



MINISTRY OF FOREIGN AFFAIRS AND COOPERATION

Díli, Timor-Leste

Timor-Leste's Statement to be delivered by
Mr. Jesuíno Alves
Director-General for Multilateral and Regional Affairs

ON THE
CONSIDERATION OF TIMOR-LESTE'S GRADUATION FROM THE
LEAST DEVELOPED COUNTRY STATUS

at the
Expert Group Meeting of the CDP, 15th January 2021

New York

Mr Chairperson, distinguished members of the Committee,

On behalf of the Government of Timor-Leste, I wish to express our sincere appreciation to the Chair of the CDP and members of the Committee for Convening the Expert Group Meeting for the Triennial Review of the LDC category, 2021.

Timor-Leste is pleased to participate in this review process and it is a great opportunity and privileges to engage with the CDP to share our views in this respect. We remain committed to provide the information that CDP may wish to discuss throughout the review process and in a virtual format.

Timor-Leste duly notes the assessment of the CDP on its LDC criteria for GNI, HAI and EEVI. However, at this critical time in the midst of a global pandemic and in light of Timor-Leste's current economic and development circumstances, the Government of Timor-Leste does not believe that this is the right time for Timor-Leste to be considered for graduation from the LDC category. I will proceed to address the four (4) fundamental considerations in this respect.

Firstly, the Gross National Income and Human Asset Index of Timor-Leste.

The data of GNI and HAI show that Timor-Leste meets the eligibility criteria to graduate in the LDC status. However, it shall be underlined that the GNI of Timor-Leste has continued to decline from 2012-2016 at approximately 66%. It is starting to increase since 2017 at about 7%.

Timor-Leste GNI Per Capita - Historical Data		
Year	GNI Per Capita (US \$)	Annual % Growth
2019	\$1,890	4.42%
2018	\$1,810	1.12%
2017	\$1,790	2.29%
2016	\$1,750	-20.45%
2015	\$2,200	-18.22%
2014	\$2,690	-15.94%
2013	\$3,200	-11.85%
2012	\$3,630	-2.16%

Source: (Marcotrend, 2021).

It is important to stress that Timor-Leste's GNI is heavily dependent on its revenues about 98% generated from oil and gas industry (MoF, 2021). 1). The

Bayu Undan production which is expected to cease existing in the upcoming two (2) years, and 2). The Greater Sunrise development which is expected to run for another five years prior to fetching its revenue.

In light of the volatile oil price at international market and in the time when the world is faced with a global pandemic significantly contribute to the shock and declining the country's income which is counted to lost approximately USD 1.8 billion according to the World Bank, 2020. While in the absence of strong private sectors and excessive dependency on public financing has become a major challenge for Timor-Leste in financing its development projects including diversification of the source of income and generate jobs to absorb the growing young population in the country.

The Human Asset Index of Timor-Leste for 2021 is 69.7, marginally above the threshold of 66.00. Timor-Leste has made progressive achievement in addressing: under-five mortality rate (USM), gross secondary school enrolment ratio (GSSE), adult literacy rate (ALR) and gender parity school enrolment (GPIS).

However, at the same time, there remains a crucial human capital challenges in Timor-Leste, for instance:

- Malnutrition remains one of Timor-Leste biggest challenges. The number of children under five years old of that are stunting are at 50.2%, wasting at 11% and underweight at 37.7% (FAO, 2019). Timor-Leste acknowledges this challenge and continues to collaborate with its bilateral and multilateral partners to resolve malnutrition in Timor-Leste.
- Child and maternal mortality rate also continue to be a challenge for Timor-Leste at 142.0 in 100.000 births (UN IAEG on Maternal Mortality Estimation) above the index of 88.5. In addition to the above, which are considered as indicators for HAI by the CDP, Timor-Leste is also facing challenges in terms of high unemployment rate.

Secondly, the Economic and Environmental Vulnerability Index (EEVI).

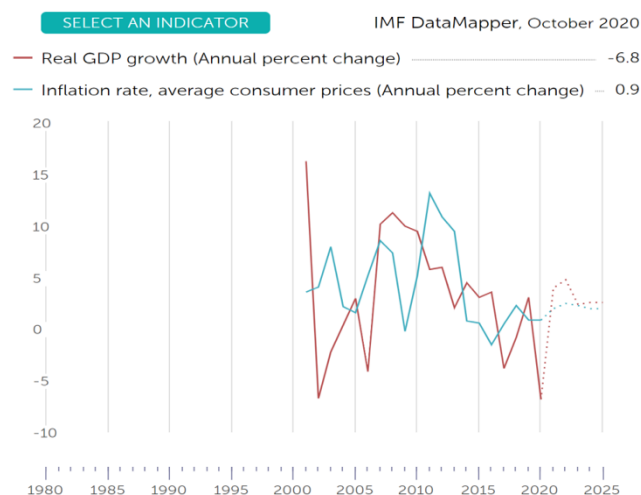
Timor-Leste has not yet met the criteria for Economic and Environmental Vulnerability Index (EEVI) **at score with 54.9 in 2015** (CDP, 2018) and **38.9 in 2021 against the criteria of graduation score 32.0 or bellow** (CDP, 2021), owing mainly to our high dependency on oil and gas revenue and high concentration on merchandise export for crude petroleum oil and natural gas. This put Timor-Leste among the top five most concentrated countries in the world

The Bayu Undan production is expected to cease existing in the upcoming two (2) years, and Greater Sunrise development is uncertain for at least another five (5) years. In the case where new areas are not generating revenues for the country and in the affords of the economic diversification, this raises concern as to the vulnerability of Timor-Leste's economy, Timor-Leste is faced with grave structural challenges as its productionable sectors are still at the embryonic stages. This raises concern as to the vulnerability of Timor-Leste's economy. For this, the UN assisted Exit Strategies is yet to be formatted to guide the country towards graduation with milestones.

Furthermore, the Government to withdraw from its petroleum fund. Over the years, Timor-Leste has withdrawn the Petroleum Fund above the Estimated Sustainable Income (ES). In this respect, *should this continue, without a new source of revenue, this may affect the sustainability of Timor-Leste economic development.* This may be further aggravated by the unstable oil prices which declined in 2020 to USD 44 per barrel and the low oil consumption last year (World Bank, 2020). Additionally, the trend toward alternatives energy would jeopardize the oil and gas sector further.

Apart from the mentioned information, a few months ago, Timor-Leste's GDP per capita has contracted to **-6.8%** and some projections predicted GDP losses of 10 to 15% (Prime Minister Taur Matan Ruak, 2020, p. 3).

The Government is expected the GDP per capita to increase to 3.9% in 2021, however, the prospect of development is uncertain due to current economic forecasting due to the impact of COVID-19 Pandemic.



Source: IMF Data Mapper, October 2020.

The economic indicator data shows that in 2020, the Gross Domestic Product for the non-oil sector in Timor-Leste has decreased compared to the previous years. The details information can be found in the table below.

Gross National Income/ current prices	2016	2017	2018	2019	2020
GNI (\$m)	2231	2272	2240	2701	
Oil sector	0	0	0	272.4	
Non-oil sector	2231	2272	2240	2428.5	
GNI per capita (\$)	1829	1828	1766	2089	
Oil sector	0	0	0	211	
Non-oil sector	1829	1828	1766	1878	
Gross domestic product/constant prices					
GDP (\$m)	1648	1580	1564	1857	
Oil sector	0	0	0	264.6	
Non-oil Sector	1648	1580	1564	1592	1478
GDP-per Capita /constant prices	1351.7	1271.2	1233.3	1435.7	
Oil Sector	0.0	0.0	0.0	204.6	
Non-Oil Sector	1351.7	1271.2	1233.3	1231.1	

Source: Ministry of Finance of Timor-Leste.

Since COVID-19 Pandemic woes the country last year, the economy of Timor-Leste recorded a dramatic drop due to the economic activity in the country has not returned to normal yet. In this respect, the aggregate supply of Timor-Leste drops by approximately 11% and a 14% decrease in aggregate supply to the public sector, including 7% relative to the domestic offer.

Mr Chairperson and members of the Committee,

Timor-Leste recognizes that it is important to diversify its economy. Therefore, it has introduced the Economic Diversification Plan in 2017. However, we would like to draw your attention that since 2017-2019, Timor-Leste faced political dynamic, which resulted in the Government unable to approve a new budget plan for 2018 and 2019. This further aggravated with the COVID-19 pandemic has delayed the concretization and implementation of the Economic Diversification Plan. Recently, when adopting the Economic Recovery Plan following the COVID-19 pandemic, Timor-Leste has also introduced elements of the economic diversification in this recovery plan. Nevertheless, the economic diversification is still at an early stage of its implementation.

With respect to environmental vulnerability, Timor-Leste has faced many natural disasters in the previous years, such as floods, landslides, and the effects of El Niño droughts, which has impacted agricultural production and has resulted in grave food shortages. The majority of Timor-Leste's populations are engaged in subsistence farming, and the effects of natural disasters have made the country heavily dependent on food imports (Government of Timor-Leste, 2019).

According to a recent report on climate change that Timor-Leste may face a dry season in the upcoming years which will be massively impacted the agricultural sector to increase productivity in the country (Secretary of State for Environment, 2020).

The food insecurity is among the most prevalent issues in Timor-Leste and its link to malnutrition and poverty. It is about 36% of Timor-Leste's population suffers chronic food insecurity, including 21% who experience moderate chronic food insecurity and 15% experience severe food insecurity (*Ministry of Agriculture and Fisheries, 2019- Timor-Leste VNR, 2019, page 48*).

Thirdly, the Government wants a sustainable Graduation in the LDC Category.

Timor-Leste views graduation in the LDC needs sustainable and in a durable way and the graduation should be “naturally synonymous with recognition of structural economic development progress”. A “graduating country will necessarily be expected to have demonstrated, through a convincingly improved socio-economic performances and achieving sustainable development goals.”

For Timor-Leste at this critical moment, the graduation based on the temporary GNI from the oil sector is not sustainable, as many projected that the oil would run out and the oil price in the global markets is unstable.

To ensure Timor-Leste's economy rebounds, the Government's economic development efforts will fight the recession, structural problems, and the Coronavirus shocks decisively. Timor-Leste wants to fight it together with the international communities from this year to the upcoming years.

Timor-Leste acknowledges Timor-Leste economic is relying on the state budget and it needs to further promote the active participation of the private sector as a

core drive of the economic to secure the sustainability economy in the country (Prime Minister Taur Matan Ruak, 2020).

Apart from oil and gas sectors, the Government has also identified three main sectors to be developed to kick start its economic diversification. The sectors identified are Tourism, Agriculture and Fishery (The Gov., of TL, 2020). To implement these identified sectors, Timor-Leste needs to begin by empowering its nascent private sector to play the key role and diversify its economy to be started in the upcoming years.

In addition to that, it is also important that graduation is sustainable in terms of public administration. Many reforms are going on at present since 2017. Managing the transition under LDC graduation, may stretch administrative capacity and put other goals at risk. Fiscal reforms such as the introduction of VAT will be important for the development of Timor-Leste's tax-raising ability, but dealing with different customs regimes may detract from the government's ability to implement these good reforms.

To conclude, the Government of Timor-Leste looks forward to graduating when it is better placed to withstand shocks to the current economy.

Timor-Leste is a young democratic country that has made substantial progress and is committed to continuing its development trajectory towards sustainable peace and prosperity.

Graduating from LDC status is a government goal, to be achieved when it is the right time to do so. **At this present time, Timor-Leste considers that its graduation is not timely yet.** Timor-Leste still needs to further reducing its economic vulnerability, developing its human assets and maintain a sustainable GNI.

Mr Chairperson, distinguished members of the Committee,

Based on the foregoing, Timor-Leste respectfully requests the CDP to “consider deferring Timor-Leste's graduation from the LDC category to the next triennial review in 2024.”

Finally, Timor-Leste humbly requests the international communities to continue supporting our Government through technical assistance to address the economic diversification plan and our economic recovery plan to exit from the oil and gas dependency, and facilitate Timor-Leste's integration into the WTO.

Thank you.

Works Cited

- CDP. (2018). Vulnerability Profile of Timor-Leste. NY: CDP .
- CDP. (2021). Impact Assesment Study of Timor-Leste. -: CDP.
- FAO. (2019, - -). FAO: Timor-Leste National Nutrition Strategy 2014-2019. Retrieved November 10, 2020, from <http://www.fao.org/faolex/results/details/en/c/LEX-FAOC146710/>
- Government of Timor-Leste. (2019). TIMOT-LESTE: Disaster Management Reference Handbook 2019. Dili: The Government of Timor-Leste.
- Macrotrend. (2021, Jan 14). Timor-Leste GNI Per Capita 2002-2021. Retrieved from <https://www.macrotrends.net/countries/TLS/timor-leszte/gni-per-capita>
- MoF. (2021). State Budget Book 2021 , Book 1. Dili: MoF.
- PM Taur Matan Ruak. (2020). peech of H.E. the Prime Minister of Republic Democratic of Timor-Leste, Taur Matan Ruak In occasion presentation of the 2021 General State Budget Law Proposal National Parliament, November 30th 2020. Dili: The Government of Timor-Leste .
- Prime Minister Taur Matan Ruak. (2020). Speech of H.E. the Prime Minister of Republic Democratic of Timor-Leste, Taur Matan Ruak In occasion presentation of the 2021 General State Budget Law Proposal. Dili: The Government of Timor-Leste.
- Prime Minister Taur Matan Ruak. (2020). Speech of H.E. the Prime Minister of Republic Democratic of Timor-Leste, Taur Matan Ruak In occasion presentation of the 2021 General State Budget Law Proposal National Parliament, November 30th 2020. Dili: The Government of Timor-Leste.
- Secretary of State for Enviroment. (2020). SECOND NATIONAL COMMUNICATION. Dili: Secretary of State for Enviroment of Timor-Leste.
- STATISTA. (2020, January 9). Timor-Leste: Unemployment rate from 1999 to 2020. Retrieved from STATISTA: <https://www.statista.com/statistics/809031/unemployment-rate-in-timor-leszte/>
- The Asian Foundation and ORIMA Research. (2020). Timor-Leste Covid-19 Survey. Dili: ORIMA Research and Asia Foundation. Retrieved 10 14, 2020, from <https://asiafoundation.org/publication/timor-leszte-covid-19-survey/>
- The Gov., of TL. (2020). Can Timor-Leste Rely on its Endowments to Achieve the SDP Targets? Dili: The Government of Timor-Leste .

UN SEIA in Dili. (2020). Socio-Economic Impact Assessment of Covid-19 in Timor-Leste. Dili: The UN in Timor-Leste.