

# La'o Hamutuk

**Timor-Leste Institute for Development Monitoring and Analysis**

Rua Felicidade, Gricenfor, Bairro Central, Dili, Timor-Leste

Tel: +670-3321040 or +670-77234330 (mobile)

email: [laohamutuk@gmail.com](mailto:laohamutuk@gmail.com)

Website: [www.laohamutuk.org](http://www.laohamutuk.org)



## **Submission from La'o Hamutuk**

**To**

**Ministry of Planning and Strategic Investment**

**PT Meridian Kreatama Mandiri, Kiat, LDA**

**Center for Innovation Policy and Governance**

**Nalar Institute**

**regarding**

**Review of National Strategic Development Plan 2011-2030**

**and Medium Term NDP 2026-2025**

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## Introduction

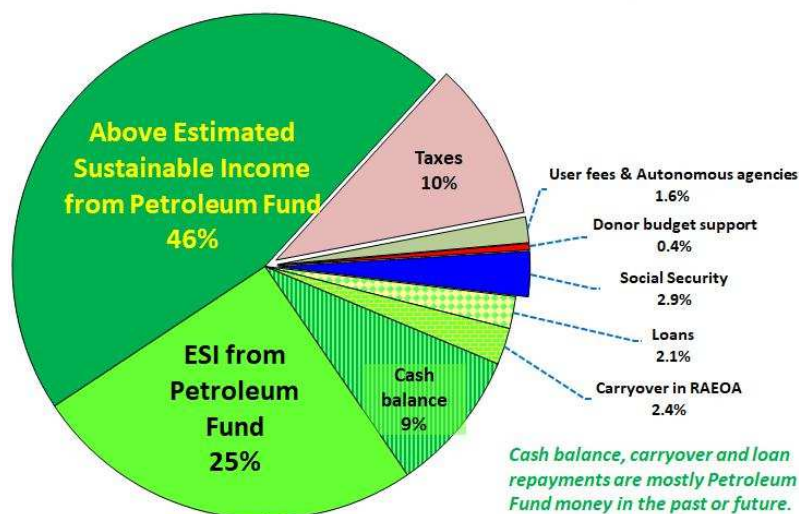
We appreciate the initiative of the IX Government to review the National Strategic Development Plan (PEDN) 2011-2030 and extend it to 2026-2035. This is an opportunity to recognize existing reality and weaknesses and past plans which have not yet been realized, as well as to improve policies to develop the nation and strengthen the lives of all our people. However, we believe that the time for the evaluation is insufficient -- there is not enough time to conduct an evaluation that consults all sectors of society, which is essential. We take this opportunity to share our analysis and research results of the achievements so far. As a civil society organization, La'o Hamutuk (LH) is always ready to discuss development processes relating to areas of concern to the people. LH has also asked for in-depth consultation with various parties, especially with citizens who have raised important issues. It is important to include a variety of voices in consultation, otherwise it will be limited the priorities and concerns of certain groups.

## Weakness in the Economy and Fiscal Unsustainability

For the past two decades, Timor-Leste's economic structure has continued to be dominated by public expenditure through the General State Budget (GSB). Every year, more than 80% of revenues to the GSB come from the Petroleum Fund.

During this time, Timor-Leste has received money from the export of oil and gas, as well as the return on investment of the Petroleum Fund (PF), which currently contains \$18.7 billion. Bayu Undan has recently ended production, so future income will depend on returns on PF investments. The life of the PF depends on how much is withdrawn for state budgets and fluctuations in international financial market, which can be negative or positive. In the last decade, Timor-Leste's PF investments lost money during three years -- \$50 million in 2015, \$400 million in 2018 and \$2 billion in 2022. The following graph shows TL's dependency on petroleum and the limited non-oil revenues.

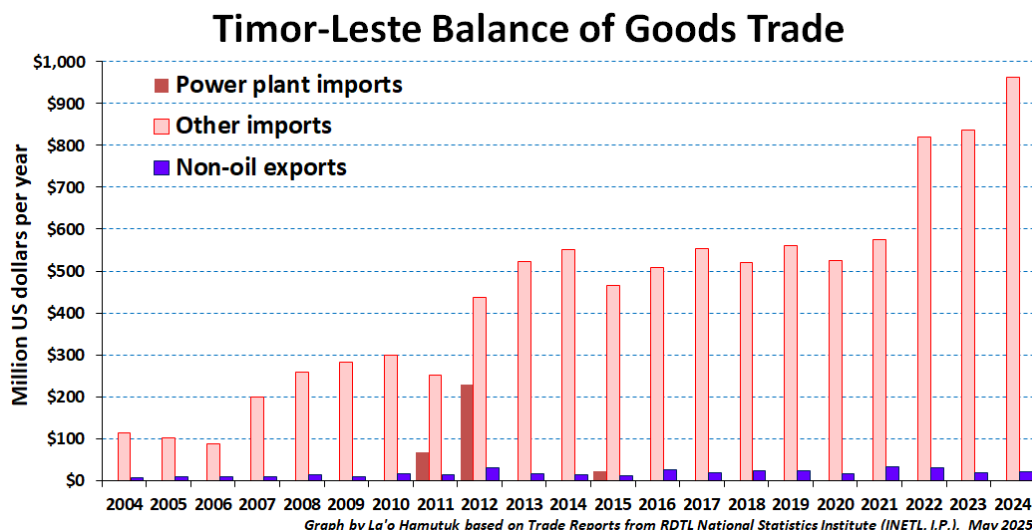
**Revenues in proposed 2025 State Budget**  
**\$2.2 billion total** (excluding Soc.Sec. internal transfers)  
**83% is from the Petroleum Fund in the past, present or future.**



*Graph by La'o Hamutuk based on the proposed State Budget for 2025. October 2024.*

## Food Insufficiency and Import Dependency

Timor-Leste's national consumption continues to depend on imports, which reflects food insufficiency, malnutrition and high numbers of poor people. The following graph shows this worrying issue.



The consultant organized a Focus Group Discussion (FGD) which reviewed the National Strategic Development Plan (PEDN) 2011-2030, with the goal of informing the creation of a new plan 2026-2035. Critical areas of discussion included four major issues -- economic diversification and its indicators, infrastructure, human capital and government institutions.

La'o Hamutuk participated in this discussion, raising concerns relating to monitoring, research and analysis and offering suggestions.

## Diversification of the Economy Should be a National Priority

During last 20 years, the PF has offered a unique opportunity to develop the country and a strong economy. Unfortunately, we have not used this opportunity to build a productive, sustainable and diversified economy. LH considers that the best way to build the domestic economy is by investing in productive sectors such as agriculture, fisheries, livestock, forestry, small and medium industries, cooperatives, manufacturing and tourism. These are important components of an equitable and sustainable economy. Timor-Leste should produce what our people need, replacing imports. In addition, better education and health are key to economic diversification, as these are critical for human capital.

- On the surface, agriculture appears to have limited financial returns which cannot replace the petroleum industry. But with adequate development, this sector will contribute to food security and sovereignty via increased production and reduced dependence on imports, increased economic dynamism and activity with opportunities for consumption, future investment in other sectors and job creation. Sadly, many interventions by Government and international agencies in small-scale and family agriculture in Timor-Leste, do not match the good practices that farmers already use. Many programs are top-down and bring in new seeds, knowledge and experts from countries with different climates and contexts, ignoring the local knowledge that Timor-

Leste's farmers already have. – for example seed conservation, food preservation systems and practices of mixed planting in a field (*tumpang sari*), and mutual aid services. This shows that the Government is not serious about investing in a holistic manner which considers environmental aspects and social potential, builds capacity by upgrading different types of capital and creates a value chain which integrates production sites and markets and enables the equitable distribution of income among its different components.

- Government should have a policy to preserve traditional consumption such as corn, cassava, sweet potato and other products. Thus with acculturation by colonialism and the Indonesian occupation, which strongly influenced the lifestyle of Timorese people, the diet of the people was changed from a combination of varied foods to white rice, ever-present as the central ingredient.
- Our education system does not teach future generations the practices of home farming or agriculture. Actually, these practices could help solve problems of poverty, malnutrition and hunger. A key is, though, to restore these sectors as sources of dignified work. There is a stigma of agriculture as dirty, economically unproductive and precarious that leads families to encourage children to seek office jobs which are perceived as higher-status.

#### **La'o Hamutuk recommends:**

- Improve and strengthen the education system with the philosophy of educating people to be engaged citizens, as the basis for solving problems including increasing capacity in the population, this is, training people with knowledge and creativity to find sustainable solutions instead of just market-oriented ones.
- Invest and create good conditions for productive sectors to develop, because too much budget is allocated to administration and public institutions, rather than to human capital and health.
- Train young people to facilitate their participation in agriculture and other productive sectors.
- Further improve, invest and place livestock experts and itinerary in the five integrated livestock and agriculture centers the government has developed; these models can be expanded to other municipalities, with ensuing results for communities and farmers.
- The government needs to develop a logical framework for assisting technical services from national to suku levels, to measure the results outlined in the government program each year.
- Ministries should create or elaborate monitoring and evaluation systems, as a baseline for measuring the achievement of programs, to continue to develop and deliver incremental improvements in every year's program.
- The National Parliament needs to maximize oversight on the ground, to understand challenges and demand the government to improve or provide solutions for them.
- Civil society organizations can help with research, monitoring, and suggesting recommendations to the Government to achieve its goals.

- The Government should establish seed banks and botanical gardens in the municipalities.
- The government should also strengthen the potential of the primadona product of each municipality, strengthening the interconnectivity of local economies for competitive value.
- Many large irrigation systems have been or continue to be built, however these must be channeled to local communities to support agricultural activities there.
- It is necessary to develop management associations for clean water and water for production, in each municipality and administrative post to village and sub village levels.
- Develop local knowledge on seed conservation, seed selection and good agricultural practices that are resilient to climate change.
- Invest and promote more organic products as our land is organic and has good access to domestic and ASEAN markets.

#### **Tourism:**

- TL has potential as a destination. The beautiful landscape offers mountains, seas, lakes and rich biodiversity. Invest to develop various tourism niches including: historical, religious, cultural, hot springs, agro-tourism, marine and others.
- Improve historical sites of the resistance, maintain its originality, promote community tourism, build homestays for tourists, offer a diverse cuisine and tour-guides.
- Large conventional infrastructure such as airports, roads, ports, bridges is important to attract tourism, but it is critical that Timor-Leste maintains its originality and conserves the natural landscape.

#### **Fishing:**

- There must be clear mapping to preserve and care for our marine resources, as there is great potential to promote tourism in blue areas..
- There is great potential for marine resources including fishing grounds, diving, snorkeling, blue whales migration, shrimp conservation and small-scale fishing within our limited maritime boundaries. This requires the Government to create a policy to regulate and conserve marine ecosystems.
- Sustainably develop aquaculture, fish farming in the sea, seaweed, sea cucumber.
- Develop fish conservation and biodiversity in the sea to continue producing for a long time, promote sustainable fisheries to give priority to consumption as we have limited area bounded by Indonesia and Australia.
- Invest in human resources, especially in fishing activities, training and capacity building to make the most of the wealth and potential of the sea.

### **Infrastructure Does Not Yet Reflect the Timor-Leste's Reality**

After two decades, the Government of Timor-Leste has implemented some developments in major physical infrastructure, such as national roads and highways (25% have been

implemented and the rest have not been budgeted) and airports that the government believes will facilitate, support and have a multiplier effect on economic activity in the country. Unfortunately, many large infrastructure investments have failed to address problems the people and the nation are experiencing (poverty, food insufficiency, unemployment, stunting, clean water, education and health facilities, imports and other basic needs).

Although these large projects (ports, national roads, airports, centralized power plants) have cost more than \$5 billion (most of which came from the Petroleum Fund), the Government has not built basic infrastructure to help people in rural areas build a strong, fair and sustainable domestic economy. The conventional infrastructure may be important, but we cannot forget that its benefits have not been distributed across the territory among the people. When investing in conventional infrastructure, it is necessary to have the whole picture to support the common activities of the people.

La'o Hamutuk therefore recommends the following necessary infrastructure for economic and agricultural diversification:

- The most essential infrastructure is water. Water is linked to reforestation, environment and conservation programs. We need to build infrastructure for crossings (small streams collect rainwater - land harvesting), reforestation (planting many trees) to capture and infiltrate water into the ground. Infrastructure is needed for local water reservoirs and water channels to each household, as well as to public buildings such as hospitals, schools, markets, and to agriculture at the suku, village and neighborhood levels.
- Introduce water irrigation systems with digital technology to increase production efficiently and effectively while saving it.
- Good water infrastructure reinforces and diversifies agricultural production with different varieties; it should not be oriented to monoculture (not just rice and corn).
- Establishing centers to store local products, including processing by small scale industry.
- Build rural roads and bridges to increase connectivity between hubs.
- Building an integrated trading center that can collect agricultural products, process them, create packaging and distribute them to other municipalities, as well as facilitating farmers' needs.
- Develop renewable and decentralized energy, based on resources from villages and sub-villages such as biogas, solar panels, hydroelectric power and wind.

**Tourism:** The necessary infrastructure for the tourism sector is:

- Adequate and accessible rural roads.
- Develop healthy and safe homestays managed by the community or family
- Establish community restaurants.
- Infrastructure for communication with a view to transparency for digital financial transactions.
- Improve and facilitate access to existing health centers, both at the Administrative Post level and in rural areas, with good communication and emergency facilities.

- Create historical sites with explanations of Timorese and indigenous history.
- Establish information centers and cultural museums in municipalities.
- Build infrastructure near natural pools.
- Establish diving centers in Timor-Leste to facilitate people to marine tourism (diving, snorkeling and watching blue whale migration etc.)
- Establish a community center to facilitate maritime tourism through experiencing sea sports, fishing, eating fresh seafood etc. under the responsibility of the local community.

**Fisheries:** Required infrastructure to develop the fisheries sector:

- Build fishing ports and adequate facilities to assist fishermen and women.
- Establish cold storage centers with facilities for clean water, electricity, and refrigeration.
- Establish fish markets / fish cooperatives (hygienic, healthy with adequate equipment)
- Build infrastructure for fish production, processing and trade (ships, sorting hubs and refrigeration equipment)
- Build infrastructure for marine conservation and aquaculture.
- Implement good practices to conserve marine biodiversity (ex; *tara bandu* in the sea, marine heritage conservation) by supporting sustainable fishing methods, creating inclusive training for fishermen, maintaining regulation for marine management that has ratified by international law to protect marine biodiversity.

**Livestock:** in Timor-Leste 95%<sup>1</sup> of households raise animals. Animal husbandry has great potential to contribute to the improvement of nutrition for the people by increasing the levels of consumption of fresh poultry, meat, cow's or sheep's milk , etc. The necessary infrastructure for the livestock sector is as follows:

- Strengthen the five livestock centers that have been established in municipalities, by improving existing infrastructure and responding to the needs of each center.
- Build infrastructure for a livestock sector that is integrated with the agriculture, horticulture and forestry sectors to contribute to the supply of fresh bread and fresh milk to the people, setting a model for all farmers.
- Build slaughterhouse infrastructure to facilitate business activities from meat production, processing, packaging and distribution.
- Establish veterinary clinics with adequate facilities in each municipality to respond to the problems in the five centers and to the community in the municipalities.

**Forestry:** Patches of Timor-Leste's national territory include natural forest. Improving forests as sources of food, water conservation and promoting ecosystem balance is critical. The necessary infrastructure for developing the forest sector is as follows:

- Establish permanent and community nursery and seed centers in the municipality.

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<sup>1</sup> [Timor-Leste Agriculture Census 2019 National Report - INETL, I.P.](#) page xi

- Build production and post-production infrastructure, processing and distribution of forest and non-forest products (honey, coconut, cocoa, local medicine, original foods, yams, arrowroot, taro, etc.)
- Establish forest centers in each municipality, strengthen traditional law (*tara bandu*) to conserve forest biodiversity and develop agro-forestry.
- Build infrastructure that supports reforestation, dams and water reservoirs for plants and communities.
- Strengthen forest security to limit fires and arbitrary logging.

## Human Capital to Solve Timor-Leste's Current Problems

Education is fundamental to human capital, to creative and critical thinking. La'o Hamutuk recommends investing in an equitable education sector. Education should not focus only on national and urban areas, but must reach rural areas.

### Human capital reinforcement highlights:

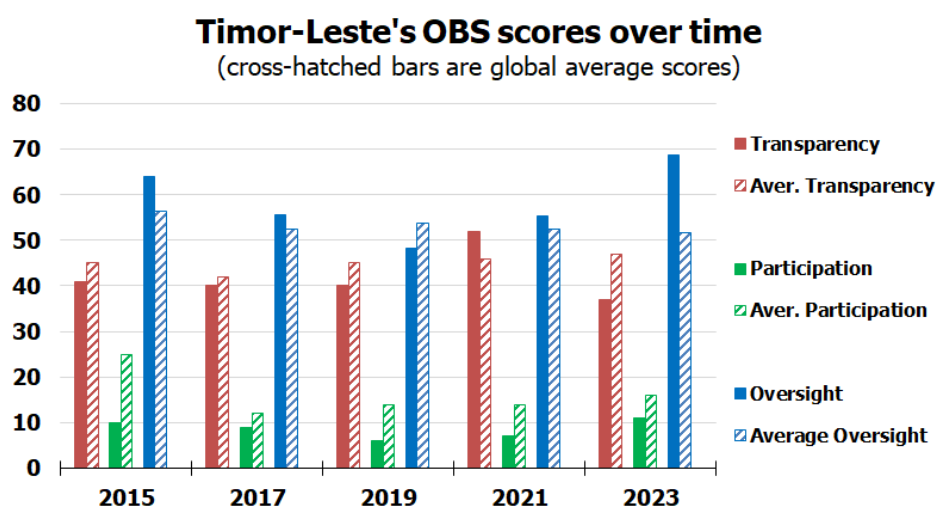
- **Short term:** Establish training and vocational centers for young people, focusing on agriculture, fisheries, livestock, tourism, hospitality, forestry, mechanics and others, which will contribute to economic diversification.
- **Medium-term:** Invest heavily in formal and non-formal education to support specialization in different areas of agriculture, fisheries, livestock and forestry and other institutions.
- **Long-term:** Use knowledge from science and technology to address the country's problems, build faculties that respond to the needs of the country or strategic problem-solving and encourage and support local entrepreneurs.
- Develop quality higher education to produce resources to distribute to pre-primary, primary, pre-secondary, secondary and university.
- Pre-primary and primary infrastructure: playgrounds and art, libraries, curriculum for pre-primary and primary; also to change agricultural practices.
- Pre-secondary infrastructure: classrooms, textbooks, multimedia, libraries.
- Secondary infrastructure: divided into public and vocational: classrooms, multimedia laboratories, libraries, vocational schools. These could enable field practice and develop creativity and the practice of biology.
- *Ajénsia Nasional ba Avaliasaun no Akreditasaun Akademika, I.P. (ANAAA)* should standardize the national curriculum, strengthen implementation, and secondarily monitor higher education.
- Teacher recruitment should be based on merit, not party affiliation. A national exam should be created.
- School infrastructure and its facilities: libraries, laboratories, classrooms, textbooks, multimedia, water & sanitation, sports facilities and equipment, teacher housing.



- Legal framework for protection, promotion and regularization. Examples are the law that establishes the principle of free and compulsory nine years of school, the law against sexual harassment to protect students, and human rights conventions. These laws should be implemented more effectively.

## Government Institution Efficiency and Effectiveness

Since 2015, Timor-Leste has failed to show significant improvement in transparency, participation or oversight. We can see these values through the Open Budget Survey (OBS)., an independent survey conducted every two years through comparative measures for 125 countries including Timor-Leste.



Unfortunately, transparency and public participation in Timor-Leste face various obstacles, principally historical, institutional, socio-economic, and cultural. To strengthen government institutions, it is important to improve:

- **Transparency:** Promote websites of ministries and government institutions; publish all public documents, from draft preparation to final versions on time. Complete documents must be available and accessible in appropriate languages.
- **Accountability:** Develop checks and balances to see the functioning of all government institutions and to protect the separation of powers under law.
- **Participation:** There should be spaces for academics, civil society, journalists, local authorities, communities, social groups and all elements of society to discuss public policy, beginning with policy elaboration, debate, approval and implementation, including in Ministries, Parliament and the Council of Ministers.
- Reform economic institutions and strengthen public administration such as SECOOP, SEFOPE, Becora and Tibar Training Centers.
- Examination of the workforces in government institutions to ensure efficiency and effectiveness oriented to the purposes of their work.
- The functioning of institutions and laws needs to practice transparency to reduce temptations for corruption. This will promote efficiency and efficacy in state institutions.

- Reform E.P. (state companies) and I.P. (public institutions) to improve efficiency and efficacy.
- Create research centers to contribute to public policy creation and implementation in areas including education, agriculture, water & sanitation and health.
- Government institutions should have a coordinated integrated plan to counter sectoral self-interest.
- Timor-Leste needs to establish an E-government system to reduce bureaucracy, promote transparency and improve public administration and ultimately minimize the impact of climate change.

## Conclusion

The revision of the PEDN 2011-2030 and the formulation of the new medium-term PEDN for 2026-2035 should be aligned to address the structural problems in Timor-Leste. Therefore, there are four sectors that have become important points: Economic diversification, infrastructure, human capital and government institutions. These must be interconnected and in constant communication in the implementation of programs to reduce food insufficiency, malnutrition, poverty, dependence on imported products, to improve people's health, to strengthen the principles of good governance and basic economic infrastructure and to produce domestic resources. Timor-Leste needs to be innovative, dynamic and creative to compete in the global market, solve domestic problems and strengthen the domestic economy.

LH has renewed hope that this medium-term PEDN can be an opportunity to repair the context facing Timor-Leste, and all the programs envisioned here could improve the well-being of the people of Timor-Leste. The revised PEDN should include projections of capital and total expenditure costs and should promote transparency, accountability and public participation.

This are La'ó Hamutuk's recommendations for the review of PEDN 2026-2035, hopefully it will produce a more realistic response to the concerns and urgent needs of the people in Timor-Leste.

**With respect,**



Charles Scheiner



Celestino Gusmão



Elizaria Febe Gomes

Charles Scheiner



Mariano Ferreira



Jonathan Gonsalves



Elia da Costa Araujo



Elivania Alves Correia