# Implications of recent changes to Timor-Leste's Petroleum Fund

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## Abstract

Since 2007, Timor-Leste's Petroleum Fund has paid for 87% of state expenditures, enabling a wide range of services, infrastructure and other government activities. The Fund has received US $23 billion in oil and gas revenues and $6 billion from its overseas investments, and now holds more than $17 billion. However, its sustainability is threatened by declining petroleum reserves, an uncertain investment climate and high government spending, and the Fund could be entirely spent within a decade. Recent political and governance changes to 'invest' the Fund in the Greater Sunrise project may empty it even sooner. This paper reviews the background, history and governance of the Petroleum Fund and explains the changes made in 2018 and 2019.

## Contents



During 2004 and 2005, Timor-Leste's government, informed by the sad experiences of people in other oil-exporting countries, created a Sovereign Wealth Fund (Petroleum Fund, PF) implementing some of the world's best practices. Following a year of nationwide public consultations, Parliament adopted the Petroleum Fund Law and the Petroleum Activities Law, which intended to avoid the 'resource curse' by legislating the following:

- Stabilization and buffering – a stream of revenue to address spending needs; not affected by variations in oil prices and production.
- Sustainability – providing revenue for 'current and future generations' after the oil and gas reserves are exhausted.
- Contracting – public tenders, standard contracts, no extra payments, all contracts public, clear accountability.
- Governance – transparency about contracts and revenues, clear mechanisms and open decision-making to avoid corruption, inform citizens and improve policy decisions (LH 2005a, 2005b, 2007, 2019a; n.b, these citations refer to the entire first paragraph).

Timor-Leste was proud of its leadership in this area, and helped to create the global Extractive Industries Transparency Initiative (EITI). But over the years, as other countries have improved, Timor-Leste has fallen behind. Although the country scored around 70 in the Resource Governance Index in 2010 and 2013, in 2017 it dropped to 49, worse than nearly

[1] A version of this paper was presented at the June 2019 Timor-Leste Studies Association conference in Dili and will be published in the forthcoming proceedings of that conference. The presentation is available at http://www.laohamutuk.org/misc/TLSA2019/ChangesPetrolFund.pdf

half the countries rated, and the score may be worse in the future (Revenue Watch 2010; NRGI 2013, 2017; LH 2019e). The country improved its score on the Open Budget Survey from 34 in 2010 to 41 in 2015, but fell back to 40 in 2017 and 2019 (LH 2015, 2020c).

## Legislative structure and consultation

Under Petroleum Fund Law no. 9/2005 (PFL):

- All oil revenues and investment returns are deposited into the PF, and can be withdrawn only with Parliamentary approval, which is normally done through the annual State Budget law.
- Information about revenues, investments and policies is published regularly.
- The PF investments are managed by the non-political Central Bank, in cooperation with the Ministry of Finance.
- Independent bodies, including the Petroleum Fund Consultative Council and the Investment Advisory Board, help ensure oversight and perspective.
- Annual withdrawals are limited to the Estimated Sustainable Income (ESI) -- 3% of the PF balance added to prudent projections of future petroleum revenue. This allows money to be withdrawn indefinitely. However, Parliament can accept an extraordinary justification from the Government to exceed ESI -- which it has done in nearly every year since 2009.
- The PF can be invested only in secure, liquid, tradeable, overseas assets. Initially, the entire PF was in United States government bonds; it has been diversified in stages, with increased stocks after 2011 and private debt in 2018.
- The PF cannot be used as collateral for borrowing (this was changed in 2011 to allow up to 10% of the Fund to be collateral) (JR 2005b).
- The Petroleum Activities Law no. 13/2005 (PAL) regulates how Timor-Leste contracts with petroleum companies and what rules they must follow, including transparency (all contracts must be published) and environmental management. Other laws cover petroleum taxation, but the PAL establishes the basic structure (JR 2005a).

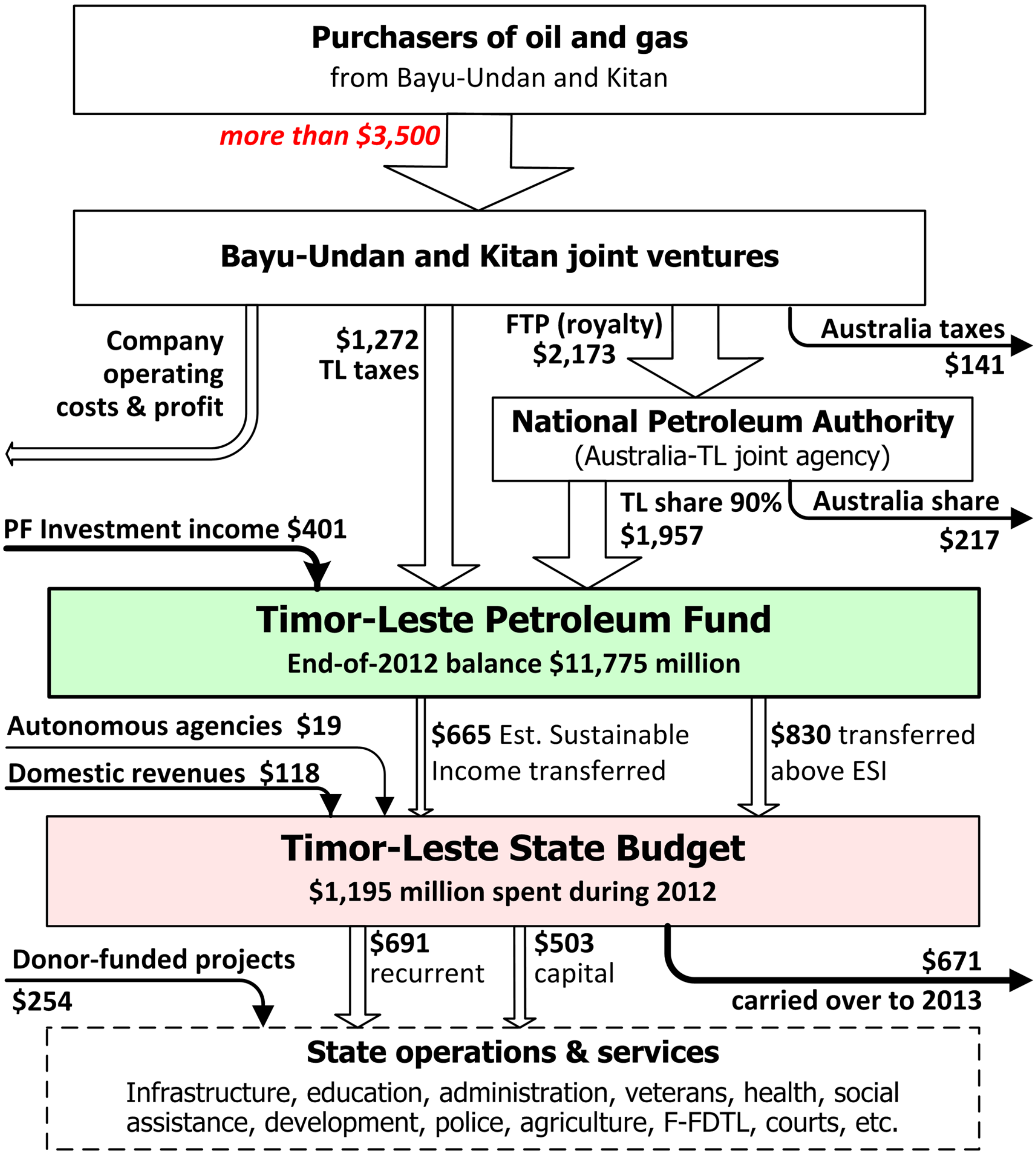
Concept papers were circulated before the draft laws were written, and extensive public consultations and revisions were done before they were enacted (LH 2005a, 2005b). A similar process took place in 2011, when the Petroleum Fund Law was revised (LH 2012; JR 2011). However, beginning in 2018, Government and Parliament have tried to circumvent these laws without public involvement, and Table 1 summarizes the enactment processes of PF-related legislation.

**Table 1: Enactment of significant legislation relating to the Petroleum Fund**

| Legislation | When | Days to enact | Public consultation before introduced in Parliament | In Parliament |
|---|---|---|---|---|
| Petroleum Fund Law | 2004-2005 | 304 | Three rounds of nationwide hearings, twenty-five submissions | Unanimous passage after two months of hearings and debate, as Law no. 9/2005 (JR 2005b) |
| Petroleum Activities Law | 2004-2005 | 335 | Many workshops, one round of hearings, nine submissions | Pending in Parliament for seven months, no hearings, enacted as Law no. 13/2005 (JR 2005a) |
| Revisions to PFL | 2010-2011 | 457 | Many workshops, two hearings, four submissions | Discussed for two weeks, passed with few changes as Law no. 12/2011 (JR 2011) |
| $70 million extraordinary transfer from PF | May 2018 | 0 | No legislative process, probably illegal | Not submitted for approval; done by executive order |
| $140 million extraordinary transfer from PF | July 2018 | 10 | None. La'o Hamutuk made an unsolicited submission to a rumored broad legislative revision, which was replaced by a one-time transfer (LH 2018b, 2018c). | One-time transfer approved as Law no. 1/2018 (JR 2018) |
| Revisions to Petroleum Activities Law | Oct-Nov 2018 | 23 and 1 | Secret draft; no consultation. | Brief Parliamentary hearing on a preliminary version, but the most consequential clause was introduced as a floor amendment the day before the law was voted on. Vetoed, overridden, challenged in court. Retroactive. Promulgated as Law no. 1/2019 (LH 2018d; JR 2019a) |
| Attempted revisions to PFL and PAL | July 2019 | 15 | None. Presented as part of a package of laws purportedly necessary for the Boundary Treaty to come into force. | No hearings, although La'o Hamutuk made an unsolicited submission (LH 2019g). Rushed through Parliament; vetoed by President (Presidency 2019a) |
| Second try to revise PFL and PAL | Oct 2019 | 2 | None. Essentially unchanged from versions vetoed earlier. (Parliament 2019a, 2019b) | Passed with insufficient votes to override prior veto. The President promulgated the PAL revision but again vetoed the revision to the PFL (Presidency 2019b) |
| $250 million extraordinary transfer from PF | Mar-Apr 2020 | 4 | None. Enacted together with Covid-19 emergency measures. | One-time transfer approved as Law no. 2/2020 (JR 2020) |

## How the Petroleum Fund operates

**Figure 1: Petroleum Revenue Streams**
**Totals for 2012. Millions of U.S. dollars, estimates in *italics*.**




Petroleum revenues peaked in 2012, and Figure 1 shows how they flowed in and out of the Petroleum Fund. Although the numbers vary from year to year, and the Australian share no longer applies (except for Greater Sunrise), the basic structure is the same. State revenues from oil and gas are deposited into the PF and invested overseas. They are withdrawn to finance the state budget as approved by Parliament (MoF 2012; CBTL 2020).

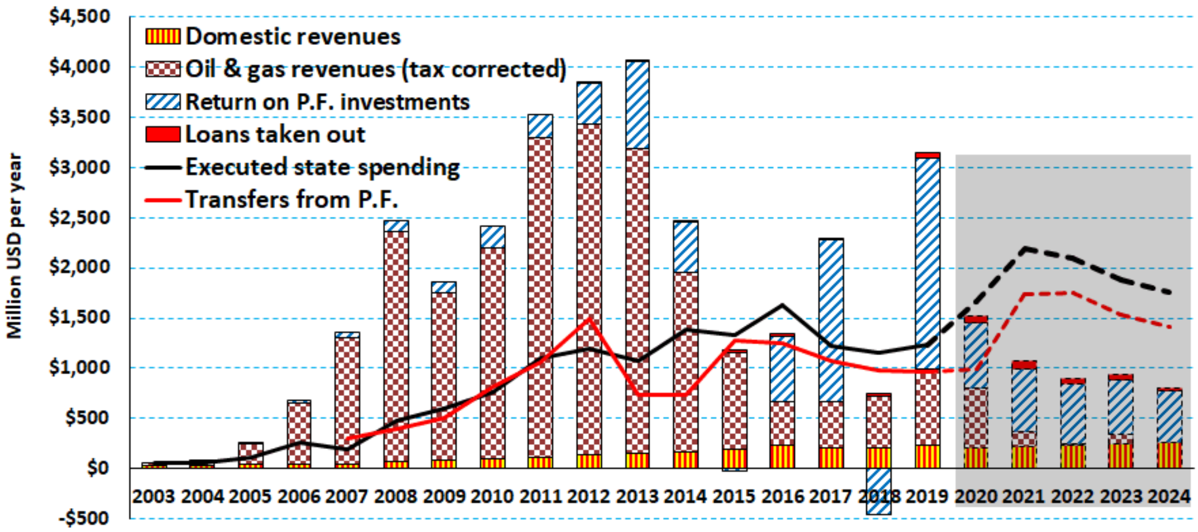
Although withdrawals often exceed ESI, Timor-Leste has saved most of the oil money it received between 2005 and March 2020:

$23.0 billion came in from oil and gas revenues
+$5.6 billion return on invested money
-$11.6 billion withdrawn to finance state activities
$17.0 billion balance remaining in the Petroleum Fund

Figure 2 shows the sources of revenue (bars) into the Petroleum Fund and the state, as well as spending (lines). Starting in 2015, spending has usually been higher than income. Since 2016, investment return has been larger than petroleum revenues, although it varies from year to year. Oil revenues have fallen to one-fourth of the 2011-2013 peak and will be negligible after 2020, but the savings and investments in the PF might finance the state for another decade, depending on the impacts of the Covid-19 pandemic.[2] However, two-thirds of the time during which oil wealth can carry Timor-Leste has already elapsed.

During the first quarter of 2020, the Covid-19 pandemic caused global oil and stock prices to crash, with severe impacts on the Petroleum Fund (LH 2020a) and the viability of future petroleum projects. Timor-Leste declared a State of Emergency (LH 2020b) in March to prevent the spread of the virus, with significant unforeseen expenditures. At this writing, it has been extended for three months, including a $250 million extraordinary transfer from the Petroleum Fund (JR 2020). It is impossible to predict the impacts of the pandemic, but they will be severe.

**Figure 2: State income and expenditures, including the Petroleum Fund**




Until 2016, Timor-Leste was one of the most petroleum-export-dependent countries in the world. In 2006-2012 petroleum comprised at least 80% of Gross Domestic Product (GDP), although it is now less than half that figure, since oil prices and production have declined. Unfortunately, the non-oil GDP from productive activities like agriculture or manufacturing has not increased; most growth results from state spending of oil money (GDS 2019).

Even with declining petroleum revenues, the Petroleum Fund still pays for more than 80% of public expenditures, although little of this money finds its way to ordinary people. Non-oil (domestic) revenues will cover less than one-fifth of state expenditures for the foreseeable future.

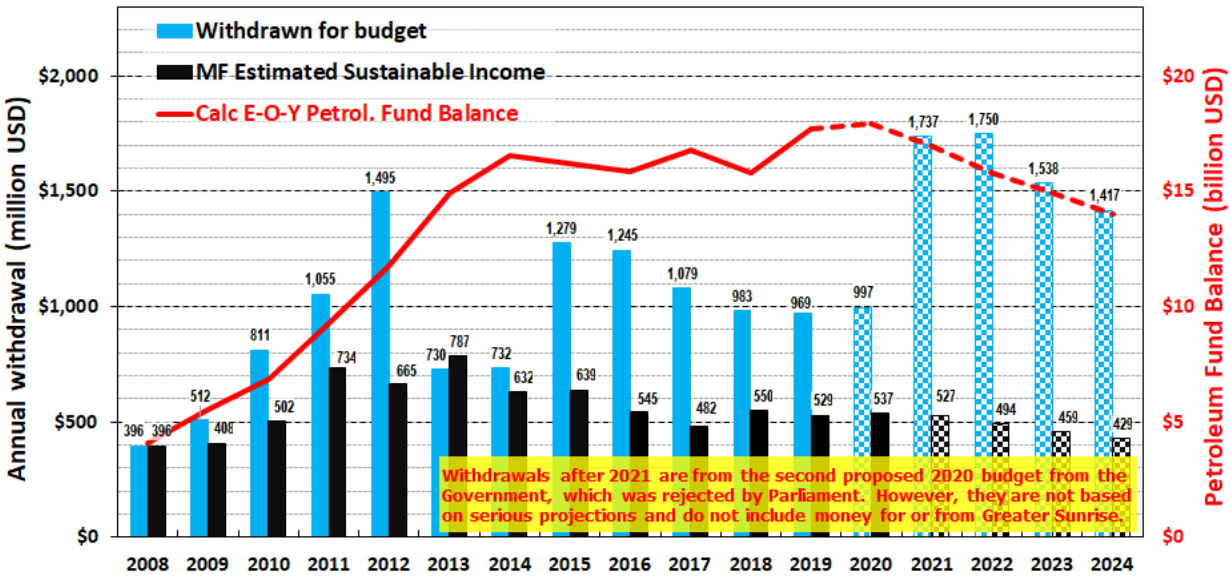
In Figure 3, the black (right) bar is the Estimated Sustainable Income (ESI) for each year, and the blue (left) one is what was withdrawn from the Petroleum Fund.[3] Projections from 2020 on are from the Ministry of Finance's second proposed 2020 Budget (MoF 2019b), which was

[2] No State Budget for 2020 had been enacted by mid-2020. Projections for 2020-2024 are based on the budget proposal which parliament rejected in January 2020, and do not consider the pandemic (LH 2020d).

[3] Withdrawals were much larger than ESI in every year except 2013 and 2014, when unspent money withdrawn in 2012 covered the budget deficit (LH 2020d).

rejected by Parliament. As the red line shows, the PF's balance rose rapidly until 2014, has fluctuated since then and is expected to drop beginning in 2020.

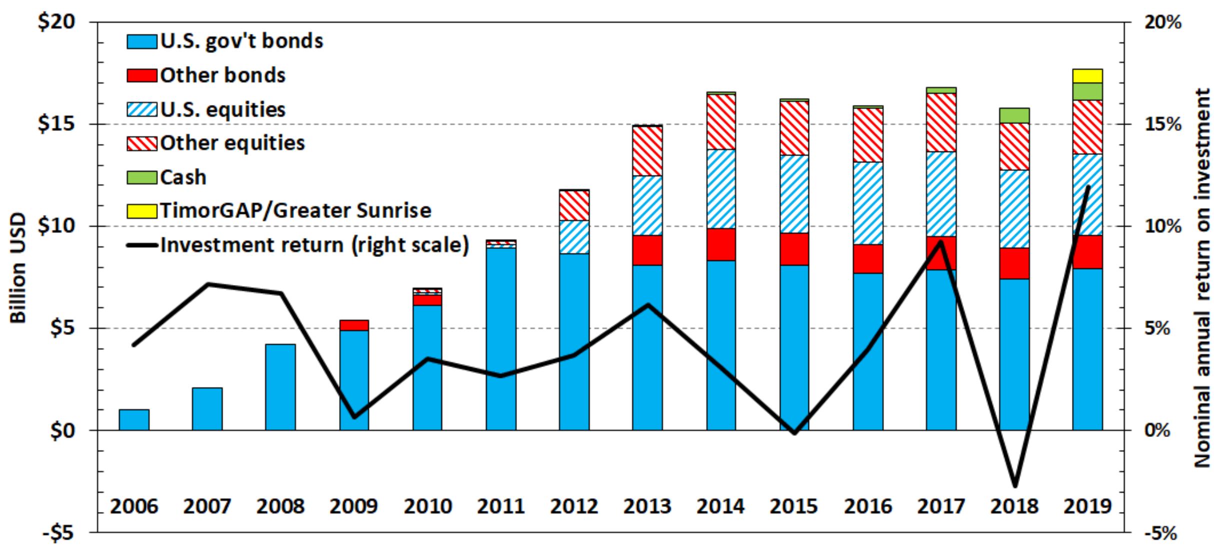
**Figure 3. Historic and projected withdrawals from the Petroleum Fund**




The black line in Figure 4 below shows the annual return (including unrealized gains) of the Petroleum Fund's investments. Timor-Leste's PF was the only sovereign wealth fund in the world that did not lose money during the 2009 global financial crisis, because it was entirely invested in foreign government bonds.

In 2011, the Petroleum Fund Law was revised to diversify into the stock (equities) market, which was done over the following three years (LH 2012). Since then, returns are more volatile; the Fund had negative returns in 2015 and 2018, and its investments lost $844 million during the first quarter of 2020. With growing uncertainty due to Covid-19 and other factors, the future is even less predictable.

**Figure 4. How the Petroleum Fund has been invested**



## Revisions in 2018 and 2019

In October 2018, the Government asked Parliament to amend the Petroleum *Activities* Law to facilitate the use of the Petroleum Fund to buy participation in the Greater Sunrise joint venture.[4] Although the Petroleum *Fund* Law requires that all PF investments be outside Timor-Leste in internationally traded securities, the Petroleum Activities Law was amended to circumvent those protections. The day before Parliament enacted the revision, after the committee process and hearings had been completed, a floor amendment greatly increased the scope (and risk) of this change (LH 2018d, 2019c).

The process was polarized and heated, but the government prevailed, and the amendments to the PAL undercut the safeguards in the PFL. They include:

- Allowing up to 5% of the PF to be invested in petroleum operations within Timor-Leste.
- Allowing the TimorGAP state-owned oil company to own more than 20% of a project.
- Exempting petroleum-related contracts and agreements from prior review by the Audit Court (which is required for all (other) agreements over $25 million).

The law was vetoed by the President (Presidency 2018), but the veto was overridden,5 and a court challenge by opposition Members of Parliament failed, so the PAL revision was promulgated as Law no. 1/2019 of 18 January 2019, retroactive to 27 September 2018 (JR 2019a).

Article 15 of the Petroleum Fund Law no. 9/2005,6 which remains in effect, specifies the **Investment Rules of the Fund**, as follows (emphasis added):

1. *Under the criteria in this article, to qualify as an 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.*

[4] Greater Sunrise is a large offshore gas and oil field between Timor-Leste and Australia, which was discovered in 1974, but has not yet been developed due to disagreements over maritime boundaries and development models. The Maritime Boundary Treaty came into effect in August 2019, and Timor-Leste now owns a majority share of the Sunrise Joint Venture, so the Government hopes to develop it with a pipeline to a liquid natural gas liquefaction (LNG) plant on the south coast of Timor-Leste. Proponents expect it to provide significant revenues to Timor-Leste for the next two decades, but others are dubious (LH 2008, 2019b, 2019c, 2019f), and Covid-19 has caused investors and petroleum companies to cut back their plans all over the world.

[5] Although the Parliamentary majority does not have 2/3 of the seats as needed to override a veto, FRETILIN members walked out of the chamber, and all but one of the remaining members of parliament voted to override.

[6] This and other excerpts from Timor-Leste laws are translated from Portuguese-language originals.

Article 22 in the 2018 revision of Petroleum Activities Law is on **State Participation** (emphasis added):

6. *<u>The Petroleum Fund may be applied directly in Petroleum Operations, in the national territory</u> 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, conveyance, novation, merger, encumbrance <u>or any other legal transaction</u> entered into or payments made <u>by Timor-Leste or any other Timorese public corporation, including entities wholly owned or controlled by them</u>, is designed to allow the participation of Timor-Leste or any other Timorese public legal person, including through entities fully owned or controlled by them, <u>or of the Petroleum Fund, in Petroleum Operations</u>, as well as <u>for the conduct</u> of these, <u>are not subject to prior inspection by the Audit Chamber</u> of the High Administrative, Tax and Audit Court.*

Clause 6 contradicts (or overrides) Article 15.1 of the Petroleum Fund Law (above).

This amendment was made to allow Timor-Leste to use $650 million from the Petroleum Fund to purchase a majority share in the Greater Sunrise joint venture. After the PAL was revised, the Petroleum Fund was 'invested' in TimorGAP, without any democratic accountability and in violation of the principles and letter of the Petroleum Fund Law, as follows:

- In September and October 2018, Timor-Leste agreed to buy ConocoPhillips' and Shell's shares of the Greater Sunrise Joint Venture for $650 million.
- The 2019 State Budget proposed in October 2018 included $350m for this, and Parliament added $300m more at the last minute. After a Presidential veto, the appropriation was removed from the Budget (LH 2018a).
- In February 2019, the Council of Ministers approved a new PF investment policy (MoF 2019a).
- In April 2019, the PF loaned $650 million to TimorGAP (see below) and TimorGAP paid ConocoPhillips and Shell. Timor-Leste now owns 57% of Sunrise and is responsible for 57% of the offshore capital costs and 100% of the on-shore costs.
- In July 2019, the Government proposed new revisions to the Petroleum Activities Law and the Petroleum Fund Law to regularize and expand the legal jumble from 2018's hasty change to the PAL. Parliament passed them as part of an urgent package to come into effect with the Maritime Boundary Treaty (LH 2019d). However, President Lu Olo asked the Court of Appeal for constitutional advice and then vetoed both laws, explaining that they were unconstitutional and had nothing to do with the Treaty (Presidency 2019).
- When Parliament returned from recess in October, they could not override the Presidential veto, so they re-enacted the revisions with minor changes. The President again asked the Court for advice, and again vetoed the changes to the Petroleum Fund Law, but he promulgated the changes to the Petroleum Activities Law as Law No. 6/2019 of 4 December (Presidency 2019b; JR 2019c). As the latter refers to the former, which is not in effect, the legality of the investment in TimorGAP is dubious.
- The 2020 State Budget enactment process has also been problematic. Following push-back by MPs in the Parliamentary majority coalition, the Government withdrew the proposal it made in October 2019 and resubmitted it in December. In January, this second proposal was rejected by Parliament, and Timor-Leste is under an interim "duodecimal" fiscal regime. Prime Minister Taur Matan Ruak resigned in February 2020 and withdrew his resignation six weeks later, political party alliances are

shifting, and as of May, the Government plans to present another 2020 budget proposal to Parliament in July.

Article 22 of the re-revised Petroleum Activities Law discusses **State Participation in Petroleum Operations** (emphasis added):

1. *The decision on the participation of Timor-Leste or other Timorese public corporation, including through entities wholly owned or controlled by them, in Petroleum Operations is approved by the Council of Ministers, who may delegate this power to the Prime Minister.*

6. *… the State Contractor's share of Research and Development expenditure shall be financed by the remaining members of the joint venture, ….*

7. *In the event of a commercial discovery and subsequent Development and Production of Petroleum, the State's share of the Contractor's expenditures financed under the provisions of the preceding paragraph shall be reimbursed to the lenders through petroleum for cost recovery.*

8. *By participating in Petroleum Operations under this Article the State Contractor shall be relieved of the obligations relating to the provision of guarantees, insurance, and other obligations of a similar nature required of other Contractors.*

9. *The <u>Petroleum Fund may be applied directly to Petroleum Operations, in national or foreign territory, through the execution of commercial transactions, through Timor Gap, E.P., pursuant to the provisions of the Petroleum Fund Law.</u>*[7]

10. *Contracts for purchase and sale, acquisition, assignment, transfer, conveyance, novation, merger, encumbrance <u>or any other legal transaction</u> entered into or payments made <u>by Timor-Leste or any other Timorese public corporation, including entities wholly owned or controlled by them</u>, is designed to allow the participation of Timor-Leste or any other Timorese public legal person, including through entities fully owned or controlled by them, <u>or of the Petroleum Fund, in Petroleum Operations</u> and, as well as <u>for the conduct</u> of these, <u>are not subject to prior inspection by the Audit Chamber</u> of the High Administrative, Tax and Audit Court.*

Other revisions to the Petroleum Activities Law exempt companies involved in petroleum operations from following standard procurement laws, encourage local content for suppliers and maritime operations, and require that companies base their logistics operations at the not-yet-constructed Suai Supply Base. If these requirements increase operational costs, and therefore reduce state revenues, the state will be subsidizing local subcontractors and the Tasi Mane project.

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[7] The version of this law approved by Parliament referred to Article 15A of the Petroleum Fund Law, but that article, on **Investment in Petroleum Operations,** is not in force because the President vetoed the 2019 revision to the Petroleum Fund Law. It would have read:

1. *The Petroleum Fund may be applied directly to Petroleum Operations, as provided for in the Petroleum Activities Law.*
2. *The investments of the Petroleum Fund in Petroleum Operations are an autonomous asset class, which, by virtue of its nature, is not subject to the requirements of [article 15], except for paragraph 4.*
3. *The limit of 5% referred to in Article 15.4 shall be calculated taking into account the total value of both the Petroleum Fund and the investment, at the time of the initial investment in this asset class.*
4. *Investments in Petroleum Operations under the provisions of this article shall not only be to promote the development and diversification of the national economy, but also to provide financial return to the Petroleum Fund, and the expected economic and financial benefits of the investment shall be taken into account in determining the terms of the investment.*

## Lending the Petroleum Fund to TimorGAP

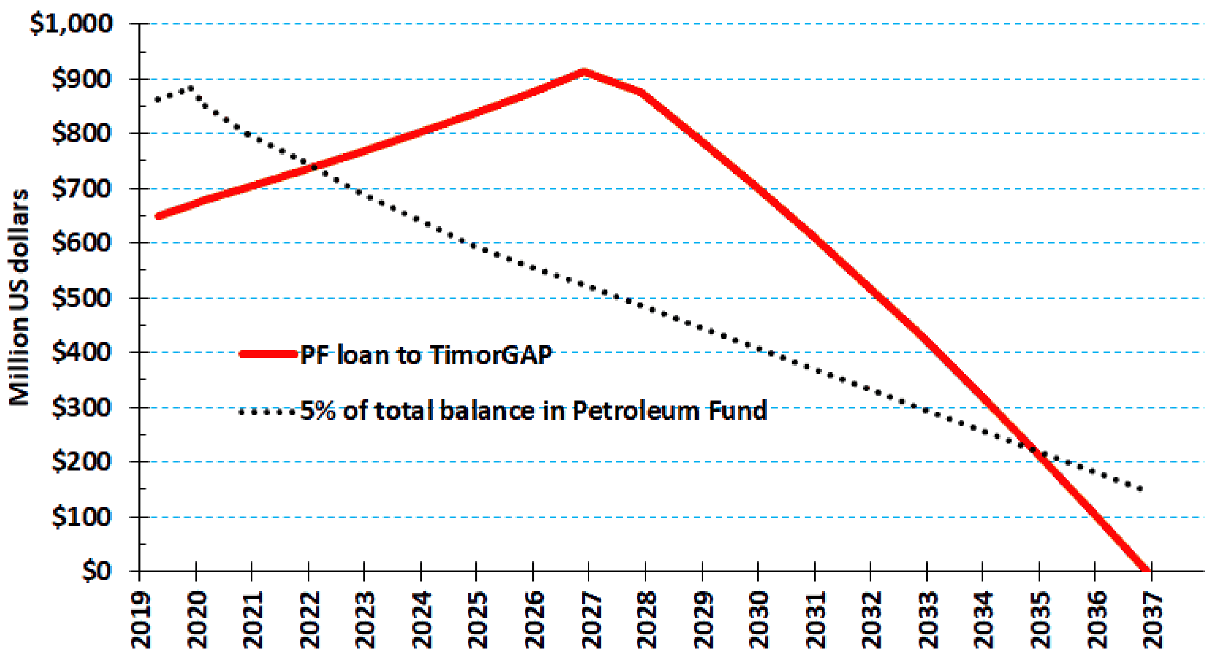
According to the 2019 Investment Agreement between the Central Bank and TimorGAP, the Petroleum Fund 'invested' $650 million in TimorGAP on 10 April 2019. The loan, considered 'private debt' by the Central Bank, is for 18 years at 4.5% annual interest, with an eight-year grace period during which no repayments are required (CBTL 2019).

However, the Petroleum Fund Law limits the amount which can be invested in other 'eligible investments' to 5% of the Petroleum Fund. Although the $650 million loan was less than 5% when it was initiated, the loan will increase as interest accrues, while the total balance in the Petroleum Fund is projected to decline. By the end of the first quarter of 2020, the loan had grown to $679 million.

In Figure 5 below, the solid red line shows the balance owed by TimorGAP (TimorGAP 2019a, 2019b) while the dotted black line represents 5% of the projections of the PF balance (MoF 2019b, La'o Hamutuk 2020a). By 2022, the loan will exceed the 5% limit. At that point, Timor-Leste will be in violation of the law; it could then be ignored or amended, or TimorGAP could repay part of the loan sooner than it had agreed to.

TimorGAP has no assets and 96% of its revenue is a state subsidy; it expects to spend $10-$20 billion on the Tasi Mane project, although it is unclear where the money will come from or how the loan will be repaid if the Sunrise project is not quickly profitable. Therefore, the loan to TimorGAP is not liquid (it cannot be sold), unlike the Petroleum Fund's other investments.

**Figure 5. Petroleum Fund invested in TimorGAP**




## What happens next?

Timor-Leste cannot expect future petroleum revenues to be as large as they were in the past. Kitan has finished and Bayu-Undan is 95% depleted. The Maritime Boundary Treaty will help a little, but Sunrise will probably provide less annual revenue than Bayu-Undan did before 2013. Other fields, including Buffalo, Chuditch and onshore reserves, are likely to be much less lucrative, and may not even be developed in the post-Covid-19 world. In reality, most of the country's petroleum assets have already been converted into cash (Scheiner 2017).

Timor-Leste's population, expectations, maintenance costs and salaries will continue to rise. However, United States and global financial markets are volatile and uncertain, and this investment-dependent country cannot be sure that its investments will remain profitable.

As estimated in Figure 6 below, Timor-Leste will have to invest nearly $20 billion to build the Greater Sunrise and Tasi Mane projects. No serious, comprehensive, unbiased published analysis has evaluated the financial, economic, social and environmental costs, benefits and risks of the projects, or the alternatives.[8] Project proponents have not yet found an investor or lender ready to share the costs and risks, although they are seeking financing from many places, including China (LH 2019c). The project's financial viability is threatened by many factors: Covid-19 has thrown the industry into chaos, renewable energy is getting cheaper, new offshore gas fields are being discovered around the world, and growing awareness of the climate emergency will make fossil fuels less lucrative in the future.

**Figure 6. Capital cost estimates for the Tasi Mane project**

| Money spent, budgeted and required to build the Tasi Mane project (millions of USD) | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Component** | **Location** | **Status** | **Spent through 2019** | **Budgeted 2020** | **Budgeted 2021-2024** | **Estimated total capital cost** | **Percent budgeted** |
| Airport | Suai | Constructed | 75 | 9 | 4 | 100 | 88% |
| Supply base | Suai | Tender pending | 51 | 5 | 705 | 850 | 89% |
| Highway | Suai-Fatukai | Mostly built | 305 | 4 | 4 | 340 | 92% |
| Highway | Fatukai-Beaçu | Not started | 3 | 4 | 18 | 1,320 | 2% |
| Airport | Viqueque | Not started | - | - | - | 75 | 0% |
| Oil refinery & pipelines | Betano | Pending design | 3 | 5 | 6 | 1,500 | 1% |
| Gas pipeline, LNG plant & port | Sunrise-Beaçu | Pending design, seeking financing | 12 | 35 | 19 | 6,000 | 1% |
| 57% share of Greater Sunrise Joint Venture | Offshore | Borrowed directly from the Petroleum Fund | 650 | | | 650 | 100% |
| Interest on loan to buy into Sunrise JV | Offshore | Debt accrued in Petroleum Fund | 21 | 30 | 135 | 512 | 36% |
| 57% of Sunrise upstream capital expenditure | Offshore | Pending design, seeking financing | - | 25 | - | 6,840 | 0% |
| Administrative and other costs | Dili | Ongoing | 64 | 10 | - | 500 | 15% |
| **TOTAL** | | | **1,184** | **126** | **889** | **18,687** | **12%** |

As petroleum revenue governance weakens, Timor-Leste political leaders have floated several trial balloons, including investing more of the PF in Timor-Leste outside of the budget process, eliminating the ESI guideline altogether, and using more of the PF as collateral for borrowing. Given the complexity of the issues and the financial and political power of the petroleum industry, some of these might be launched … and burst.

[8] TimorGAP and other Tasi Mane proponents frequently cite a report (ACIL Allen 2017) to show how lucrative the project will be. Although this study has many weaknesses and was written to validate a pre-determined outcome, recent developments underscore the need for more accurate analysis. ACIL Allen assumed an oil price of $50/barrel; prices between mid-March and mid-May 2020 averaged $21.50.

In less than a decade, the Petroleum Fund could be entirely spent, and state activities will have to be slashed by more than 75% unless the non-oil, productive economy is greatly and rapidly expanded. The promise of 2005 will have been broken, and people will suffer. Those who cannot afford private schools or private medical care will be uneducated and unhealthy, and those who cannot grow their own food will depend on foreign handouts or worse (Scheiner 2015).

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