How we manage our natural resources and diversify our economy!

Ministry of Finance, Timor-Leste

2016 Pacific Update Conference
Suva, 18 July 2016
• Where we want to be!

• How are we getting there through the management of natural resources & diversification of the economy
Timor-Leste is located at South East Asia.
Total area 15,410 kilometers sq.
Current Population 1,167,402
Official Languages: Tetun and Portuguese
13 Districts 65 Sub-Districts 442 Villages
Our Vision

To become an upper middle income country with an educated & healthy population, modern and diversified economy by 2030

MODERN & DIVERSIFIED ECONOMY

Two Key Supporting Sectors:
Basic Infrastructure & Human Capital Development

AGRICULTURE

TOURISM

PETROLEUM
Our Plan

**Phase I**
- Human Resources Development;
- Infrastructure Development;
- Institutional Strengthening;
- MDGs and “New Deal”

**Phase II**
- Continue Infrastructure Development;
- Improve Human Resource;
- Promote Economic Competitiveness

**Phase III**
- Eradicate Poverty;
- Strengthening Private Sector and “Cooperative”;
- Modernized and Diversified Economy

Oil and Gas Seeps Timor-Leste
The challenge: transforming temporarily high petroleum incomes into a permanent increase in welfare

- Spending must be separated from current (volatile) petroleum income
- A natural resource fund can support fiscal management and play a separating role if there is:
  - Broad political and public support
  - Clear rules
Oil and Gas Revenue Management: Key Elements

“The value chain”

- All areas are interlinked
- Design and implementation in one area affect all other areas
- A sound oil and gas revenue framework must address all these areas

- How to capture the resource rent?
- How to collect and manage revenues?
- How to spend oil and gas revenues wisely?
- How to manage any oil and gas revenue savings?
Oil and Gas Revenue Management: Institutional Capacity

Maximize **Benefits** through oil and gas fiscal regime

Maximize **Participation** through SOE and Research
The Petroleum Fund of Timor-Leste

PFTL is the centrepiece of a framework that aims to administer the petroleum income in a way that helps the Timorese both today and in the future.

- Established in 2005
- Owner: Ministry of Finance
- Manager: The Central Bank
- Market value: US$ 16.5 bn
- Substantive transparency requirements
Petroleum Fund Flows

<table>
<thead>
<tr>
<th></th>
<th>FP balance</th>
<th>Petroleum Revenue</th>
<th>Investment Return</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$16.5bn</td>
<td>$21.1bn</td>
<td>3.9%(2.9bn)p.a.</td>
</tr>
</tbody>
</table>

This information can be accessed at the PF reports in [www.mof.gov.tl](http://www.mof.gov.tl) and [www.bctl.tl](http://www.bctl.tl)
Petroleum Fund Mechanism - integrated with Fiscal Policy

- All petroleum revenues and investment returns
- Petroleum Fund
  - NPV of Future Revenues

ESI-3% *
Transfer to finance non-oil deficit

State Budget

- Loans
- Domestic Revenues

Government’s Expenditure
- Consumptions
- Investment (infrastructure and human capital)

* ESI: Fiscal Policy Guideline, (overt time spend real return of the Fund, approx 3%).
From oil to physical assets – long-term growth
A Doctor for each Suco!
Electrifying the nation
Building bridges
Tourism – another strategic sector
Budget Transparency Portal
See how our budget is spent, what it has been spent on, and how much budget remains - interactively.
Visit Budget Transparency Portal

Aid Transparency Portal
See how much our development partners give and where the money is spent to achieve our goals.
Visit Aid Transparency Portal

eProcurement Portal
View our current tenders and see who has been awarded a tender and the cost.
Visit eProcurement Portal

Government Results Portal
View our priorities, monitor delivery of our programs, and see who benefits from our projects.
Visit Government Results Portal
Obrigado!

Vinaka Vakalevu!