

IMF Staff Completes 2022 Article IV Mission to Timor-Leste

June 24, 2022

End-of-Mission press releases include statements of IMF staff teams that convey preliminary findings after a visit to a country. The views expressed in this statement are those of the IMF staff and do not necessarily represent the views of the IMF's Executive Board. Based on the preliminary findings of this mission, staff will prepare a report that, subject to management approval, will be presented to the IMF's Executive Board for discussion and decision.

- The economy is slowly emerging from COVID-19 and severe floods. The recovery is expected to continue in 2022 underpinned by strong fiscal support and steady progress with vaccination.
- Reducing government spending to a more sustainable level is essential to avoid major fiscal risks while protecting the most vulnerable from higher food and energy prices, sustaining vaccination efforts, and safeguarding investment crucial for development.
- Improving the business environment and strengthening governance is warranted to mobilize the private sector, diversify the economy, and generate jobs.

Washington, DC: An International Monetary Fund (IMF) team led by Mr. Pablo Lopez Murphy visited Timor-Leste during June 13-23 to conduct discussions for the 2022 Article IV consultation with Timor-Leste. At the conclusion of the discussions, Mr. Lopez Murphy issued the following statement:

“Timor-Leste’s steady progress with vaccination has allowed the authorities to lift strict containment and travel restrictions. The government has also implemented Public Financial Management Reforms and through the Major Planning Options Law has attempted to make government spending more efficient. Further reforms are expected in this area. After a sharp contraction in growth in 2020, there was a moderate rebound in 2021. Real non-oil GDP growth in 2022 is projected at 3.3 percent, underpinned by strong government support, a rebound in private consumption, and the reopening of borders. Inflation is projected to pick up, reflecting the increase in food and energy prices.

“Risks to the outlook are tilted to the downside. A re-intensification of a health crisis including the pandemic, both domestically and globally, could risk reinstatement of COVID-19-related restrictions. Ongoing geopolitical tensions pose additional risks through more prolonged and/or heightened high oil and food prices. Persistent high inflation in advanced economies could tighten global financial conditions that could adversely impact the Petroleum Fund balance. Domestic political instability could stall reforms, and natural disasters could further slow the recovery.

“Fiscal sustainability is at high risk in the long term so the level of government spending should be reduced while protecting the most vulnerable, sustaining vaccination efforts, and safeguarding investment crucial to development. Expenditure rationalization and revenue mobilization should underpin fiscal reforms. Improving the quality of spending to enhance its impact on the productive capacity of the economy is essential.

“Structural reforms priorities to support private sector development and the diversification of the economy include improving productivity in the agricultural sector, enhancing the business environment, strengthening governance, tackling youth unemployment, facilitating financial deepening, and investing in climate-resilient infrastructure.”

The team had fruitful discussions with the Minister of Finance Rui Gomes, the Deputy Governors of the Central Bank Nur Aini Djafar Alkatiri and Venancio Alves Maria, the Minister of Petroleum and Minerals Victor da Conceicao Soares, other senior officials, development partners, civil society, and private sector representatives. Staff from the World Bank also joined the discussions. The team would like to thank the Timorese authorities for their hospitality and excellent cooperation.

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