



TIMOR-LESTE: Developing a Sustainable Economy



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**Government of the Democratic Republic of
Timor-Leste**

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Introduction



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- **Peace and Stability:** Our most important achievement
- **The fragile states agenda:** International initiative of the g7+
- **Today's theme - Strategic Development Plan:** The Government's plan to get the economy on a sustainable footing.



Strategic Development Plan (SDP)



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- **Vision:** create a prosperous and strong nation over and to reach the upper-middle income status by 2030.
- **Goal:** develop a strong, competitive and diversified economy that is not dependent on petroleum income.
- **Key areas:**
 - social capital (e.g. education and training)
 - infrastructure development (e.g. roads, electricity. Ports, airports)
 - economic development (e.g. agriculture, tourism & petroleum)



SDP – main components



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- Human Capital Development Fund
- Infrastructure Fund
 - Strict selection criteria to ensure quality:
 - Post-implementation management
 - Maintenance and operations
 - Environmental preservation
 - Sustainable economic growth
 - Social impact



A sound financing plan for SDP



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- Oil - big impact on the economy
- Fast track the development, but important to find the right pace
 - Inflation will hurt the poor
 - Inflation will undermine long-term economic growth



The petroleum revenue framework



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- **Most important feature:** Separate high and fluctuating petroleum revenues from public spending
 - Petroleum Fund
- **PF goal:** Maximize return for a given level of risk
 - New investment policy likely to achieve 3% real return over time
 - One outflow: withdrawals to the budget
 - Investment policy aligned to fiscal policy (ESI)
- **May spend more than ESI (to fund SDP)**
 - But not in the long-term



Other means of financing



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- Grants, loans and PPPs
- Roads: JICA , ADB and WB
- Drainage: Chinese government
- PPP studies: Airport and seaport



Economic governance framework



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- Tax Regime
- Land Law
- Investment Law
- Special Economic Zones
- Timor-Leste Transparency Model
 - Best practice Petroleum Fund
 - EITI
 - Transparency portal
 - Broadcasting of budget discussions
 - Minutes from CoM



Summing up

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- An overall and highly transparent approach is pursued to develop Timor-Leste
- Challenges:
 - Quality of infrastructure projects and human capital
 - Find the right development pace
 - Ensure sustainability in public finances



Thank you!