

# Economic Sector Development TLDPM- 2014

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SESSION I: PRESENTATIONS AND COMMENTS

## Economics Sector Development

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### Background:

1. The Government of Timor-Leste has approved the Strategic Development Plan (SDP) in 2011.
2. Timor-Leste's SDP sets out that by 2030, Timor-Leste already achieved its goals to be considered as Mid-income state;
3. Government has finalized the matrix for the implementation of the SDP and divided it into 4 priority sector development, i.e.:
  1. Economics Strategic Sector
  2. Social Strategic Sectors
  3. Infrastructure Strategic Sector
  4. Governance and Institutional Strengthening Sector

## Presenters and Commentators:

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### I. PRESENTERS:

1. H.E. Antonio da Conceicao- Minister of Trade, Industry and Environment
2. Mr. Hans Back, Country Economics, The World Bank, Timor-Leste

### II. COMMENTATORS:

1. H.E. Virgilio Marcal, Chairperson of Committee C of National Parliament
2. Mr. Juvinal Inacio, FONGTIL-Civil Society – Timor-Leste
3. Mr. Lourenco de Oliveira, CCI-Private Sector – Timor-Leste

## Timor-Leste in Numbers:

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- Área: 14.950 Km<sup>2</sup>
- População: 1.006.409 habitantes, 40% dos quais tem menos de 14 anos.
- Índice de Desenvolvimento Humano: Na posição 134 em 187 países.
- Taxa de crescimento da população: 2.7%
- Esperança média de vida: 61,6 anos
- PIB: 5.900 \$USD per capita ( a preços correntes)
- PIB não petrolífero: 1.175 \$USD per capita ( a preços correntes)
- Taxa de Inflação (média anual): 13,1%
- Volume de exportações: 33 milhões de \$USD
- Volume de importação: 762 milhões de \$USD

## Economic Context:

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- 1) Timor-Leste is the second most petroleum dependent countries in the world. But it has created a world class system for revenue management, including the petroleum fund.
- 2) Government has been, the biggest contributor to growth as it invests in critical infrastructure, and meets pressing development needs through the budget.
- 3) Economic stability and fiscal sustainability will depend on the quality of this investment, and the related success in transforming public economic activity, to private.
- 4) But there are already challenges emerging to this transformation, relating to rising costs, and the pace and quality of budget execution.

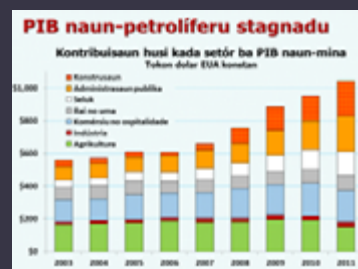
## Economics Development Priorities:

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- I.
  1. Projecto Tasi Mane prevê a criação de três polos industriais na costa sul: o complexo da Plataforma de Abastecimento de Suai; o complexo de Refinaria e Petroquímica de Betano; e o complexo de Instalação e Processamento do Gás em Beaço.
  2. Increase Agricultural Production → Food security
  3. Develop Natural Resources industry
  4. Job creation in non oil and gas sectors → SERVICES
  5. Economic Diversification

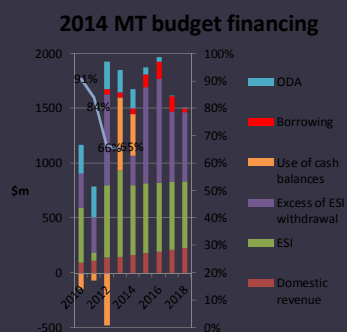
# Timor-Leste's Economic Framework

A partir de 2007, o crescimento do PIB não petrolífero rondou os 10%, but



O PIB não petrolífero teve uma estagnação em 2012, com crescimento na ordem 8,3%

## 1. Setting the Priorities, Budget Allocations & the Pattern of Expenditures



## Presentation 2: Hans Beck – World Bank

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## Hans Beck

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Transfer of public economics to private sectors

Challenges:

- cost of transfer
- graph : TL dependency to Oil and Gas
- Govt use the revenue to finance all development budget
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## Hans Beck

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### 1. Increased Agricultural Production

- 1.1 Increase Crop Production
- 1.2 Maintain the Biodiversity in Timor-Leste
- 1.3 Fisheries - Increase Fish production
- 1.4 Improved livestock production
- 1.5 Improve Agriculture Support Services
- 1.6 Reorganization of MoAF
- 1.7 Provide assistance in order to support the industry of processing of agricultural products

## Key Progress / Achievements

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- ❑ **Capacity development** for civil servants in the agriculture sector *[Goal 1, sub-goal 1.5];*
- ❑ Horticulture working group - **engaging Government, Private sector, NGOs and CSOs** *[Goal 1: Agricultural Production/Goal 4: Economic diversification];*
- ❑ Adoption of **labor based techniques** for road construction with a **gender sensitive** approach, by MoPW *[Goal 3: Job creation];*
- ❑ **Economic policy dialogue**, around fiscal improvements and prudence *[Goal 4: Economic Diversification].*

## Key Challenges

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- ❑ Linking **DPCM** with the **planning and budgetary processes** of ministries
- ❑ **Operations and maintenance (O&M)** planning and budgeting
- ❑ Intra-sectoral and inter-sectoral **coordination** for effective implementation of DPCM
- ❑ Low level of **budget execution** and increase in '**bypassing systems**';
- ❑ Low capacity of TL **private sector**;
- ❑ **Land tenure & propriety rights** issues
- ❑ **Evidence-based** policy making, planning, and budgeting

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## Way forward

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- ❑ One Vision – One Plan (New Deal) : merge **DPCM** and internal **planning** and **budgeting** process of Ministries into a **single process**, setting realistic targets with clear accountability;
- ❑ Effective use of data for **evidence-based** policy making, planning and budgeting
- ❑ Engage in more dialogue with the **private sector** and take effective policy measures in supporting competitive and responsible **local enterprise development** in TL.
- ❑ **Value chain approach** for strategy design;
- ❑ Operationalize **institutional coordination** with accountability mechanisms particularly at sub-sector level;
- ❑ **Limit the bypassing of formal delivery systems** by ensuring that appropriate and efficient internal financial control mechanisms are in place and that the capacity to use them has been developed;

## Comments: Hans Beck

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1. Allocation of budget for constructions, maintenance
2. Coordination inter and extra ministerial coordination need to improve
3. Capacity
4. Policy based on evidence – statistic
5. Plan have to aligned with budget as first steps – suggestion
6. DPs concretize economics development with the involvement and holistic approach with private sectors, in productions, marketing
7. Need institutional coordination
8. How the institutions engage with the framework



## Comments: National Parliament: Virgilio Marcal

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1. Economic situation
2. GDP \$21.000
3. Accessing the ASEAN membership
4. Members of CPLP – chair for the next 2 years
5. Challenges ahead on ecoDev:
6. Global competitive index 119 out of 175 country
  1. Good sign in Human Development Index ( UNDP)
  2. Eco TL in the phase
  3. Economics oil and gas dominant
  4. Café as non oil product for export
  5. Public expenditure for infrastructure to increase the capacity of public sector
  6. Capital expenditure
  7. Transferee from development fund
  8. life expectation has increased ( 62yo)
  9. Mortality rate decreased
  10. School Enrolment more then 10 %

## Comments on Civil Society: Juvinal Inacio

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Bayu undan and Kitan will dry out by 2020

Oil revenue up to date more than 22 billion

- limited natural resources
- non oil sector has not been developed– Malisan Rekursu

Need to develop agriculture, tourism and education

DP important

77% budget from Oil and only 4 % from non oil export (10 Million from Café)

- expenditure tor benefits of
- technology nebe la sustentavel sei istraga ambiente

## Civil Society

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- Social – economics Discrepencia
- 1/3 sub sisten agriculture
- DP and Govt to pay attention to this group
- Every year 16.000 youth looking for job
- Get the statistic from
- What the government can do?
- SDP not response to this reality
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## Civil Society

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- Sector private not well develop--. Based on government project
- Fiscal policy currently will not achieve
  - need cooperation with DPs in all sectors
- Good policy, capacity building and sector priorities
- Health system bad - No medical equipment's
- Funding to allocate to education and health sector

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## Private Sectors: Lorenzo → CCI

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CCI being partners of Govt + more than 2000

Contractor and depend on government

Challenges;

- access to banking limited

10 million to to BNCTL

- create more micro/ small business

- government need to provide more facilities

- more international company

Suggests; bank for credit for small enterprises

## Comments on 3 questions asked

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National Parliament: Antoninho Bianco

1. Coordination issue within the internal government: Inter,intra and extra
2. Planning – Control weak → not merit based when appointed personal → strong institutions
3. Have to avoid spoil system
4. Politics is only in members of government
5. Transfer of staff – weaken the HR– need more international advisors → depended

## Comments: Manuel Monteiro

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1. Critis on the language uses for discussion
2. Matrix from MCIA is good
  1. Involvement of SCO not maximal → hard to tract the achievements
  2. Monitoring → intervention from
  3. Recommendation not consider by govt. → NP to do that but not effective

### Private Sector:

- Response to 3 question:
- Resolution by govt-> Law to establish CCI
- DPs: presiza klareza konaba indikador nebe iha forma efeitiva
- Indikator husi matrix tenki diskute durante tinan ida nia laran tomak
- DP sei tulun hodi hadiak tan matrix nebe iha
- Matrix related to budget: wil assist the
- Government:

## Government: SEAPRI

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1. Questions shall not coming from govt or organizer
2. Private sectors need more capacity development but not agree that they are have no capacity
3. PS need to prepare themselves and ready to do re-invest
4. Tenki iha lina kordenasaun entre lina ministerial
5. Minister Antonio response to CSO on matrix
  1. Need to find form and ways on how the govt implement the matrix
  2. Matrix as a form of coordination to execute the SDP
  3. Matrix with 18 goals → will happy to discuss on this
  4. Private sector will be continue to get

## Session 2: Comments:

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NP: Hugo Aderito – Re the questions:

1. We are in the phase of first five years of implementation of SDP
2. No coordination from between line ministries – no discipline of budgeting
3. Government fail to implement projects based on SDP
4. Matrix not response to accountability → confused

PS: competitive advantage -> important concept for PS but need infrastructure, legal certainty

-- Foreign enterprise as competitor but not as FDI

-- need support from government but in contrary govt support foreigners

## Comments:

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Civil Society: Justino

1. SDP – accessibility to 18 goals is compiled from each ministries
2. Capacity to read the planning → goals, outcomes, output, activities
3. Difficult to read the indicators
4. The involvement of GOVT. but not translate to the project and practice –Planning and how to link it to SDP?
5. Liberdade sociedade civil – free press!
6. Response from