

# KEY FACT SHEET

# TOWARDS ECONOMIC DIVERSIFICATION IN TIMOR-LESTE

Timor-Leste's reliance on oil and gas is a political and economic reality. But how can it foster inclusive and more diverse economic growth?

The **challenge of economic diversification** is well-known. But there needs to be more discussion involving stakeholders **outside of Dili** about what economic diversification **means for them and how to achieve it**.

## WEALTH AND POVERTY

- In the Dili Municipality, only 25% of the population are in poverty. In the rural areas over 80% are in poverty
- Poverty gaps between urban and rural areas has continued to increase over the past ten years

## PETROLEUM AND GAS

- Oil revenue peaked in 2012, and has been decreasing ever since
- Only 0.1% of the population identifies as working in the oil and gas sector (Census, 2015)
- The 2019 IMF Country Report projects an oil GDP of \$0 and a government debt of \$666m by 2024

## STATE BUDGET ALLOCATION (2014 TO 2019)

	HEALTH	EDUCATION	AGRICULTURE	TOURISM, COMMERCE AND INDUSTRY	SOCIAL SOLIDARITY & VETERANS
2014	\$74.6M	\$118.4M	\$28M	\$30.9M	\$162.9M
2019	\$45.4M	\$82M	\$14.7M	\$7.8M	\$158.7M

Source: Budget Books 1 & 4. \$ millions in USD, adjusted for inflation, 2019 prices.

## EMPLOYMENT BY SECTOR

Self-employed farmer	64.2%
Government & State-Owned Enterprises	16.9%
Self-employed non-farmer	10.5%
Privately owned business	4.8%
NGOs or not-for-profit	1.3%
Embassies, international organisations	0.3%
Oil and gas	0.1%
Other	0.1%

Source: Census 2015

## IMPORTS AND EXPORTS

- Timor-Leste spends around 30% of its GDP on imports
- In 2018, Timor-Leste lost \$518.9m to the import market, only earning \$46.3m in exports
- Timor-Leste imported \$38.5m of rice and other related cereals, despite these items being grown locally
- Timor-Leste's largest export is coffee valued at \$19.2m in 2018

### CASE STUDY: COFFEE VS. OIL SECTOR

There are positive projections for growing the organic coffee industry. An up-front investment of \$150m could produce estimated revenues of \$300m per year and 77,00 new jobs - compared with only 13,000 jobs from investing \$11b in the oil sector.

## AGRICULTURE

- Agriculture is the source of livelihoods for 70% of the population
- Despite a majority of the population being agricultural-based, there has been no real growth in the agricultural sector since 2010
- In 2019, there is only \$14.7m allocated to agriculture out of nearly \$2b in the National State Budget

### UNTAPPED POTENTIAL

It is estimated that only 30,000 out of 70,000 hectares of viable farming land is actively used for farming.

## NON-OIL GDP

- There has been no economic growth in agricultural or manufacturing sectors since 2010
- Most of the growth in GDP has been driven by government spending of funds generated from the Petroleum Fund, for example towards the building of roads
- Public administration, however, has continued to grow to over \$400m in real terms

## 2019 INFRASTRUCTURE AND ZEESM FUNDS \*

Roads & Bridges	\$236.1m
ZEESM	\$76m
Tasi Mane	\$60.6m
Electricity network	\$15.3m
Airports	\$12.6m
Health Facilities	\$1.1m
Education Facilities	\$0.9m
Tourism Facilities	\$0.3m

\* does not include shares in Greater Sunrise. For the full list of funding breakdown, please see report.

Source: Budget Book 3, 2019

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