning and Strategic Investment*
  - ❑ *Play a key role in planning strategic investments in the economy from public and private sector*

# Government institutions for the economic sector

## Ministry of Finance

Fiscal policy

General State Budget

Macroeconomic framework

Economic policy

## Ministry of Planning and Strategic Investment

Allocation of infrastructure spending

Planning framework

Facilitating private investment

## Central Bank

Financial sector

Limited role in monetary policy

Financial Supervision

## Coordinating Minister of Economic Affairs

Microeconomic policy

Private sector environment

Trade and investment flows

Labour market

Productive sectors: tourism, agriculture and manufacturing

# Main Achievements in the Economic Sector

- ❑ Average Non-Oil GDP growth for the period of 2007-2011, forecasted to grow at 7.1% in 2014;
- ❑ Macroeconomic stability through a world-class Petroleum Fund;
- ❑ Low inflation in 2014-2015, below 4%-6% of the SDP target;
- ❑ Establishment of SERVE, 1 Stop Shop for business registration;
- ❑ Basic Infrastructure: Electricity Access
- ❑ Reform in Economic Monitoring and PFM

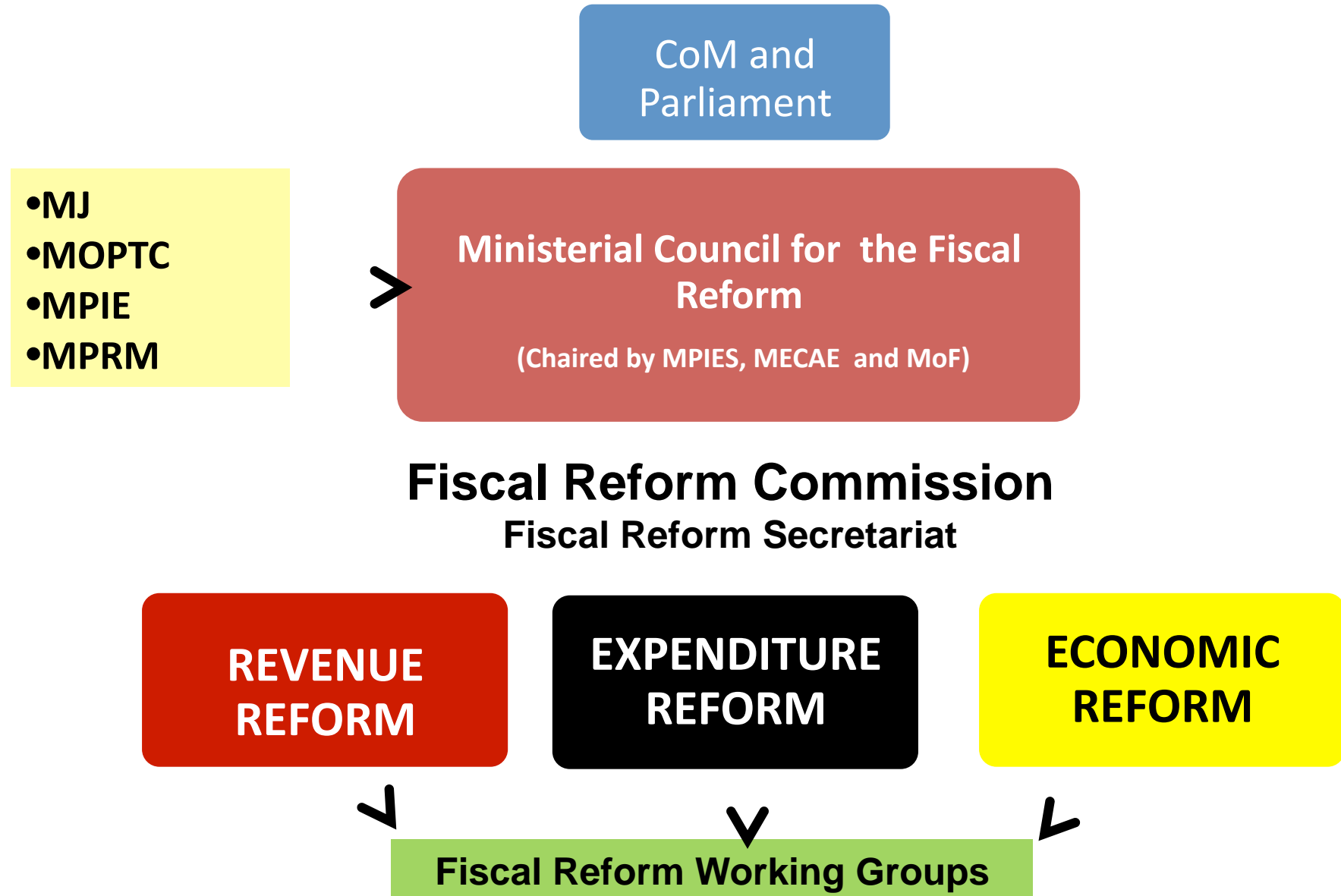
# Key Challenges

High, inclusive and sustainable growth:

- ❑ Diversifying the economy: Agriculture, Tourism, Petroleum and Manufacturing;
- ❑ Improving productivity (labor and sectors);
- ❑ Creating employment through growth;
- ❑ Private sector development
- ❑ Fiscal sustainability
  - Management of petroleum fund
  - Increase domestic revenue
  - Quality of budget and efficiency of expenditures

# Overcoming Sectoral Challenges with Fiscal Reform

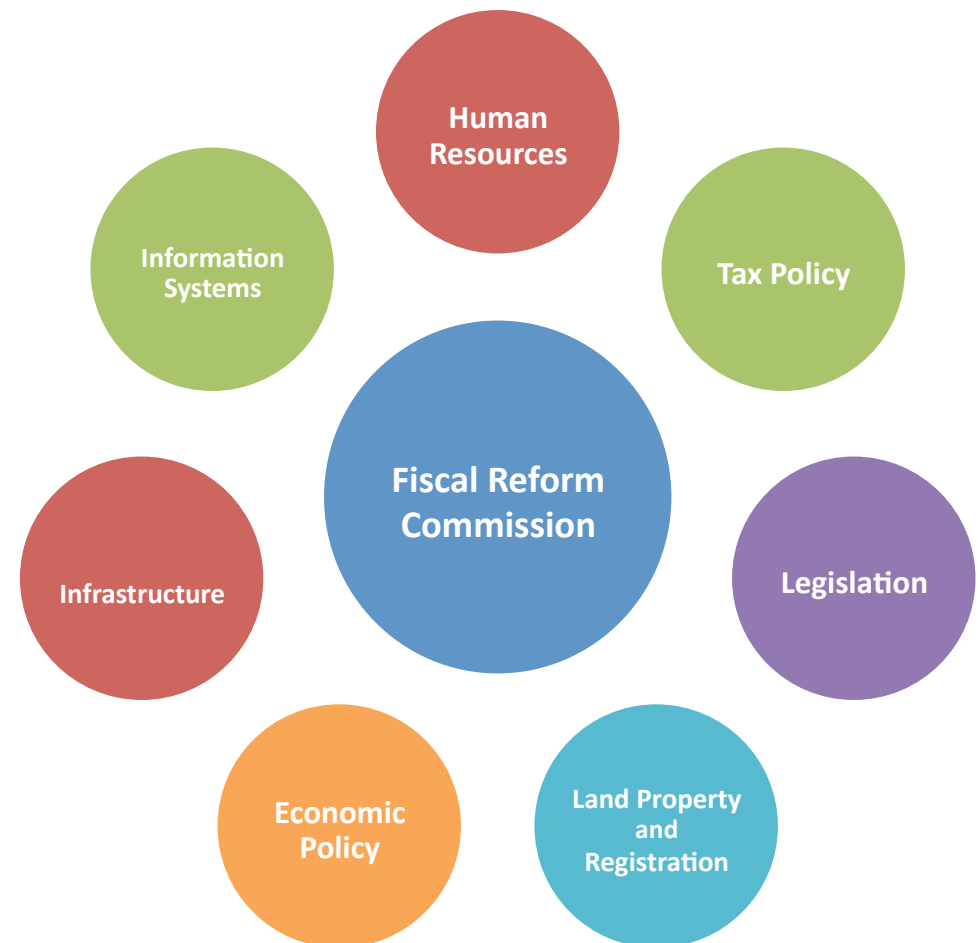
3 Main Component and Institutional Setup of the Fiscal Reform



# Overcoming Sectoral Challenges With Fiscal Reform

## Fiscal Reform Working Groups

- ❑ Fiscal reform aims to:
  - ❑ Increase revenues from taxes and charges
  - ❑ Create fiscal space
  - ❑ Make expenditure more effective & Efficient
  - ❑ Increase economic growth
  - ❑ Increase domestic investment
  - ❑ Increase foreign direct investment
  
- ❑ Goal is to increase tax/GDP ratio to 15% within 5 years





# Overcoming Sectoral Challenges With Fiscal Reform

## ❑ REVENUE REFORM

- ❑ Improving revenue collection and audit systems
- ❑ Creating, improving and implementing laws, procedures and structures for improving revenue collections.
- ❑ Acquiring/modifying/integrating IT to improve revenue administration system;
- ❑ Improving HR in revenue collection;
- ❑ Public awareness on revenue issues

## ❑ EXPENDITURE REFORM

- ❑ Efficient and well targeted expenditures;
- ❑ Program budgeting and medium-term forward estimates
- ❑ A system and framework for M&E

# Overcoming Sectoral Challenges with Fiscal Reform – economic reform

- ❑ Creating employment through growth of the private sector
  - ❑ Reform of business laws;
  - ❑ Strengthened dialogue with private sector;
  - ❑ Strong focus on investment promotion and facilitation;
  
- ❑ Improving access to finance
  - ❑ Strengthening financial system;
  - ❑ Supporting innovation through mobile banking;
  
- ❑ Diversifying the economy by developing the agriculture, tourism, petroleum and manufacturing sectors
  - ❑ Renewed focus on horticulture, coffee, industrial crops, livestock, forests and fisheries.
  - ❑ Strengthening planning and co-ordination in the tourism sector.
  - ❑ Developing an industrial policy and creating an environment where competitive manufacturing can thrive.

# Overcoming Sectoral Challenges with Fiscal Reform – economic reform

- ❑ Reducing poverty through rural development
  - ❑ Increasing yields and returns from agriculture.
  - ❑ Supporting small and micro businesses in rural areas.
  - ❑ Improving rural infrastructure including roads, water and sanitation.
  - ❑ Community development through PNDS and PDID.

# The Way Forward, Areas for Government and DP Collaboration

- ❑ *Fiscal reform including revenue, expenditure and economic reform*
- ❑ *Public Financial Management*
- ❑ *Rural development and agriculture*
- ❑ *Establishing competitive industries and attracting investment in tourism, agriculture and manufacturing*
- ❑ *Strengthening the financial system and financial inclusion*