



**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**

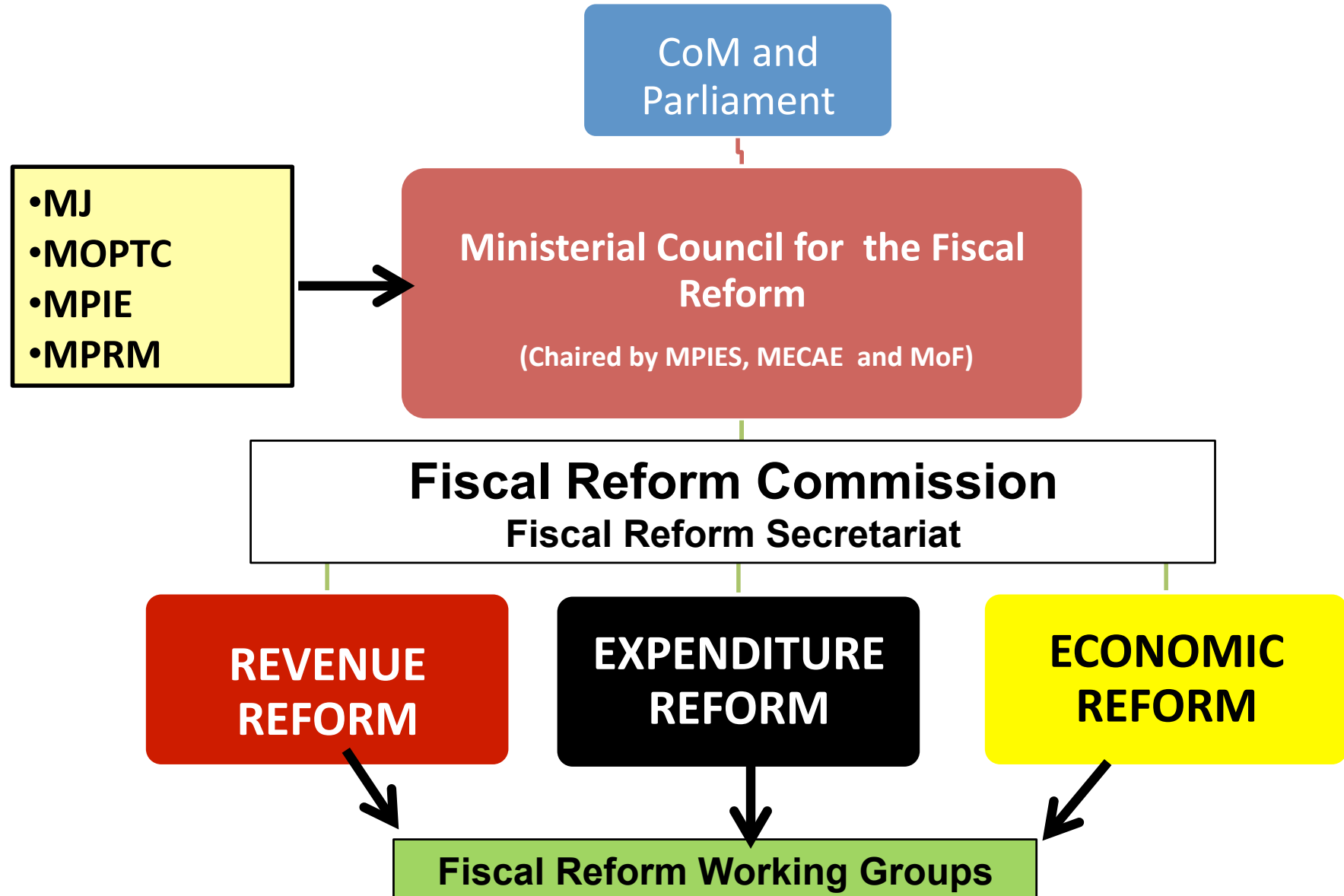
Key Challenges

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

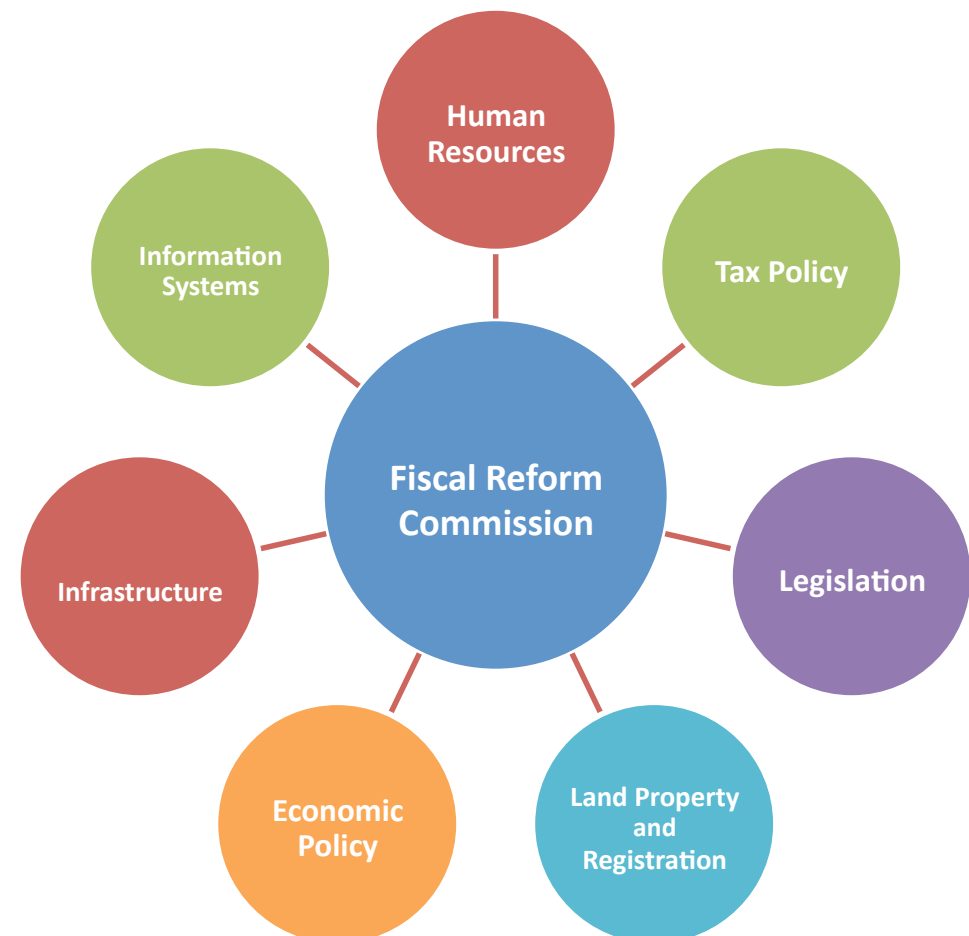


Overcoming Sectoral Challenges With Fiscal Reform

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, approving 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***