We’re worst in the region … and getting worse.

A malnourished child may be permanently damaged.

An undereducated child will not be a productive worker.

Half of Timor-Leste’s population is less than 17 years old, and the largest group is still in primary school.

### Figure 1.8: Prevalence of Underweight Children Under 5 Years of Age, Earliest (1990–2005) and Latest (2004–2014) Years

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Timor-Leste</td>
<td>50%</td>
<td>60%</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>40%</td>
<td>50%</td>
</tr>
<tr>
<td>Pakistan</td>
<td>30%</td>
<td>40%</td>
</tr>
<tr>
<td>Nepal</td>
<td>20%</td>
<td>30%</td>
</tr>
<tr>
<td>India</td>
<td>10%</td>
<td>20%</td>
</tr>
<tr>
<td>Papua NG</td>
<td>20%</td>
<td>30%</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>10%</td>
<td>20%</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>3%</td>
<td>5%</td>
</tr>
<tr>
<td>Cambodia</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>Myanmar</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Philippines</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Maldives</td>
<td>0%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: ADB Key Indicators 2015
Petroleum Dependency

- Petroleum GDP in 2013: $4,276 million (76%)
- Non-oil GDP in 2013: $1,319 million (24%)
  Productive sectors (agric. & manufacturing) $265 million (5%)
- Projected state revenues in 2015: $1,594 million
  $1,394 million (87%) will be from oil (incl. $916m investment return)
  $171 million (11%) will be from non-petroleum sources
- 2016 Proposed State Budget: $1,562 million
  $1,184 million (82%) will come from the Petroleum Fund in 2016.
  $171 million (7%) more is from the Petrol. Fund in the past and future.
- State activities, paid for with oil money, are about half of the "non-oil" economy,
  because some of this money circulates in the local economy.
- Balance of trade (2013):
  Imports $1,536m
  Exports $78m
  Deficit $1,458m
- Petroleum "income" goes to the government, not the people.

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

Income in the 2016 state budget
$1,562 million total

- Above ESI from P.F. 47%
- ESI from Petroleum Fund 35%
- Taxes 8%
- User fees & Aut.agencies 3%
- Borrowing 7%

88% is from present and future oil and gas income.
Timor-Leste has already received 80% of the revenues from Bayu-Undan and Kitan, and they could end in five years.

Oil and gas income is falling since 2012.

Production is falling faster than the oil price, and will not go back up.
The price will be irrelevant when we have nothing left to sell.
Where TL’s oil income comes from

Projections for revenue (bars) and Petroleum Fund earnings after 2014 are by La’o Hamutuk. Green line is from the Ministry of Finance at the Jornada Orsamental in May 2015.

The Petroleum Fund balance is already starting to drop.

The balance at the end of September 2015 was the lowest since May 2014. We have entered a new phase of Timor-Leste’s petroleum dependency.
### Petroleum Fund Jan-Sep 2015

**Balance Sheet**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>September</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>148,252</td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>50,538</td>
<td></td>
</tr>
<tr>
<td>Financial assets held at fair value through profit or loss</td>
<td>16,275,703</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>16,474,492</td>
<td></td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables for securities purchased</td>
<td>-32,642</td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>-5,269</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>-37,911</td>
<td></td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td>16,436,582</td>
<td></td>
</tr>
<tr>
<td><strong>CAPITAL</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening Balance</td>
<td>16,538,617</td>
<td></td>
</tr>
<tr>
<td>PF Law Art. 6.1 (a) Revenue receipts</td>
<td>366,012</td>
<td></td>
</tr>
<tr>
<td>PF Law Art. 6.1 (b) DA receipts</td>
<td>420,185</td>
<td></td>
</tr>
<tr>
<td>PF Law Art. 6.1 (e) Other receipts</td>
<td>-638,500</td>
<td></td>
</tr>
<tr>
<td>Income for the period</td>
<td>-249,733</td>
<td></td>
</tr>
<tr>
<td><strong>CAPITAL</strong></td>
<td>16,436,582</td>
<td></td>
</tr>
</tbody>
</table>

### Return on Petroleum Fund investments

**Statement of Profit or Loss and Other Comprehensive Income - Quarter and Year to Date**

<table>
<thead>
<tr>
<th></th>
<th>Sep-15</th>
<th>Year to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>40,951</td>
<td>116,221</td>
</tr>
<tr>
<td>Dividend income</td>
<td>36,338</td>
<td>132,050</td>
</tr>
<tr>
<td>Trust income</td>
<td>1,343</td>
<td>5,686</td>
</tr>
<tr>
<td>Other investment income</td>
<td>1</td>
<td>19</td>
</tr>
<tr>
<td>Net gains/(losses) on Financial Assets at fair value</td>
<td>-431,788</td>
<td>-240,855</td>
</tr>
<tr>
<td>Net foreign exchange gains/(losses)</td>
<td>-92,517</td>
<td>241,476</td>
</tr>
<tr>
<td><strong>Total Investment Income</strong></td>
<td>-445,673</td>
<td>-228,855</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External management, custody fees</td>
<td>2,661</td>
<td>7,445</td>
</tr>
<tr>
<td>Internal operational management fees</td>
<td>1,701</td>
<td>5,025</td>
</tr>
<tr>
<td>IAB Expenses</td>
<td>149</td>
<td>154</td>
</tr>
<tr>
<td>Other expenses</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>4,512</td>
<td>12,628</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>-450,185</td>
<td>-241,584</td>
</tr>
<tr>
<td>Withholding taxes on investments</td>
<td>752</td>
<td>8,149</td>
</tr>
<tr>
<td>Profit/loss for the period</td>
<td>-450,937</td>
<td>-249,733</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the period</strong></td>
<td>-450,937</td>
<td>-249,733</td>
</tr>
</tbody>
</table>
La'o Hamutuk presentation to Parliamentary Seminar

10 November 2015

Based on Jan–Sep 2015, La'o Hamutuk estimates the end-of-2015 balance in the Petroleum Fund at $15.9 billion, not $16.6 as the Ministry of Finance projects.
### But we don’t have very much oil.

<table>
<thead>
<tr>
<th></th>
<th>Timor-Leste without Sunrise</th>
<th>Australia (1,150 without Sunrise)</th>
<th>Brunei</th>
</tr>
</thead>
<tbody>
<tr>
<td>Known oil and gas reserves per person</td>
<td>605 barrels</td>
<td>1,170 barrels</td>
<td>6,438 barrels</td>
</tr>
<tr>
<td>How long reserves will last at 2014 production rates</td>
<td>16 years</td>
<td>4 years</td>
<td>51 years+</td>
</tr>
</tbody>
</table>

---

### Our seas have been explored for decades.

Map by La'o Hamutuk based on information from the RSTI National Petroleum Authority, July 2015.
La'o Hamutuk presentation to Parliamentary Seminar

10 November 2015

Timor-Leste is going deeper into debt.

- Laws since 2009 paved the way for foreign loans.
- In 2012, Timor-Leste signed contracts to borrow $107 million from Japan and from the ADB.
- In 2013, we signed for $90m more from ADB and World Bank.
- In 2015, we signed for $12m more from the ADB.
- During 2016-2020, TL hopes to borrow more than a billion dollars. See the proposed infrastructure budget:

| Year | Projects ADB | Projects World Bank | Total
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$107m</td>
<td></td>
<td>$194m</td>
</tr>
<tr>
<td>2017</td>
<td>$348m</td>
<td></td>
<td>$135m</td>
</tr>
<tr>
<td>2018</td>
<td>$366m</td>
<td></td>
<td>$160m</td>
</tr>
<tr>
<td>2019</td>
<td>$160m</td>
<td></td>
<td>$50m</td>
</tr>
<tr>
<td>2020</td>
<td>$39m</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

But the 2015 State Budget had different numbers:

| Year | Projects ADB | Projects World Bank | Total
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$194m</td>
<td></td>
<td>$194m</td>
</tr>
<tr>
<td>2017</td>
<td>$135m</td>
<td></td>
<td>$135m</td>
</tr>
<tr>
<td>2018</td>
<td>$160m</td>
<td></td>
<td>$160m</td>
</tr>
<tr>
<td>2019</td>
<td>$50m</td>
<td></td>
<td>$50m</td>
</tr>
</tbody>
</table>

Borrowing in GSB 2016. Many projects after 2018 are left out.

This table is from Book 6 of the proposed 2016 State Budget, showing loan-financed projects. Many projects after 2018 are not included.
La'o Hamutuk presentation to Parliamentary Seminar

10 November 2015

Loans will have to be paid back.
(Not yet updated, based on 2015 budget)

State Budgets 2002-2016

State Revenues and Expenditures (including auton. agencies)

The narrow bars show revenues from various sources.
The yellow and red striped area is loans which must be 
repaid in the future.
The blue part shows unspent money carried over from 
the previous year to be spent this year.
The green part is non-oil revenue from taxes, fees 
and autonomous agencies.

Most financing is from the Petroleum Fund 
(pink and purple), with the darker purple showing the Estimated Sustainable 
Income (ESI).

Graph by La'o Hamutuk based on RDTI Ministry of Finance data and projections. October 2015
La'o Hamutuk presentation to Parliamentary Seminar

### Spending on Public Transfers

**Executed through Oct 2015; budgeted 2015-2016**

<table>
<thead>
<tr>
<th>Year</th>
<th>Other Institutional</th>
<th>Institutional Capital</th>
<th>ZEESM Oecuss</th>
<th>Other personal benefits</th>
<th>Ex-office holders pensions</th>
<th>Veterans' pensions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exec 2008</td>
<td>$43.5</td>
<td>$12.5</td>
<td>$6</td>
<td>$42</td>
<td>$2.6</td>
<td>$3.6</td>
</tr>
<tr>
<td>Exec 2009</td>
<td>$58.2</td>
<td>$5.1</td>
<td>$6.4</td>
<td>$45.2</td>
<td>$2.6</td>
<td>$3.6</td>
</tr>
<tr>
<td>Exec 2010</td>
<td>$50.8</td>
<td>$5.1</td>
<td>$6.4</td>
<td>$45.3</td>
<td>$2.6</td>
<td>$3.6</td>
</tr>
<tr>
<td>Exec 2011</td>
<td>$43.6</td>
<td>$5.1</td>
<td>$6.4</td>
<td>$45.2</td>
<td>$2.6</td>
<td>$3.6</td>
</tr>
<tr>
<td>Exec 2012</td>
<td>$92.5</td>
<td>$8.4</td>
<td>$6.4</td>
<td>$45.2</td>
<td>$2.6</td>
<td>$3.6</td>
</tr>
<tr>
<td>Exec 2013</td>
<td>$70.4</td>
<td>$8.4</td>
<td>$6.4</td>
<td>$45.2</td>
<td>$2.6</td>
<td>$3.6</td>
</tr>
<tr>
<td>Exec 2014</td>
<td>$121.0</td>
<td>$8.4</td>
<td>$6.4</td>
<td>$45.2</td>
<td>$2.6</td>
<td>$3.6</td>
</tr>
<tr>
<td>Exec Jan-Oct 2015</td>
<td>$88.7</td>
<td>$8.4</td>
<td>$6.4</td>
<td>$45.2</td>
<td>$2.6</td>
<td>$3.6</td>
</tr>
<tr>
<td>G1B 2015</td>
<td>$119.2</td>
<td>$8.4</td>
<td>$6.4</td>
<td>$45.2</td>
<td>$2.6</td>
<td>$3.6</td>
</tr>
<tr>
<td>G1B 2016</td>
<td>$84.1</td>
<td>$8.4</td>
<td>$6.4</td>
<td>$45.2</td>
<td>$2.6</td>
<td>$3.6</td>
</tr>
</tbody>
</table>

- **Other Institutional**
- **Institutional Capital**
- **ZEESM Oecuss**
- **Other personal benefits**
- **Ex-office holders pensions**
- **Veterans' pensions**

### The 2016 Budget will neglect farmers, students, and health care.

**Allocation of the proposed 2016 State Budget (US $1,562 million)**

- **Infrastructure**: $697 million (45%)
- **Governance**: $254 million (16%)
- **Services**: $201 million (13%)
- **Benefits**: $213 million (14%)
- **Development**: $104 million (7%)
- **Security**: $73 million (5%)
- **Other**: $20 million (1%)

**Expense Breakdown:**
- **Executive\$138 million (8.9%)**
- **Legislative\$19 million (1.2%)**
- **Judicial\$36 million (2.3%)**
- **PDID/PNDS\$19 million (1.2%)**
- **Water & Sanitation\$39 million (2.5%)**
- **Other ports & airports\$29 million (1.9%)**
- **Education\$66 million (4.3%)**
- **Health\$66 million (4.3%)**
- **Social security\$44 million (2.8%)**
- **Other social protection\$57 million (3.7%)**
- **Housing\$5 million (0.3%)**
- **Economy\$56 million (3.6%)**
- **Agriculture\$20 million (1.3%)**
- **ZEESM Oecuss\$37 million (2.4%)**
- **Other Security\$4 million (0.3%)**

*Graph by La'o Hamutuk based on proposed 2016 General State Budget. November 2015*
Sectoral allocation of the 2016 budget

The 2016 budget increases infrastructure and cuts everything else.

Appropriated spending in RDTL annual budgets

Graph by Lori Hamutuk based on Budget Books published by RDTL Ministry of Finance, November 2015
Appropriations for “prioritized” sectors in annual State Budgets.

Budgeted, executed and recurrent spending

Graph by La’o Hamutuk based on RDTI State Budgets from the Ministry of Finance. November 2015

Graph by La’o Hamutuk based on data in RDTI State Budgets, General State Accounts and Transparency Portal. November 2015
In 2010, TL began the South Coast Petroleum Corridor.

Total project costs could be $15 billion (more if Timor-Leste pays for the refinery, pipeline or LNG plant).

The largest contract in TL history was signed last August, $719 million to build the Suai Supply Base.
La'o Hamutuk presentation to Parliamentary Seminar

10 November 2015

Suai Supply Base

• RDTL just signed a $719,212,000 contract with Hyundai Engineering and Construction to build the seawall and SSB.

• This amount is more than Timor-Leste has spent on education since independence was restored in 2002.

• The Audit Court has rejected the contract.

• There are other contracts for TMP in Suai, totaling more than $50 million.

Allocations for Suai Supply Base and Airport for the whole project cycle.
Suai Supply Base

COMISSÃO NACIONAL DE APROVISIONAMENTO
MINISTÉRIO DO PLANEAMENTO E INVESTIMENTO ESTRATÉGICO

Intent to Award

<table>
<thead>
<tr>
<th>Tender Number</th>
<th>Description</th>
<th>Winning Contractor</th>
<th>Contract Price</th>
</tr>
</thead>
</table>

The National Procurement Commission will respond to any protest in writing received at the Office of the National Procurement Commission, Rua dos Direitos Humanos, Dili, Timor-Leste no later than five (5) working days from the posting of this tender result.

Ana Rita do Rosário
National Procurement Commission
Dated: 12 June 2015

Timor-Leste and Hyundai Engineering signed this $719 million contract on 27 August 2015. It is the largest contract in the nation’s history, more than the total spent on education since independence was restored in 2002. Hyundai is currently blacklisted by the Korean government for collusion.

The Korean government has blacklisted this company.

Agency bans 21 builders from business with govt’

The Public Procurement Service (PPS) yesterday banned Korea’s largest builder, Hyundai Engineering and Construction, and 20 other builders from receiving government contracts as punishment for collusion.

Collusion penalties
- Two-year bans

<table>
<thead>
<tr>
<th>Company Names</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daelim Industrial, Daewoo E&amp;C, Daosan E&amp;C, GS E&amp;C, Hyundai Corp., Hyundai Development Company, Hyundai E&amp;C, Kolon Global,</td>
</tr>
</tbody>
</table>
La'o Hamutuk presentation to Parliamentary Seminar

10 November 2015

Special Market Zone in Oecusse

- For 2016, ZEESM has $218 million with no accountability.
- What are Oecusse’s competitive advantages?
- Can ZEESM justify a $4 billion investment?

Who benefits: residents of Oecusse or political ex-opposition?

Overbuilding ports and airports

- IFC is encouraging Timor-Leste to build a port and airport far beyond realistic traffic expectations.
- How will the country pay for a $6 billion annual trade deficit after the oil is gone?

IFC is encouraging Timor-Leste to build a port and airport far beyond realistic traffic expectations.
La'o Hamutuk presentation to Parliamentary Seminar

10 November 2015

If current plans continue, TL will be unable to finance its budget in ten years.

- Domestic revenues increased 12.5% per year and 14.0% per year after 2020.
- Domestic revenues (after EITI) now 15% below 2014.
- Expenditures 2015: 2015: T$S0.8bn, then calculated from U model. Spending goes up 17% per year now and 14% per year after 2020. In 2012-2014, recorded spending (excl. EITI bed) went up 23% per year.
- Additional maintenance cost 8% of installed capital.
- Includes fuel supply base & airport (T$1bn), Z15m (T$1bn), Oil airport (T$1bn) and fiber port (T$1bn).
- Includes $45m in contracted and budgeted loans.

Don’t forget the next generation.
La'o Hamutuk presentation to Parliamentary Seminar

10 November 2015

The graph shows legal goods trade only. About 89% of donor spending and more than 70% of state spending leaves the country.

What do 660,000 working-age Timorese do for work?

- Unemployed, unpaid household, informal, retired or not seeking work: 42%
- Subsistence farmers & fisherpeople: 27%
- Petroleum sector: 0.1%
- Private sector (incl. govt contractors): 9%
- Int'l agencies, local and int'l NGOs: 0.7%
- Self-employed (market, taxi, kiosk, etc.): 3%
- Students: 1.5%
- Work or study outside TL: 0.9%
More than $\frac{3}{4}$ of GDP is from oil.

The non-oil, non-state GDP per capita is stagnant.
La'o Hamutuk presentation to Parliamentary Seminar

10 November 2015

Businesses don’t invest in themselves.

How businesses spent the money they received in 2013

- Profits taken out
- Reinvested
- Other expenses
- Buy supplies & materials
- Labor costs

Million USD spent by each sector

Manufacturing
Construction
Trade
Accommodation & Food
Financial
Other

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Vientiane, Laos
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Email: info@laohamutuk.org

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- 14 Apr 2019: Call for application to 2019 Budget Hearing (due 20 May, Kimkhanhloem Improved)
- Mar 2019: Session 3: The Budget Framework for 2023; Ministry of Finance, proposed improvements, including issues on other economic sectors and industries
- Mar 2018: Budget Hearing: “Sustainable” presentation (by Vitsal) also in English; Field Report (by lao@law.org)
- Feb 2018: TPG Pakistan Fund Receives the Respect from Other TPG (by Thach)
- Feb 2018: TPG Pakistan Fund Receives the Respect from Other TPG (by Thach)
- Feb 2018: TPG Pakistan Fund Receives the Respect from Other TPG (by Thach)
- Feb 2018: TPG Pakistan Fund Receives the Respect from Other TPG (by Thach)
- Feb 2018: TPG Pakistan Fund Receives the Respect from Other TPG (by Thach)

Brent Crude Oil
$73.57 as of 13:10, 12 Nov

Brent Crude Oil
$74.40

Iranian Crude Oil
$74.40
Thank you.

You will find more and updated information at

- La‘o Hamutuk’s website
  [http://www.laohamutuk.org](http://www.laohamutuk.org)

- La‘o Hamutuk’s blog
  [http://laohamutuk.blogspot.com/](http://laohamutuk.blogspot.com/)

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