



**PERMANENT MISSION OF THE DEMOCRATIC REPUBLIC OF TIMOR-LESTE  
TO THE UNITED NATIONS**

Timor-Leste's Statement  
at the Triennial Review of the Least Developed Country Category  
New York, 22-26 February 2021

***Mr. Chairperson, distinguished members of the Committee,***

Timor-Leste is pleased to share with you on this 23<sup>rd</sup> Plenary Session of the Committee for Development Policy its views presented at the Expert Group Meeting of the CDP, on the preparation of the 2021 Triennial Review of the LDC category held on 15<sup>th</sup> January 2021.

Timor-Leste noted the assessment of the CDP on its LDC criteria for GNI, HAI and EEVI during its presentation and highlighted that graduating from LDC status is a government goal to be achieved when it's the right time to do so. Hence, the Government of Timor-Leste reiterated that at this critical time of a global pandemic and in light of the country's current economic and development circumstances, the Government believes that this is not the right time for Timor-Leste to be considered for graduation from the LDC category and kindly requested the CDP to consider deferring Timor-Leste's graduation from the LDC category.

During the EGM, Timor-Leste's delegation engaged actively with the CDP, provided its views and concerns regarding its graduation process and carefully considered the feedback of the CDP during the interaction session. Although Timor-Leste has been tapped for a possible graduation, for the second time, the government of Timor-Leste deems that it has not achieved a firm foothold to graduate from the LDC category in 2021. The rationales are evidenced in the following aspects:

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

The data of the GNI and HAI reveal that Timor-Leste meets the eligibility criteria to graduate from the LDC status. It has to be noted, however, that the GNI of Timor-Leste has continued to decline from 2012-2016 at approximately 66%. However, it has shown roughly 7% increase in 2017.

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 98% of Timor-Leste's GNI is heavily dependent on the oil and gas industry (MoF, 2021). It is to be noted, though, that Bayu Undan production is expected to cease to exist in the next two years and the Greater Sunrise development, which is expected to at least run for another five years, will only gain revenue thereafter.

The volatile oil prices in the international market compounded by the present global pandemic, has significantly contributed to the decline of the country's revenue. According to the World Bank, 2020, Timor-Leste is set to lose approximately USD 1.8 billion. Coupled with the absence of strong private sectors and excessive dependency on public financing, Timor-Leste continues to face its major challenges of financing its development projects such as the diversification of the source of income and the generation of jobs in order 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 (U5M), gross secondary school enrolment ratio (GSSE), adult literacy rate

(ALR) and gender parity school enrolment (GPIS). Yet, there are significant challenges remaining in improving human capital development, for instance:

- The prevalence of both stunting and wasting is considered very high in Timor-Leste, based on WHO public health classifications (WHO Global Data base on Child Growth and Malnutrition). The children under the age of five whose growth is stunted is at a staggering 50.2%, 11% are wasting, and 37.7% are underweight (FAO, 2019).
- Child and maternal mortality rate remain to be a concern at 142.0 in 100.000 births (UN IAEG on Maternal Mortality Estimation) which is 88.5 above the index.

### **Second, the Economic and Environmental Vulnerability Index (EEVI).**

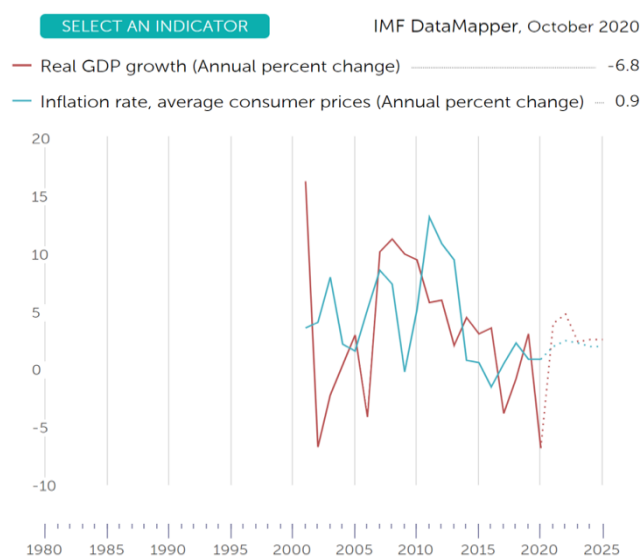
Timor-Leste has yet to satisfy the criteria for Economic and Environmental Vulnerability Index (EEVI). Despite an improvement, scoring 54.9 in 2015 (CDP, 2018) and 38.9 in 2021, which is mainly due to its high dependency on oil and gas revenue and high concentration on merchandise export for crude petroleum oil and natural gas, Timor-Leste continues to fall short in this area as the graduation threshold set by LDC is a score of 32.0 or below.

In the case where new areas are not generating revenue for the country and despite the efforts of economic diversification, this raises a concern in the vulnerability and resilience of Timor-Leste's economy. Timor-Leste is faced with grave structural challenges as its productionable sectors are still in the embryonic stage.

Furthermore, the Government's withdrawal of its petroleum fund is a significant matter to be considered. Over the years, Timor-Leste has withdrawn the Petroleum Fund above the Estimated Sustainable Income (ESI) may further be aggravated by the unpredictable oil prices. Case in point, a decline of oil price in 2020 to USD 44/barrel has resulted to the low oil consumption last year (World Bank, 2020). Moreover, the trend in alternative energy would jeopardize the oil and gas sectors even further. In this

respect, should this continue, without a new source of revenue, this may affect the sustainability of Timor-Leste's economic development.

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



*Source: IMF Data Mapper, October 2020*

The government forecasts the GDP per capita to increase 3.9 % in 2021. However, the prospect of development is uncertain due to current economic forecasting prompted by the harrowing global impact of COVID-19 pandemic.

As seen on the table below, 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.

<b>Gross National Income/ current prices</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
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	
<b>Gross domestic product/constant prices</b>					
GDP (\$m)	1648	1580	1564	1857	
Oil sector	0	0	0	264.6	
Non-oil Sector	1648	1580	1564	1592	1478
<b>GDP-per Capita /constant prices</b>	<b>1351.7</b>	<b>1271.2</b>	<b>1233.3</b>	<b>1435.7</b>	
Oil Sector	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>204.6</b>	
Non-Oil Sector	<b>1351.7</b>	<b>1271.2</b>	<b>1233.3</b>	<b>1231.1</b>	

*Source: Ministry of Finance of Timor-Leste*

Since the onset of the COVID-19 Pandemic, the economy of Timor-Leste recorded a dramatic drop due to the fact that the economic activity in the country has not normalized just yet. In this respect, the aggregate supply of Timor-Leste dropped by approximately 11% and a 14% decrease in aggregate supply to the public sector, including 7% relative to the domestic offer.

The devastating effects of the COVID-19 pandemic, puts an enormous strain on Timor-Leste's efforts to attain the SDG goals and achieving the Istanbul Programme of Action for LDCs. The issues of climate change and climate-related disasters, such as floods, landslides, and the effects of El Niño and La Niña, have greatly impacted agricultural production resulting in grave food shortages. The majority of Timor-Leste's populations are engaged in subsistence farming, and the effects of natural disasters causing the country to heavily depend on food importation (Government of Timor-Leste, 2019).

According to a recent report on climate change, Timor-Leste may face a dry season in the upcoming years which will extremely impact the agricultural sector. (Secretary of State for Environment, 2020).

Food insecurity is among the most prevalent issue in Timor-Leste which directly results to malnutrition and poverty. According to the Ministry of Agriculture and Fisheries, about 36% of Timor-Leste's population suffers chronic food insecurity, 21% of whom experience moderate to chronic food insecurity and 15% experience severe food insecurity (*Ministry of Agriculture and Fisheries, 2019- Timor-Leste VNR, 2019, page 48*).

***Mr. Chairperson and members of the Committee,***

Timor-Leste recognizes the importance of diversifying its economy. Therefore, it has introduced the Economic Diversification Plan in 2017, focused on agriculture production and fisheries, tourism and manufacturing. However, its realisation is still at the initial phase due to the political circumstances and even further delayed by the pandemic. Ensuing the COVID-19 crisis, the Economic Recovery Plan, encapsulates the elements of the economic diversification with necessary adjustments such as renewal of the coffee plantation policy, development of forest and livestock exploitation, including promotion of agricultural associationism and improved training and technical assistance; while accelerating investment in public infrastructures and promoting of eco-tourism.

[http://timor-leste.gov.tl/wp-content/uploads/2020/10/EN-PRE\\_screen.pdf](http://timor-leste.gov.tl/wp-content/uploads/2020/10/EN-PRE_screen.pdf)

**Third, the Government wants a sustainable Graduation from the LDC Category.**

Timor-Leste deems that graduation from the LDC category calls for sustainability – with sustainable initiatives for a sustainable future. As stated, the rational for graduation should be “*naturally synonymous with recognition of structural economic progress. A graduating country will necessarily be expected to have demonstrated, through*

*convincingly improved economic and social.”* (UNCTAD Vulnerability Profile of Timor-Leste, page 68).

At present, the global crisis has slowed down, if not derailed, the economic cycle and exacerbated existing social maladies especially in vulnerable countries such as Timor-Leste. To ensure that Timor-Leste's economy rebounds, the government's economic development efforts, initiatives, and policies will have to combat systemic and structural challenges which will eventually lead to a resilient socio-economy.

Timor-Leste acknowledges that its economy relies heavily on the state budget. Further, the government recognizes the need to further strengthen the private sector - one that holds a palpable presence and that which actively participates in the development process. This is the core drive of the economy to secure a sustainable economy. (Prime Minister Taur Matan Ruak, 2020).

Apart from oil and gas sectors, the Government has identified three main sectors to develop in order to jump start its economic diversification. The sectors identified are Tourism, Agriculture and Fishery, and Manufacturing (The Gov., of TL, 2020). So as to implement these identified sectors, Timor-Leste needs to invest in quality education to empower its people and provide adequate infrastructures which will create a solid foundation to drive inclusive and productive economic growth.

In addition, it is also important that graduation is sustainable in terms of public administration. To date, since 2017, there are numerous reforms implemented. Fiscal reforms such as the introduction of VAT is important for the development of Timor-Leste's tax-raising ability therewithal managing the impact of graduation may stretch administrative capacity and may detract from the government's ability to implement these good reforms.



***Mr. Chairperson and members of the Committee,***

As a young democratic and post-conflict country, Timor-Leste is in the process of state and nation building by way of consolidating the state's institutions in the pursuit of peace, prosperity, and equal opportunity thereby achieving the development agenda – which is to transform the country to an upper-middle income country by 2030 as stipulated in its strategic development plan for 2011-2030.

Furthermore, Timor-Leste calls on international community and development partners for continued support through technical assistance and capacity building assisting the government to realize the 2030 Agenda and its national strategic plan including its integration into WTO.

In conclusion, the graduation from the Least Developed Country status is a desired goal of the government of Timor-Leste. The act of “moving out” of the category implies that government's efforts, initiatives, and reforms are successfully in place, ensuring a sustainable economic growth, leading to a resilient future benefiting Timor-Leste and its people.

However, progress is not linear. Best plans, initiatives, and policies may be laid perfectly but a pandemic changed the direction of the wind. Today, with the COVID-19 crisis, we live in unprecedented times. Developed, Developing, and Least Developed Countries seem to find themselves on the same boat - redefining “normal”, learning to navigate uncharted territories, and struggling to adjust their sails to reach a safe destination. The dramatic and jarring impact of COVID-19 sent the whole world reeling. It knew no color, no creed, no caste, and no gender.

In consideration of this, Timor-Leste respectfully requests CDP to defer its graduation to allow the country to immediately address its economic vulnerability and human capacity constraints. It is in the managing of these aforementioned issues that Timor-

Leste has a greater chance of gaining a solid footing in responding and withstanding the major and asymmetric shocks brought about by the pandemic.

Thank you, Mr. Chairperson and members of the Committee, for your kind consideration.