

HELDE LOPES
Panellist

**Road To Doha: An Ambitious Agenda for The Next Decade Through
Reinvigorated and Innovative Financing for Development of the Asia-Pacific Least
Developed Countries**

Thursday 2 September 2021

Excellencies, distinguish participants

It is a great pleasure for me to have this opportunity to share Timor-Leste's view on this very important session.

I will briefly outline three things in my intervention:

First, an overview on the financial sector development in Timor-Leste;

Second, challenges and opportunities for sector development;

Third, key actions required to underpin preparation for LDC graduation.

Key information on the overview of financial sector development in Timor-Leste include:

Tax revenue to GDP ratio is around 12 percent, which is below 15 percent of the minimum threshold to provide basic service.

Government's main revenue is from oil and gas. The inflow of this revenue started in 2005 and all the revenues are saved in a sovereign wealth fund, called Petroleum Fund.

The Petroleum Fund has been growing since its establishment, with the current balance of over \$19 billion. The growing balance is driven by the inflow of revenue from oil and gas, returns from investment, and the prudent withdrawal to finance Government annual expenditure.

The Petroleum Fund accounts for over 80 percent of financing source for Government annual expenditure.

Average total Government and recurrent expenditures to GDP in the last five years (2016-2020) is 91 percent and 59 percent, respectively.

Average fiscal deficit to GDP in the last five years is 35 percent, which was predominantly financed by excess withdrawal from the Petroleum Fund.

Loan to GDP ratio in 2020 was 26 percent, where all the loans are project base loans to finance infrastructure development. On the other hand, Government yet to issue bonds.

Development partners support to GDP was around 11.8 percent in 2020.

3. PROMOTING PRIVATE SECTOR INVESTMENT TO DIVERSIFY THE ECONOMY

- i) Improving business environment
- ii) Diversifying the economy with agriculture, tourism, extractive industry and manufacturing

4. MORE FISCAL SPACE FOR HUMAN CAPITAL DEVELOPMENT

Rationalization of expenditure to give more fiscal space for human development – particularly to education, health, and food security based on public expenditure review (PER) and medium-term expenditure framework (MTEF) are critical.

5. ENHANCING PUBLIC SERVICE DELIVERY WITH E-GOVERNMENT

Institutional capacity constraint is a structural challenge that need to be transformed. Promoting e-