

# Can a Sovereign Wealth Fund Prevent the Resource Curse?

## The case of Timor-Leste

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At the conference on

Natural Gas for Economic Transformation and Inclusive Growth  
How to Prevent the Resource Curse in Mozambique

**Maputo, 29 August 2019**



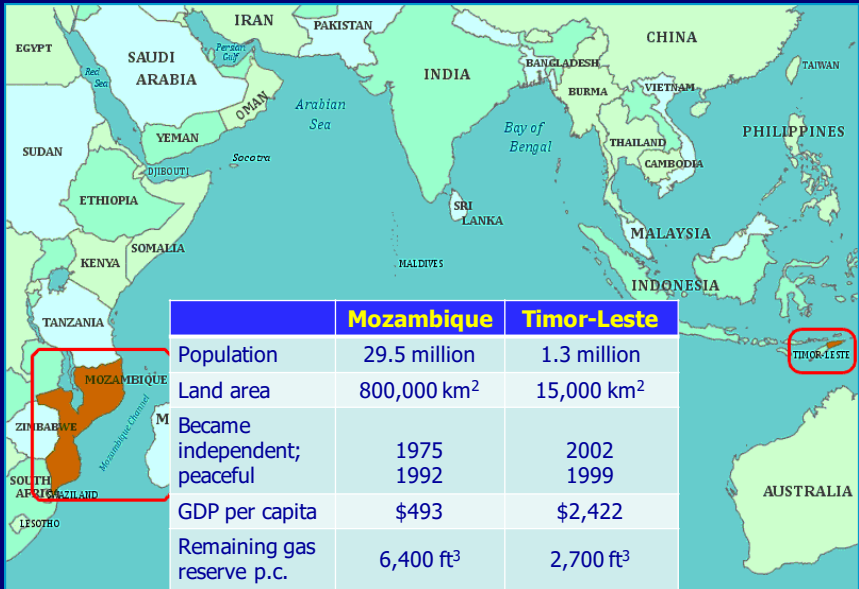
## Contents

Timor-Leste created its Petroleum Fund in 2005 to avoid falling into the 'resource curse' that afflicts many petroleum-export-dependent nations.

### Has it been effective?

1. Introduction to Timor-Leste
2. Timor-Leste's Petroleum Fund: objectives and mechanisms
3. How has it worked so far?
4. Prospects for the future

# 1. Introduction to Timor-Leste



## What is La’o Hamutuk?

- The Timor-Leste Institute for Development Monitoring and Analysis, founded in 2000.
- Timorese and international people “walking together” on the journey to create a new Nation.
- An independent, Timorese, non-governmental organization which does research, policy analysis, public education and advocacy.
- A force for participatory, equitable, sustainable and evidence-based policies and practices.

## History in one slide

- People have lived in Timor-Leste for at least 5,000 years.
- **Portugal colonized 500 years ago.**
  - They brought Catholicism but little development or education.
  - Onshore oil exploration started in 1890s.
- **Australia, then Japan, invaded in 1941-45.**
  - About 50,000 Timorese people died in WWII, which didn't involve them.
- **Portugal's military dictatorship resumed control in 1945.**
  - Offshore oil exploration began in the 1960s.
- **Portugal began decolonizing in 1974.**
  - After Carnation Revolution brought down Portuguese dictatorship
  - TL declared independence 28 November 1975 ... but 10 days later
- **Indonesia invaded on 7 December 1975.**
  - Mozambique provided crucial sanctuary and diplomatic support for the resistance.
  - Indonesia killed more than 100,000 Timorese during 24-year occupation.
  - Timor-Gap Treaty 1989; oil production started 1998.
- **Referendum 30 August 1999, then 2½ years of UN rule.**
- **Finally restored independence on 20 May 2002.**
  - Oil income surged after 2005, but peaked in 2012 and is 95% finished.
  - National Oil Company TimorGAP founded in 2011.
- **Peaceful elections in 2001, 2002, 2007, 2012, 2017 and 2018.**

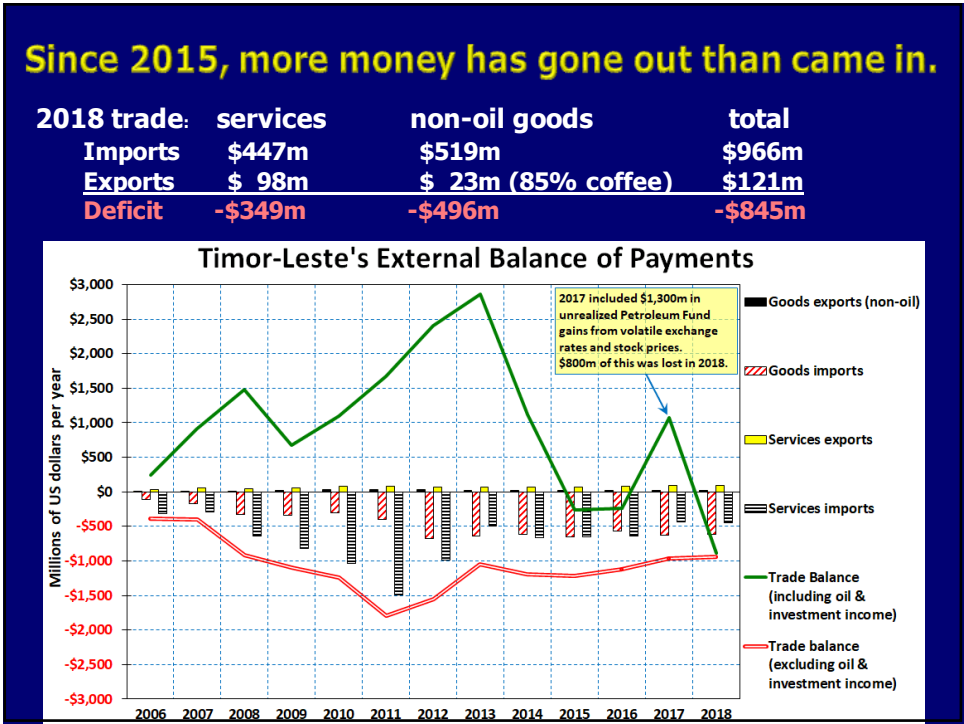
## Basic Statistics for Timor-Leste

- Nearly half of Timor-Leste's people live in poverty, 46% in multi-dimensional poverty.
- Two-thirds of people live in rural areas, largely by subsistence farming.
- Poor sanitation and malnutrition are endemic.
- About 1,200 Timorese children under 5 years old die from preventable conditions every year ...  
30 times as many people as die from homicide.
- In 2018, TL exported \$23 million in non-oil goods (coffee).
- In 2018, TL imported \$519 million (everything).

## Petroleum Dependency (nominal USD)

	2013	2014	2015	2016	2017
Petroleum GDP	\$4,234 (75%)	\$2,591 (64%)	\$1,496 (48%)	\$820 (33%)	\$895 (36%)
Non-oil GDP	\$1,403 (25%)	\$1,451 (36%)	\$1,597 (52%)	\$1,684 (67%)	\$1,593 (64%)
Productive (agric. & manuf.)	\$305	\$307	\$288	\$287	\$284

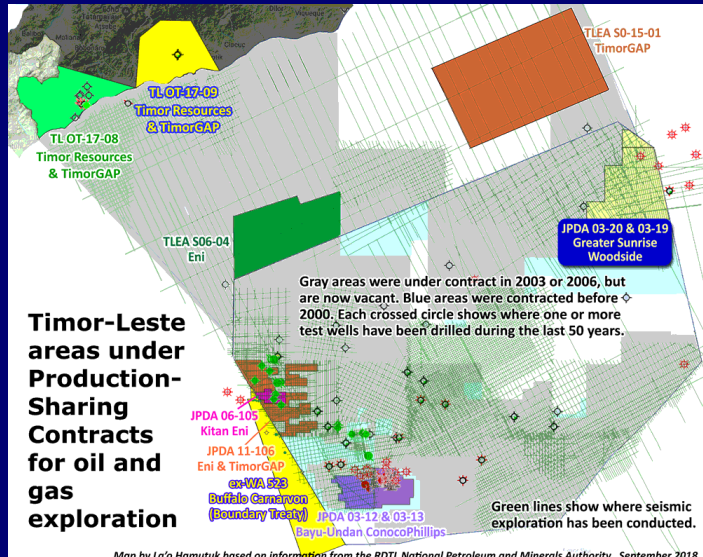
- State revenues in 2018:..... **\$177 million**  
-\$460 million was lost from investing the Petroleum Fund  
\$447 million from oil and gas revenues  
\$190 million from non-petroleum sources
- Executed 2018 State Budget:..... **\$1,158 million** (\$1,277m appropriated)  
\$983 million transferred from the Petroleum Fund  
\$190 million from non-petroleum (domestic) revenues  
\$ 39 million from loans which will have to be repaid
- State activities, paid for with oil money, are nearly half of the 'non-oil' economy because some of this money circulates in the local economy.
- Petroleum doesn't provide jobs or money for people – revenue goes to the State. Only 0.1% of the workforce is in oil and gas: 339 Timorese and 287 foreigners.
- Although the Petroleum Fund could improve equity between generations, it does not guarantee good governance or eliminate corruption, and will not last long if current policies continue.



## Our seas have been explored for half a century, and our land for longer.

Three fields have provided revenue.

There may not be any others.



## 2004: Why the "resource curse" might be even worse in Timor-Leste

### No history of democracy or self-government

- Only a few returning exiles had ever experienced a government that even pretended to serve the public interest.
- Tradition of resistance -- not constructive criticism, coalition-building, alternatives or compromise -- with decisions handed down from above.

### New public service with little experience of honesty, good governance or accountability

- Limited number of skilled people requires dual roles, reducing oversight and increasing appearance of nepotism.
- Just-invented government structures lack adequate oversight and separation of powers, with unclear and conflicting responsibilities.
- Learned inefficiency from Portugal, corruption from Indonesia and overpaid, unqualified personnel from the UN.

## And why it could be reduced

**We can learn from the good and bad experiences of other oil and gas producers.**

- Oil industry in TL not yet large or entrenched.

**People fought for and still esteem national sovereignty and democracy.**

- Many active NGOs and civil society groups

**Use of U.S. dollar reduces inflation risk.**

- But surrenders control of exchange rates
- Hedges against global oil price changes in USD

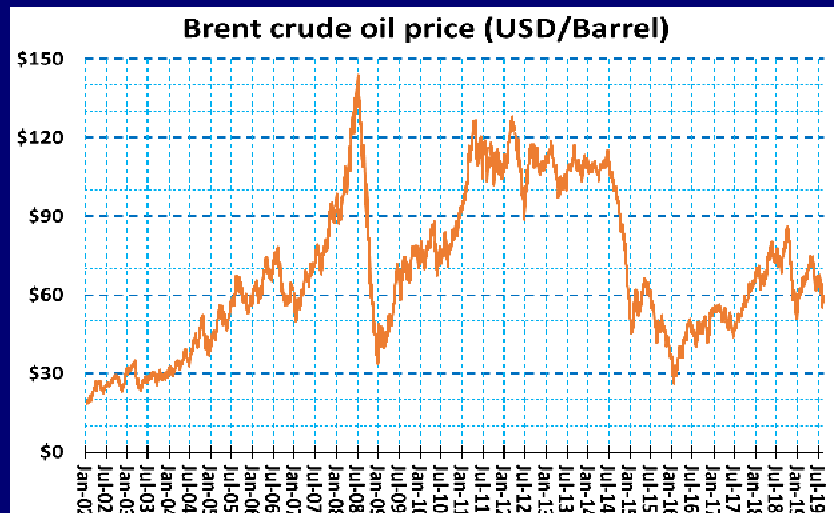
**Most reserves are far offshore, processed abroad.**

- Lower social and environmental risks and impacts

## 2. TL's Petroleum Fund: goals and implementation

- Decouple oil revenues from state spending.
- Stabilize against oil production and price fluctuations.
- Earn investment return for sustainability when oil and gas are used up "For the benefit of current and future generations"
- Improve transparency and management of oil revenues, prevent corruption.
- Ensure that decisions are open and democratic.

## State services shouldn't rise and fall with world oil market prices



## 2002: Timor-Leste Constitution

### Artigo 139.º

#### (Recursos naturais)

1. Os recursos do solo, do subsolo, das águas territoriais, da plataforma continental e da zona económica exclusiva, que são vitais para a economia, são propriedade do Estado e devem ser utilizados de uma forma justa e igualitária, de acordo com o interesse nacional.
2. As condições de aproveitamento dos recursos naturais referidas no número anterior devem servir para a constituição de reservas financeiras obrigatórias, nos termos da lei.

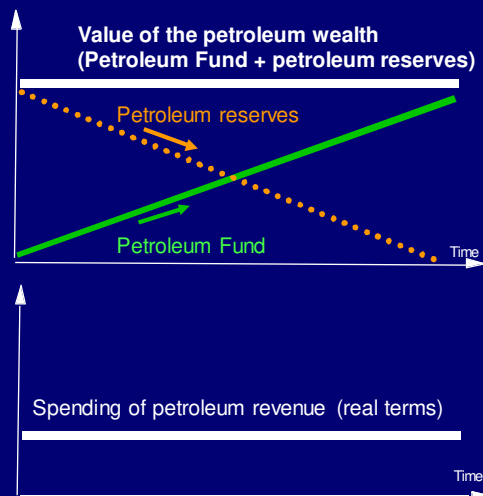
## 2005: Petroleum Fund Law

**The Petroleum Fund shall contribute to a wise management of the petroleum resources for the benefit of both current and future generations.**

**The Petroleum Fund shall be a tool that contributes to sound fiscal policy, where appropriate consideration and weight is given to the long-term interests of Timor-Leste's citizens.**

## Theory behind the Petroleum Fund

- Petroleum revenue is not income in the usual sense – it is a conversion of wealth from one form to another.
- Government petroleum revenue is different from other tax revenues.
- Revenue from the petroleum sector shows greater variations over time.



**Sustainable expenditure benefiting both current and future generations**

## 'Estimated Sustainable Income'

- Intended to maintain a steady flow of revenue to the state budget.
- 3% of (Fund Balance + NPV of future oil and gas revenues)
- Could provide constant revenues forever.

### But

- Investment real return has been less than 3%.
- Population, prices and expectations grow.
- Overspending is too tempting and easy, and happens every year.
- The rules were weakened in 2011 and 2018.



## Petroleum Fund Law no. 9/2005

- All oil-related revenue goes in to the Petroleum Fund
- Invested in overseas liquid instruments: initially all U.S. gov't bonds; gradually included other international bonds and stocks
- Withdrawn only with Parliamentary approval (usually through the State Budget)
- Mandates regular publication, consultation and transparency
- Petroleum Fund cannot be used as collateral for borrowing
- Estimated Sustainable Income (ESI) withdrawal guideline: 3% of (balance + prudent projections of future petroleum revenue)
- 2011 revision: Changed investment profile, weakened ESI and debt collateral rules
- 2018: unauthorized and authorized extraordinary withdrawals
- 2019: investment rules overridden; 5% invested domestically

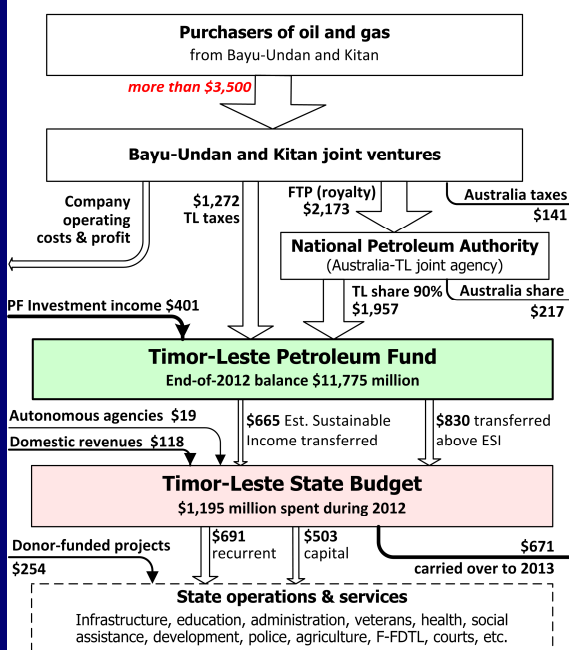
**Petroleum revenue peaked in 2012, and this is how it flowed in and out of the Petroleum Fund that year.**

The basic structure hasn't changed, but details have.

From 2005 thru mid-2019:  
 \$22.5 bn oil revenues  
 +\$ 5.8 bn invest. returns  
**-\$10.8 bn withdrawn**  
**\$17.4 bn balance**

### Timor-Leste's Petroleum Revenue Streams

Totals for 2012. Millions of U.S. dollars, estimates in *italics*.



## **2005: TL Petroleum Activities Law no. 11/2005**

- Petroleum exploration and production contracts must be published.
- Standard Production-Sharing Contract template: no bonuses or other special payments.
- Open, transparent bidding rounds.

### **But**

- It does not apply to the two largest fields, which had contracts before 2005.
- All contracts since 2012 were awarded to TimorGAP with no open bidding.

## **Timor-Leste and the EITI process**

- 2003: Prime Minister Alkatiri speaks at founding EITI conference in London, commits Timor-Leste.
- 2005: Petroleum Act and Petroleum Fund Act passed, with good transparency provisions.
- 2007: EITI qualification process starts; after elections new government continues it.
- July 2010: EITI certifies T-L as the third compliant country in the world (after Azerbaijan and Liberia).
- TL has published EITI reports through 2016. Recent ones have been late and less detailed.

### 3. How has it worked so far?

#### Timor-Leste has avoided

- Spending the money as fast as it comes in
- State budgets fluctuating with oil prices and production
- Significant oil money being diverted or stolen
- Having nothing left when the oil and gas is depleted
- Invasion, occupation and war

#### But

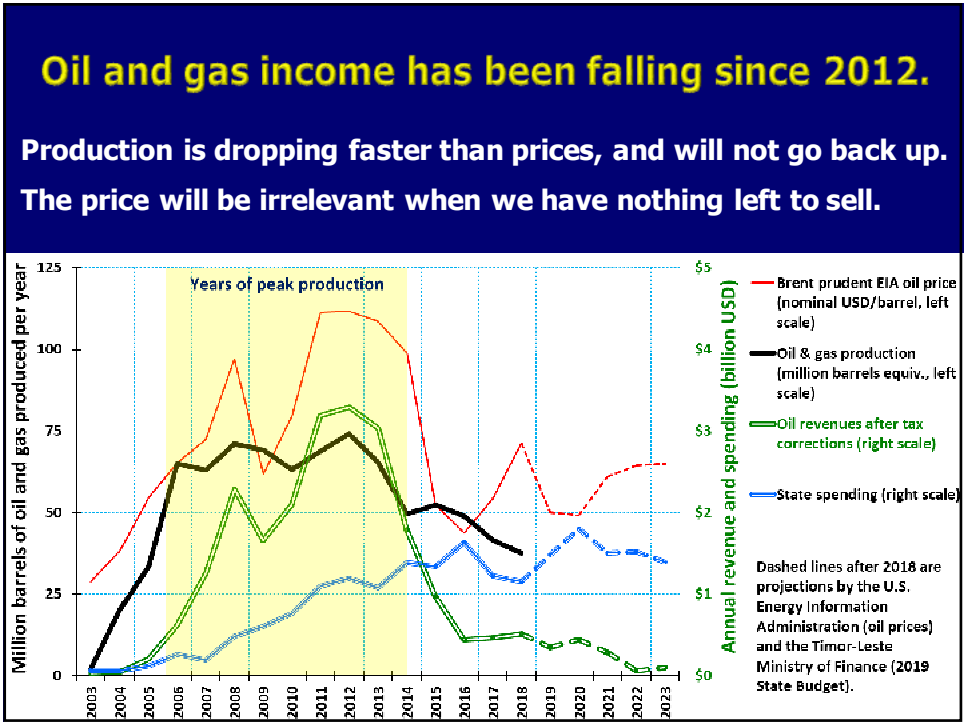
- The fund is being depleted by overspending.
- Investment returns are unpredictable.
- Rules are being weakened to enable insecure investments.
- The TimorGAP Nat'l Oil Company escapes accountability.

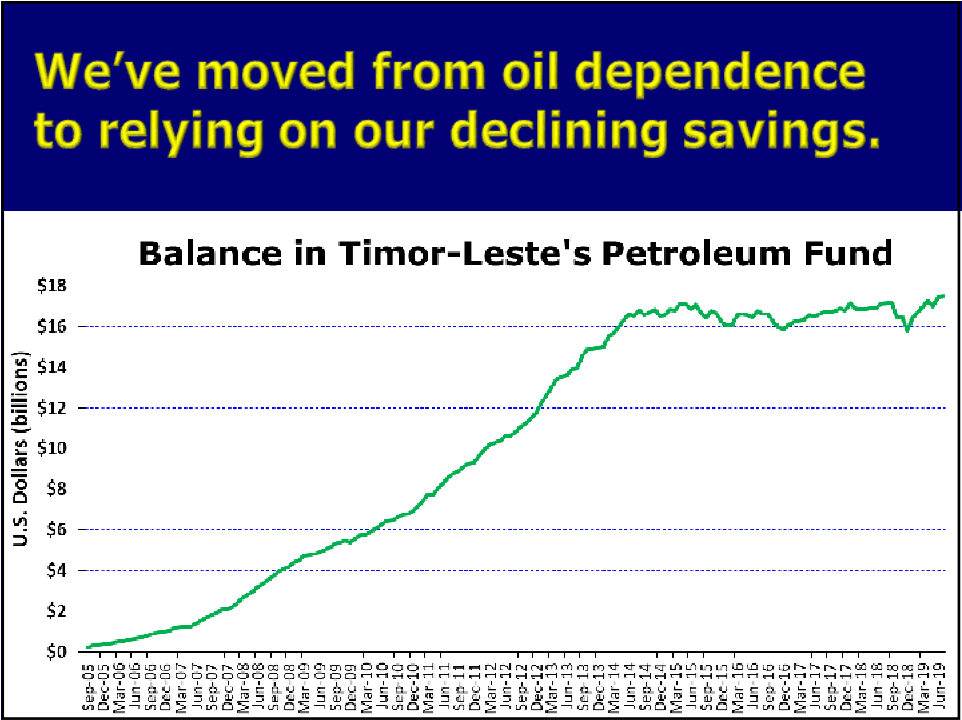
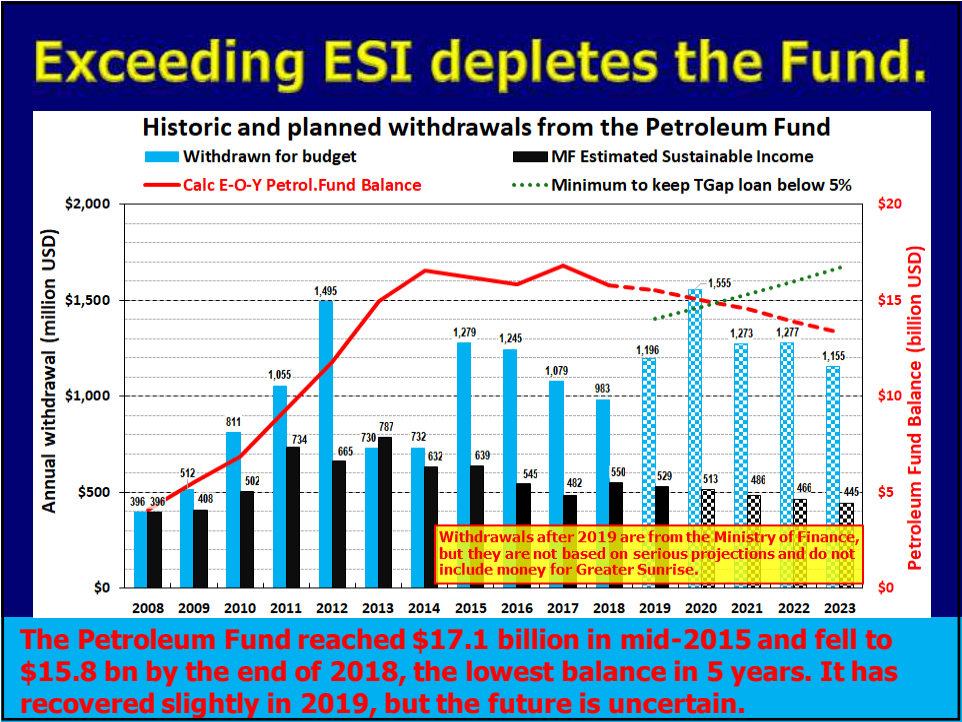
### We led the world, but not any more

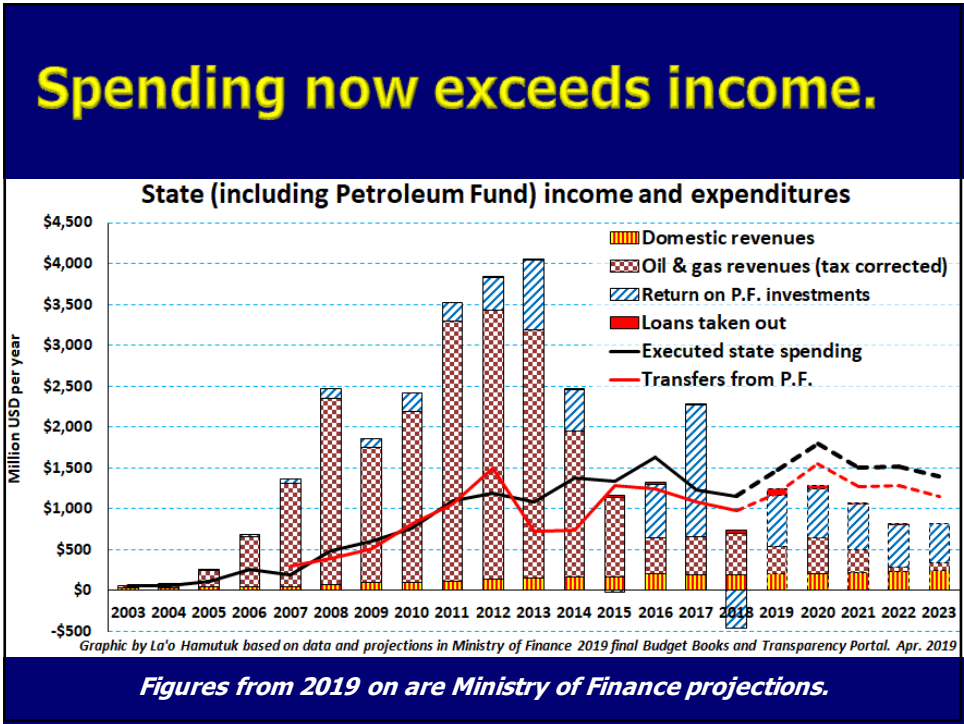
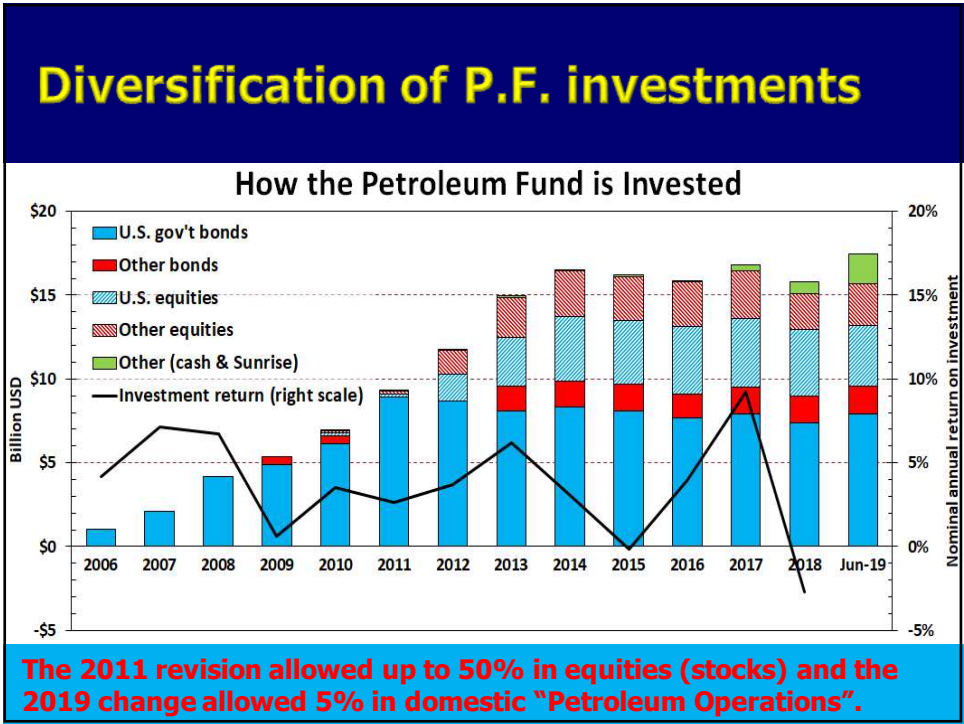
In 2010, Timor-Leste scored 70.5 on the Revenue Watch Index, 12<sup>th</sup> in the world and the best in the Asia-Pacific region.

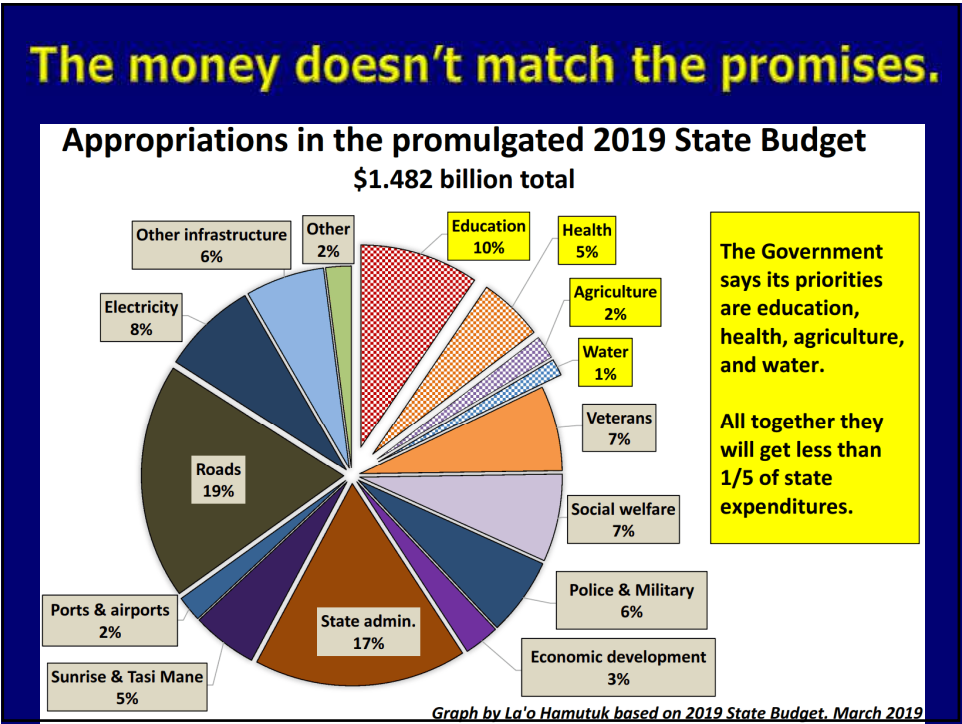
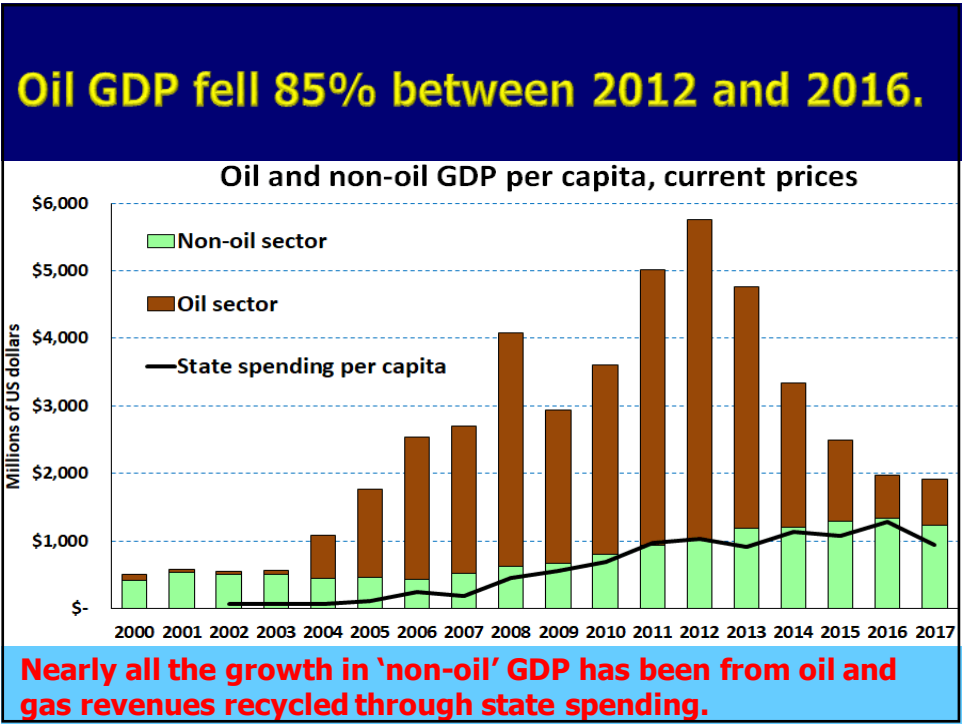
In 2013, Timor-Leste scored 68 on NRG's Resource Governance Index, ranking 13<sup>th</sup> of the 58 countries included, and third in the Asia-Pacific region.

In 2017, Timor-Leste scored 49, ranking 43<sup>rd</sup> of 89 countries and 8<sup>th</sup> in Asia-Pacific.









## Signs of the 'resource curse' (1)

- **Believing that the oil money will last forever**  
Kitan is finished; Bayu-Undan will be dry by 2022.
- **Dreaming of more wealth from under ground**  
which are received without doing hard work.
- **Borrowing today, to repay some day**  
TL may borrow billions for projects with little chance of return.
- **Lack of realistic long-term planning**  
The Strategic Development Plan 2011-2030 is but a dream;  
Tasi Mane's costs may be less than its benefits.  
As in all democracies, politicians' planning horizon is the next election.
- **Spending without thinking**

## Signs of the 'resource curse' (2)

- **Using money to 'solve' every problem**  
It's easier to buy a scholarship than to manage a university.
- **Import dependency**  
TL's non-oil trade deficit is about a billion dollars every year.
- **Benefits flow to the urban and political elite.**  
Most people won't use highways, airports and oil facilities ...  
but will share the costs of paying for them.
- **Ignoring non-oil development and revenues**  
Farming is too hard to envision, even if oil may not last very long.
- **Petroleum captures decision-making.**  
Agriculture, tourism, small industries, etc. aren't competing on a level playing field.'

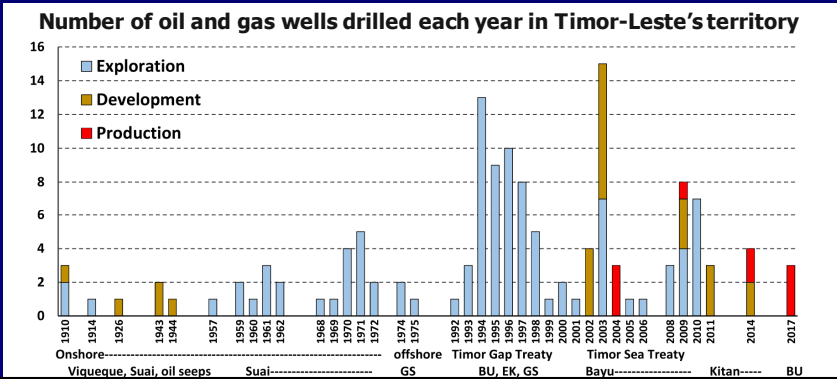


# 4. Prospects for the future

Since 1910, oil companies have drilled 95 exploration wells in Timor-Leste, exploring all likely offshore areas.

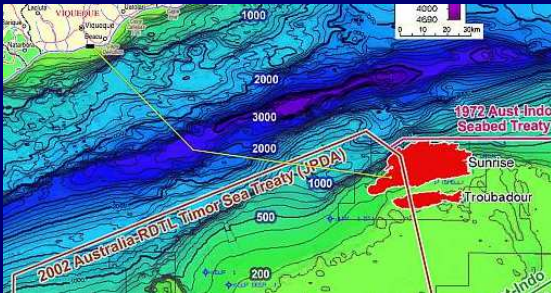
They found eight commercially viable reserves. Kitan is the only one discovered in the last 24 years.

There may not be any more.



# The Greater Sunrise stalemate

- This offshore gas and oil field was discovered in 1974.
- Development has been stalled because Timor-Leste and the companies do not agree on where to liquefy the natural gas.
- Woodside and its believe that floating LNG or a pipeline to the Darwin LNG plant (used for Bayu-Undan) is more profitable.
- Timor-Leste wants a pipeline from Sunrise to Beaçu, to get more tax revenues and anchor the Tasi Mane project.
- Under contracts and treaties, the companies propose the path, but both governments need to approve it.
- Because of Australian spying, TL persuaded Australia to invalidate CMATS in 2017.
- The negotiations for the 2018 Boundary Treaty could not agree on where the pipeline will go.
- Timor-Leste bought Conoco-Phillips' 30% and Shell's 27% shares of Sunrise to control the decision. They are seeking more than \$10bn to finance the project.



## 2018-2019 changes to Petroleum Activities Law

- Prohibits prior Audit Court review of petroleum-related contracts and agreements.
- Allows TimorGAP to own more than 20% of a project (which it already does for several projects).
- A last-minute addition overrides the Petroleum Fund Law to enable up to 5% of the Fund to be invested in petroleum operations within Timor-Leste.
- The law was vetoed by the President, but the veto was overridden.
- Promulgated in January 2019, retroactive to Sept. 2018.
- Last months' amendments to institutionalize these changes and override all of PFL Article 15 for 'petroleum operations' were vetoed by the President yesterday because the Appeals Court said they are unconstitutional.

## PF Law Article 15: Investment Rules

1. Under the criteria in this article, to qualify as eligible investment, the investment instrument must be issued or the investment be located abroad, in an internationally recognized jurisdiction.
4. No more than 5% of the Petroleum Fund should be invested in other eligible investments, provided that:
  - a) The Minister has included such other asset class, which is part of the investment, in the proposed distribution of portfolios submitted to the National Parliament under Article 14.5, and
  - b) The rules and criteria for selection, management and evaluation of each individual financial instrument within a certain asset class, have been approved by the Minister and published.
5. The exposure of the Petroleum Fund to:
  - a) Any company or the issuing entity for the eligible instruments, with the exception of sovereign states, can never exceed 3% of the total value of the Petroleum Fund;

*The pink words were revoked by the proposed amendments.*

## Petroleum Activities Law, new clauses added in 2018. Article 22: State Participation

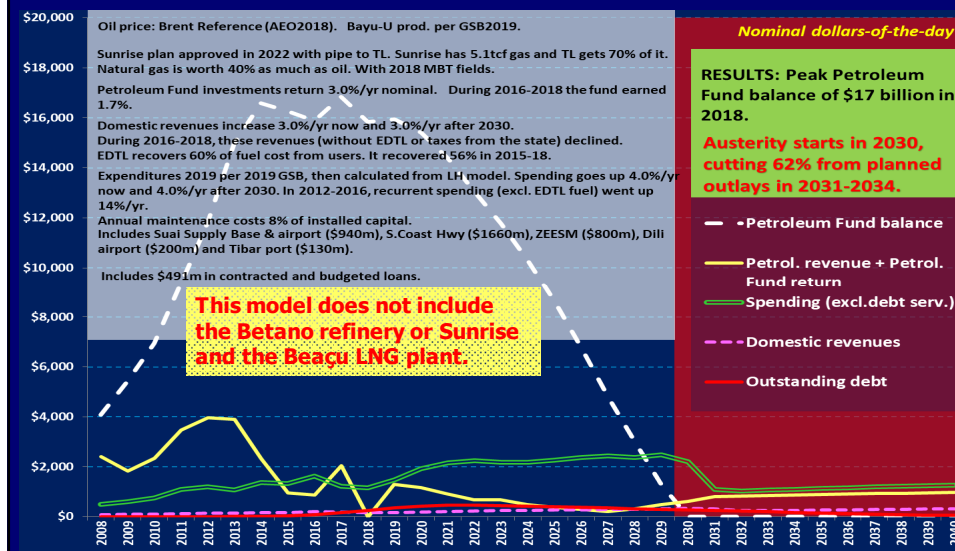
6. The Petroleum Fund may be applied directly in **Petroleum Operations, in the national territory** or abroad, through the execution of commercial transactions, through Timor Gap, E.P., pursuant to Article 15.4 of Law no. 9/2005 ... republished by Law no. 12/2011.
7. **Contracts** for purchase and sale, acquisition, assignment, transfer, transfer, novation, merger, encumbrance or any other legal transaction entered into or payments made by Timor-Leste or any other Timorese public corporation, including entities wholly owned or controlled by controlled by them, **designed to allow the participation of Timor-Leste** or any other Timorese public legal person, including through entities fully owned or controlled by them, or of the Petroleum Fund, **in Petroleum Operations** and, as well as for the conduct of these, **are not subject to prior inspection by the Audit Chamber** of the High Administrative, Tax and Audit Court.

*The green words are the key changes.*

## 2019: withdrawal called 'investment'

- Ten months ago, Timor-Leste agreed to pay ConocoPhillips and Shell \$650 million for their shares of participation in the Greater Sunrise Joint Venture.
- In February, the Minister of Finance informed the Central Bank and Parliament of a new P.F. investment policy, which was then approved by the Council of Ministers. A revised management agreement between the Ministry and the Bank was signed in March.
- On 10 April, the P.F. loaned \$650 million to TimorGAP for 18 years at 4.5% interest. Six days later TimorGAP paid the money to the companies.
- Timor-Leste now owns 57% of Sunrise, and has to come up with 57% of the offshore, in-field capital costs and 100% of the on-shore costs. It may earn revenues in the future.

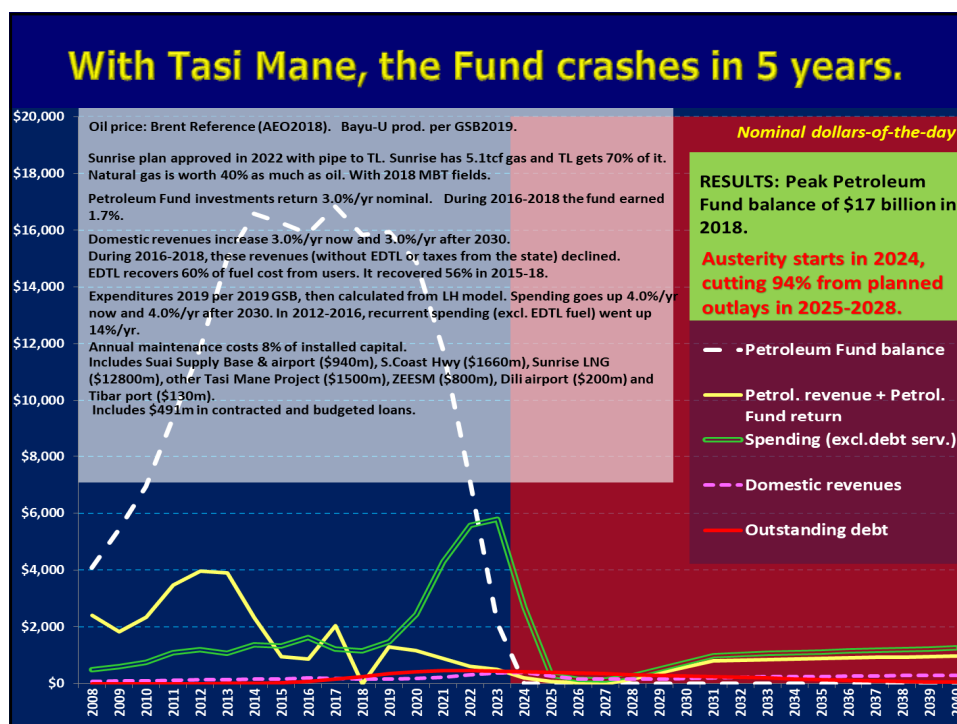
## If current plans continue, TL may be unable to finance its budget in 11 years.



## Problems with the Tasi Mane project

- It prolongs TL's dependency on oil and gas.
- Dubious concepts and planning; it is unlikely to provide a reasonable return on investment.
- It neglects sustainable development (agriculture, tourism, small industries etc.), exemplifying the obsession with oil.
- It requires \$10-\$20 billion in capital investment, which traditional financiers (WB, ADB, JICA) are unwilling to lend.
- Nearly all the money spent will go to foreign companies, providing hardly any local livelihoods or subcontracts. The petroleum industry creates fewer jobs than any alternative.
- It will create social conflict, take up land, displace people, worsen health and degrade and endanger the environment.
- Cost projections leave out 90% of investment obligations.

**The Government has made many unrealistic promises about revenues, profit-sharing, jobs and other benefits.**



## Many challenges lie ahead.

- **Accessing and analyzing public information**  
Leaders, public servants, journalists, civil society and citizens need to use available data to support evidence-based policies.
- **Resisting the temptation to overspend**
- **Ensuring that children, rural poor, women and other vulnerable people's rights are respected**
- **Preventing lenders and oil companies from robbing the people**
- **Making the national oil company transparent, accountable and responsive to public needs**
- **Developing a diversified, sustainable economy**

## Current context and developments

- Very little future oil income. Kitan has finished and Bayu-Undan is 95% depleted. The Maritime Boundary Treaty will help a little, but Sunrise will probably provide less annual income than Bayu-Undan did.
- TL's population, expectations, maintenance and salaries keep going up.
- U.S. and global financial markets are volatile and uncertain.
- About 5% of the Petroleum Fund is no longer liquid or tradeable.
- No serious, comprehensive, unbiased public analysis has evaluated the financial, economic, social and environmental costs, benefits and risks of the Sunrise project to Timor-Leste's people, or the alternatives.
- Timor-Leste can force Sunrise gas to be liquefied in Beçu, but will have to come up with \$10-\$20 billion in capital costs and find the expertise to design, build, manage and operate this complex project for the next 30 years. The money and attention given to it reduces the likelihood of more sustainable economic development options.
- Renewable energy is getting cheaper, and growing awareness of the climate emergency will make fossil fuels less valuable in the future.

## The "resource curse" remains.

- Unsustainable spending levels
- Denial that the oil and gas will run out soon
- Neglect of human resources and non-oil sectors
- Poor planning
- Different rules for 'petroleum operations'
- Preference for showy mega-projects
- Increasing gap between rich and poor
- Greed, corruption, mismanagement.

## **Lessons from Timor-Leste's petroleum revenue experience**

- **A Sovereign Wealth Fund and transparency are not enough to prevent the resource curse.**
- **It's easy to make rules before oil money pours in, but hard to follow them after it arrives.**
- **People expected too much from the Fund.**
- **Politicians can change laws easily.**
- **The temptation to overspend is very powerful.**
- **Non-government actors need to be stronger.**

## **Muito obrigado.**

**You will find more and updated information at**

- **La'ó Hamutuk's website**  
**<http://www.laohamutuk.org>**
- **La'ó Hamutuk's blog**  
**<http://laohamutuk.blogspot.com/>**

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The following slides include additional information

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- Aug 2019: [Maritime boundary dispute with Australia 2016-2019](#)  
[LH Submission to Australian Parliament](#) (also [Tetum](#)); also [LH letter to RDTL Parliament](#) (also [Tetum](#))
- Aug 2019: [2019 TL and Development Partners Meeting](#)
- Aug 2019: [State budget for 2020](#), with presentation and materials from the [Jomada Orsamental](#)
- Aug 2019: [Buying into Greater Sunrise at the cost of prudence and good governance](#)
- Aug 2019: [Extractive Industries Transparency Initiative \(EITI\)](#) in Timor-Leste: reports and background

### Pagina indise

- [Orsamentu Estadu 2020](#) (8/19)
- [Orsamentu Estadu 2019](#) (8/19)
- [Orsamentu Estadu 2017-2018](#) (8/19)
- [Fundu Petrolifiku](#) (8/19)
- [Radio Igualdade podcasts](#) (8/19)
- [Prosesu Kona-ba Rai](#) (10/17)
- [Fronteira marítima](#) (5/14)
- [Konferensia duador nian](#) (7/16)
- [Portu Tibar](#) (10/18)
- [Kazu Konupsaun Bobby Boye](#) (1/16)
- [Projektu mina rai Tasi Mane](#) (9/12)
- [Baze Fornesimentu iha Suai](#) (10/13)
- [Sunrise LNG](#) (7/11)
- [Kontratu fahe produusaun petroleu](#) (10/18)

### Index pages

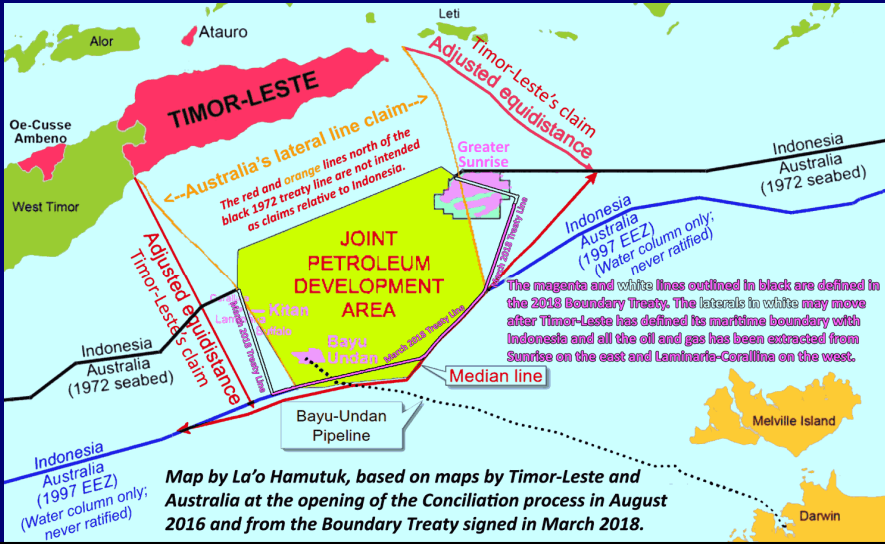
- [2020 General State Budget](#) (8/19)
- [2019 General State Budget](#) (8/19)
- [Maritime boundaries](#) (8/19)
- [2017 and 2018 General State Budgets](#) (8/19)
- [Petroleum Fund](#) (8/19)
- [Land processes](#) (7/16)
- [Donors' conference](#) (7/16)
- [Tasi Mane oil/gas project](#) (4/19)
- [Beacu LNG plant](#) (7/15)
- [Suai Supply Base](#) (4/19)
- [Sunrise LNG](#) (8/19)
- [Belarus refinery EIA](#) (5/16)
- [TimorGAP nat'l oil company](#) (8/19)
- [Tibar Port](#) (10/18)
- [Petroleum production-sharing contracts](#)



<b>In 2018:</b>	<b>Timor-Leste</b>	<b>Mozambique</b>
<b>Population</b>	<b>1.3 million, 31% urban</b>	<b>27 mill., 36% urban</b>
<b>Land area</b>	<b>15,000 km<sup>2</sup></b> 10% arable, 2% irrigated	<b>800,000 km<sup>2</sup></b> 6% arable, 0.1% irrig.
<b>Land borders</b>	<b>250 km</b>	<b>4,800 km</b>
<b>Coastline</b>	<b>700 km</b>	<b>2,500 km</b>
<b>2017 total GDP/capita (PPP)</b>	<b>\$9.2 bn</b> <b>\$7,400 pc</b>	<b>\$37.1 bn</b> <b>\$1,300 pc</b>
<b>State revenues</b>	<b>\$0.2b</b>	<b>\$3.4b</b>
<b>State expenditures</b>	<b>\$1.1b</b>	<b>\$4.1b</b>
<b>Foreign debt</b>	<b>\$0.4b</b>	<b>\$11b</b>
<b>All exports</b>	<b>\$3.0b</b>	<b>\$5.4b</b>
<b>Non-petrol. exports</b>	<b>\$0.02b</b>	<b>\$3.0b</b>
<b>Imports</b>	<b>\$1.1b</b>	<b>\$6.2b</b>

<b>2018 UNDP Human Development Report</b>		
<b>Data (most from 2016)</b>	<b>Mozambique</b>	<b>Timor-Leste</b>
<b>HDI rank out of 189 (and index)</b>	<b>180 (.437)</b>	<b>132 (.625)</b>
<b>Life expectancy (years)</b>	<b>59</b>	<b>69</b>
<b>Mean years of schooling</b>	<b>3.5</b>	<b>4.5</b>
<b>Gross National Income (GNI) p.c. PPP</b>	<b>\$1,093</b>	<b>\$6,846</b>
<b>Median age</b>	<b>17</b>	<b>19</b>
<b>Gini coefficient (inequality)</b>	<b>54</b>	<b>29</b>
<b>Gender Development Index</b>	<b>.904</b>	<b>.855</b>
<b>Child mortality (per 1,000)</b>	<b>71</b>	<b>50</b>
<b>Malnutrition (under 5 stunting)</b>	<b>43%</b>	<b>50%</b>
<b>People in multidimensional poverty</b>	<b>72%</b>	<b>46%</b>
<b>People in severe multidimen. poverty</b>	<b>49%</b>	<b>16%</b>

Australia and Timor-Leste have agreed on a boundary and on Sunrise revenue sharing – but the gas pipeline is still unresolved.



But we don't have very much oil.

	Timor-Leste (70% Sunrise)	TL without Sunrise	Australia	Brunei
Proved oil and gas reserves per person at end of 2018	653 barrels	42 barrels	744 barrels+ (730 without Sunrise)	6,360 barrels
How long reserves will last at 2018 production rates	22 years	1.4 years	20 years+	23 years

### **TL has lived through bad examples**

- Inefficient Portuguese bureaucracy; corrupt and violent Indonesian occupation
- History of confusing government services with personal favors (corruption, patronage, nurturing local contractors)
- UN missions focused on short-term fixes, with inexperienced and unqualified "experts"
- Donors and advisors promote private-industry, "free trade" economic model
- The UN, WB, ADB and IMF are not transparent or accountable

### **Limited checks and balances**

- Weak mechanisms to control corruption
- Political parties are weak and inexperienced, few alternatives or compromises offered
- Media don't do independent research or question officials
- Civil society has limited education and experience

## **Challenges from the past (1)**

### **• Post-colonial**

- Language controversy
- Land ownership in chaos
- Illiteracy
- Underdevelopment
- People never lived under rule of law
- Never had power to make decisions for ourselves
- "To Resist is to Win" – lobbying and persuasion useless
- Internalized Portuguese and Indonesian traditions
- Bureaucracy, corruption, "entitlement," military companies
- Incorporating returned exiles, collaborators
- Public officials all just learning their jobs
- Skilled people gone: education, health, governance
- Getting neighboring countries to respect sovereignty

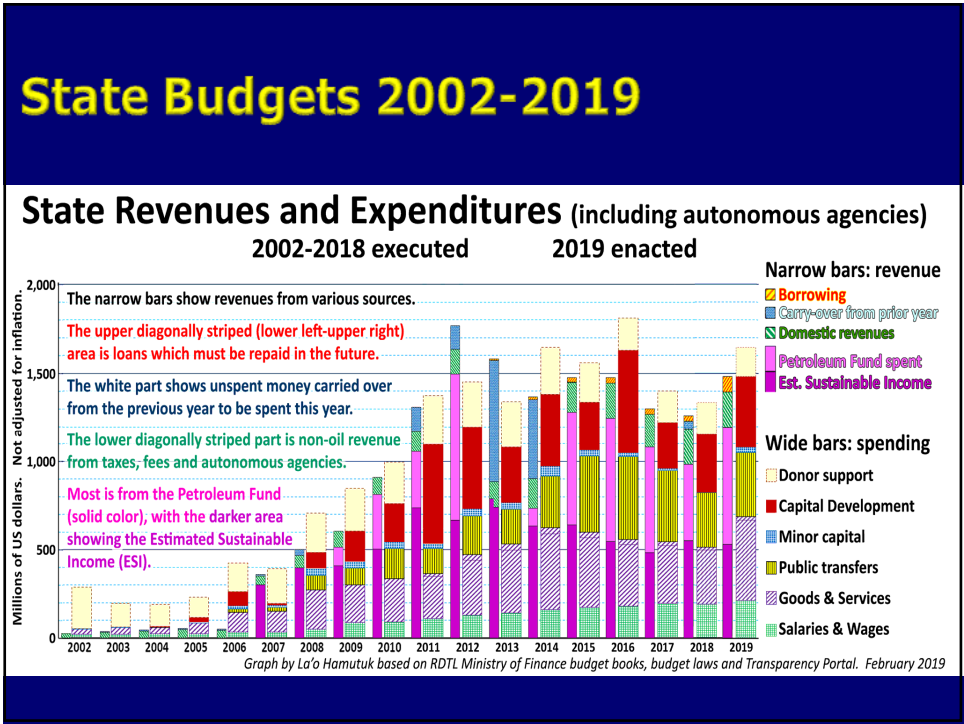
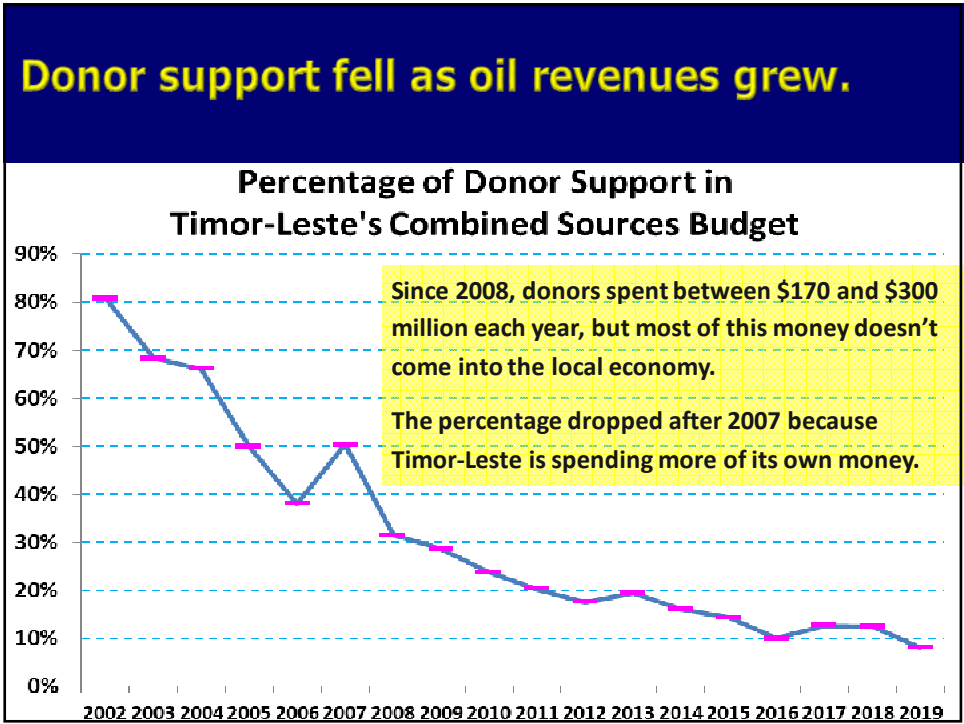
## Challenges from the past (2)

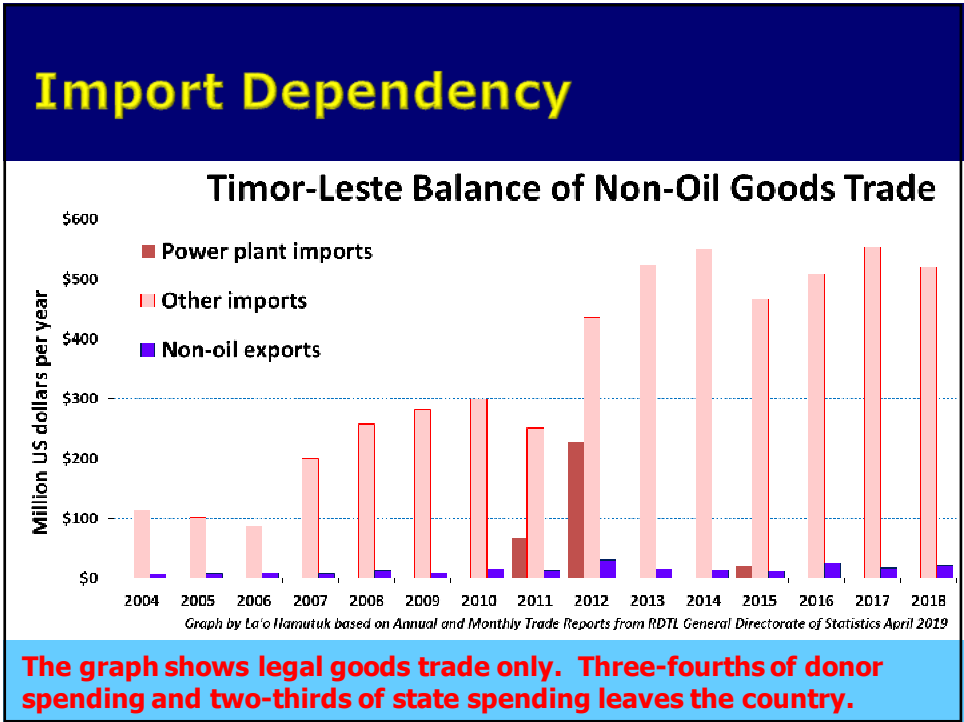
- **Post-conflict**

- **Pandemic Post-Traumatic Stress Disorder**
- **Infrastructure and property destroyed**
- **No experience of predictability or long-term planning**
- **Poverty**
- **High birth rate**
- **Domestic violence**
- **Respecting veterans; dealing with collaborators**
- **Police and military come from different sides.**
- **Leading in peacetime requires a different skill set.**
- **Differences of opinion are personalized. Loyalty and betrayal paramount; long memories**

## Women face even more challenges

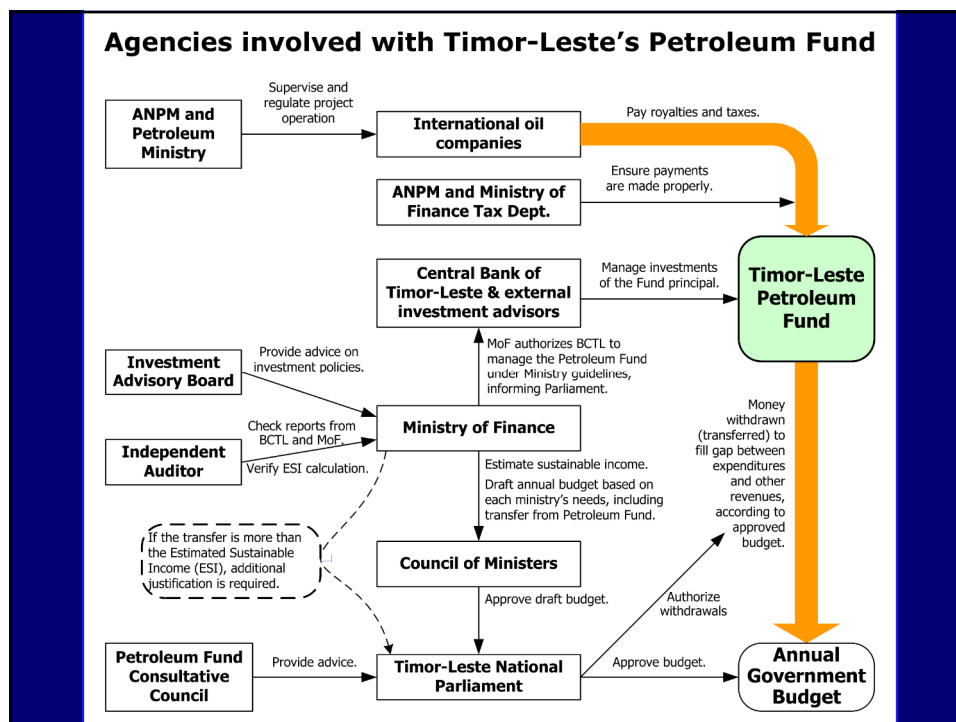
- **Domination by patriarchal and political systems**
- **Responsible for household: water, fuel, food.**
- **Barlaki (Bride-price)**
- **Colonial and Church traditions**
- **Domestic violence**
- **Many children in each family**
- **2012 election law:  $\frac{1}{3}$  of new MPs are women**





Public consultation & deliberations

Legislation	When	Days	Consultation	Parliament
Petroleum Fund Law no. 11/2005	2004-5	304	Three rounds of hearings nationwide, 25 submissions	Unanimous passage after two months of hearings and debate
Petroleum Activities Law no. 9/2005	2004-5	335	Many workshops, one round of hearings, nine submissions	Pending in PN for seven months, no hearings before enactment
Revisions to Petroleum Fund Law	2010-11	457	Many workshops, two hearings, four submissions	Discussed for two weeks, passed with few changes
\$70m extraordinary transfer from PF	May 2018	0	No legislative process, probably illegal	Not submitted for approval
\$140m extraordinary transfer from PF	July 2018	10	None. LH made submission to rumored broad draft, which was replaced by a one-time transfer	One-off transfer approved
Revisions to Petroleum Activities Law	Oct-Nov 2018	231	Secret draft. Brief Parliamentary hearing on preliminary version	Major addition just before final vote. Vetoed, overridden, challenged in court. Retroactive



## 2011: TL's Transparency Pillars

1. Best practice Petroleum Fund and revenue management
2. EITI + PWYP, global standards
3. Transparency portal
  - Budget Execution
  - Procurement
  - Foreign Assistance
  - Government results
4. Broadcast Parliamentary budget debates
5. Publish Council of Ministers decisions



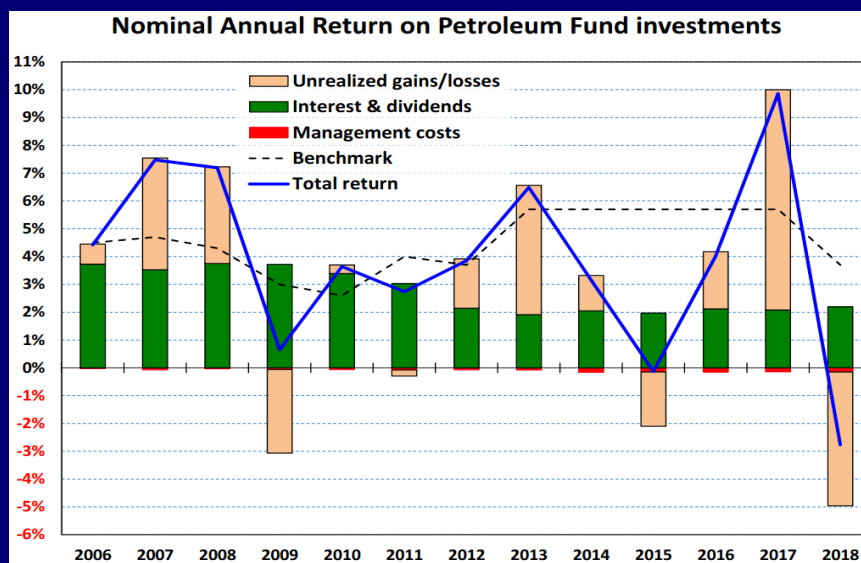
**These are Government promises.  
Practice is not consistent.**

## We find information in many places.

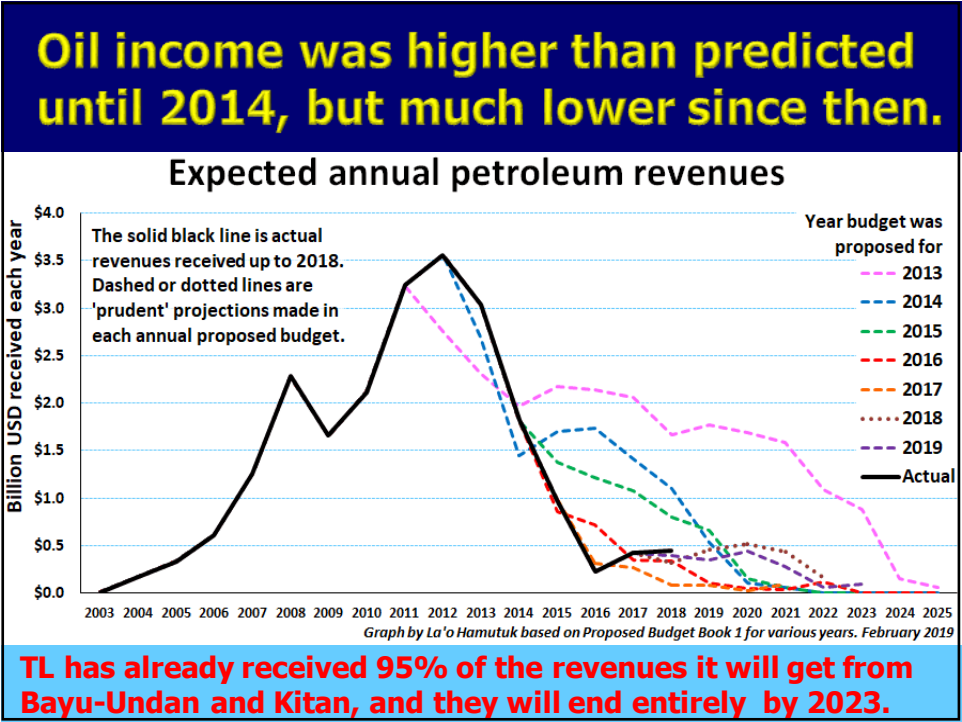
- ✓ Transparency portal
- ✓ Central Bank Petroleum Fund Reports
- ✓ ANPM, IAB and MoF reports on Petroleum production and revenue management
- ✓ Budget documents & execution reports
- ✓ EITI reports
- ✓ IMF, World Bank, ADB and oil company reports
- ✓ Budget hearings and debates
- ✓ Unofficial sources and leaks

**But the National Oil Company TimorGAP is less transparent and accountable.**

## More stocks bring more volatility







### What will Tasi Mane really cost?

This estimates capital expenditures only, not operational costs. Most have never appeared in state budget forecasts.

Money spent, budgeted and required for the Tasi Mane project (millions of USD)						
Component	Location	Status	Spent through 2018	Budgeted 2019	Budgeted 2020-2023	Percent budgeted
Airport	Suai	Constructed	70	10	3	92%
Supply base	Suai	Tender pending	6	10	668	80%
Highway	Suai-Fatukai	Mostly built	267	50	8	96%
Highway	Fatukai-Beaçu	Not started	3	-	-	0%
Airport	Viqueque	Not started	-	-	-	0%
Oil refinery & pipelines	Betano	Pending design	3	-	-	0%
Gas pipeline, LNG plant & port	Sunrise-Beaçu	Pending design, seeking financing	12	-	-	0%
57% share of Greater Sunrise Joint Venture	Offshore	Borrowed directly from the Petroleum Fund	-	650	-	100%
57% of Sunrise upstream capital expenditure	Offshore	Pending design, seeking financing	-	-	-	0%
Administrative and other costs	Dili	Ongoing	49	12	50	28%
TOTAL			410	732	729	10%

**In four years, the loan to TimorGAP will exceed the 5% legal limit.**

