



**MINISTRY OF FOREIGN AFFAIRS AND COOPERATION  
OF THE DEMOCRATIC REPUBLIC OF TIMOR-LESTE**

**Expert Group Meeting of the Committee for Development Policy**

**Timor-Leste's Statement at the virtual meeting in preparation for  
the Triennial Review of the Least Developed Country Category**

**Dili, 1 February 2024**

*Check Against Delivery*

**Mr. Chairperson, distinguished members of the committee. Good morning and a good evening from Dili, Timor-Leste.**

As Director-General for Multilateral Affairs, I am thrilled and delighted to represent Timor-Leste at today's important dialogue with the expert group of the Committee for Development Policy (CDP) to exchange views and reflect on such an insightful preliminary assessment report on Timor-Leste's journey towards graduation from Least Developed Country (LDC).

Timor-Leste welcomes and notes the comprehensive nature of the report, which thoughtfully reflects the development trajectory and highlights significant strides made while underscoring formidable challenges persist, especially in the socioeconomic and environmental vulnerabilities, which potentially continue hindering the country's progress towards achieving sustainable development goals and fulfilling benchmark of LDC criterion.

The recent CDP's preliminary assessment report showed that Timor-Leste consistently surpasses the Gross National Income (GNI) threshold. However, since the first assessment, Timor-Leste continued to fail in meeting the threshold for EEVI. We do recognize that graduation will not be sustainable with GNI threshold only especially to underpin the medium and longer-term foundation for a broader economic growth. Let alone, Timor-Leste's economic vulnerability index score remains unsustainable and is highly dependent on the oil and gas industry.

Moreover, the country has not been able to fully recover from the effects of COVID-19 pandemic. This situation is further complicated by the global challenges, especially the increased of food and energy prices, which have had a direct impact on Timor-Leste's development progress. For example, Timor-Leste's Petroleum Fund, registered a recent mark-to-market loss of 10.4% (equivalent to around \$2.0 billion). Furthermore, Timor-Leste continues to face challenges from natural disasters, such as Cyclone Seroja in April 2021, which further hinders its progress.

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The CDP's Preliminary Assessment further revealed that Timor-Leste is not expected to exceed the threshold for Human Asset Index (HAI) and EEVI.

At the current stage, Timor-Leste is not meeting the graduation threshold and supported by evidence from the following four key aspects of national circumstances.

**First and foremost**, the Gross National Income of Timor-Leste presents an unsustainable growth path. Timor-Leste's current economic growth model predominantly relies on the Petroleum Fund for state revenue, which is not only fundamentally unsustainable but highly fragile for economic shocks.

The sustainability of the sovereign fund is only supported by the government's fiscal policy decisions, along with the size and timing of petroleum inflows from Greater Sunrise and other potential fields, in which the future production from these sources remains uncertain.

In the 2024 budget, the Ministry of Finance estimated that the life of the Sovereign Fund could be extended to 2040 if strategic adjustments are made to the expenditure level combined with tax reform. Conversely, if fiscal policy remains on the current path, the Fund is projected to be exhausted by 2034 or it could be even earlier subject to the government's annual budget drawing outlook.

Timor-Leste's efforts to diversify its economy have been significantly hindered by several challenges over the past five years, including political instability, other challenges that I have highlighted before such as the impacts of the COVID-19 pandemic, and the devastation caused by Cyclone Seroja in April 2021. These disruptions have stalled the progress of economic diversification, which is crucial for reducing the county's reliance on oil revenues.

Moreover, the private sector in Timor-Leste remains weak and it is currently not in a position to substantially contribute to sustainable job creation and improvement of the living standards of

future generations. The sector's growth and capacity to support economic diversification are further constrained by its heavy dependence on public financing. Without a robust and self-sustained private sector, Timor-Leste faces ongoing challenges in financing and implementing development projects that are essential for its long-term economic growth and stability.

**Secondly**, the human assets index has also not been sustainable and remains challenging. For instance, in the previous triennial review (2021), Timor-Leste's human assets index was 69.70, which slightly exceeds the threshold of 66.00. However, this year, Timor-Leste will most probably fail to meet the (HAI) criterion due to its preliminary assessment score of only 65.4.

The 2023 Global Hunger Index recognized that since the restoration of independence, Timor-Leste has made substantial improvement in addressing the problem of hunger, undernourishment, child wasting, child stunting, and child mortality under five years old. The projection is indeed in the right direction; however, it is still too slow and far from the international standard.

Despite the progress achieved, significant challenges in improving human capital development still persist as Timorese children continue to experience poor nutrition intake, repeated infections, and yet inadequate psychosocial stimulation remains a concern for cognitive development of childhood.

Timor-Leste still has a high rate of malnutrition owing that almost half (47.1%) of children under the age of 5 suffer from stunting, indicating a low height for their age, while 8.6% experience wasting, indicating a low weight for their height.

This means that approximately 57% of children under five in Timor-Leste are not meeting expected growth standards, which is among the highest rates in the Asia-Pacific region (Ministry of Health, 2020).<sup>1</sup>

This situation continued hindering human development achievements in other areas, as the country still has a very high child and maternal mortality rate, for instance, the rate in 2020 was 204 deaths/100,000 live births.

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<sup>1</sup> Timor-Leste's Second Voluntary National Review Report on Progress of the Implementation of the SDGs, 2023 (VNR-2) p. 81-82

Timor-Leste has been applying a 9-year compulsory education curriculum for a lower secondary grade and we do believe that it has been progressing substantially for lower secondary education enrollment rates from basic education (or in national context Timor-Leste's referred it as transition rate). However, despite moving in the right direction, the progress made is still very slow with the completion rates having risen from 56% in 2015 to only 61.9% in 2020, accounting female's completion higher than male.

**Third,** Economic and Environmental Vulnerability Index (EVI). Since its first triennial review as a LDC in 2015, Timor-Leste has repeatedly failed to meet EVI threshold. In 2015, Timor-Leste's score was 54.9, showing insignificant improvement from 2021 with a score of 38.9. It is very unfortunate to note that the CDP's preliminary assessment in November 2023 indicated a setback, with the score rising to 40.5.

Adding to that, the gas and oil production at *Bayu Undan* field has been exhausted or depleted, while the development of the Greater Sunrise is still in the final negotiation process with joint ventures. This situation underscores structural challenges faced by Timor-Leste, as the next potential substitute from its economic productive sectors is still in the embryonic stage.

It is further unfortunate to note that the GDP growth is continuously knotted to the global volatility of oil and gas prices creating prolonged uncertainty for the economy. And yet, Timor-Leste's economy has predominantly been driven by the public sector with single state revenue from the oil industry, with the private sector contributing less than 25% to the GDP.

This condition has been further exacerbated with Timor-Leste's vulnerability climate change and natural disaster risks due to its geographic location and surrounding characteristics of natural disaster prone. Based on the Notre Dame Global Adaptation Initiative (ND-GAIN) index, Timor-Leste is ranked 112th out of 182 countries in 2019 and it is amongst the highest across Asian economies. It is expected to worsen and like many other small island developing states, Timor-Leste will likely continue to experience extreme weather events.

Timor-Leste has been struggling to produce sufficient food for its national consumption and is still highly dependent on imported foods from its neighboring countries and beyond. Most of our population still rely on subsistence farming, with limited access to markets, technology, and infrastructure and in-country connectivity. With climatic shocks, including La Niña, El Niño, and tropical cyclones, the food availability, affordability, quality, access, and utilization remain a significant challenge for us, with many households struggling to meet the basic nutritional needs.<sup>2</sup>

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Timor-Leste is cognizant that diversifying the economy is not an option—indeed, it is a necessity and the only way forward to create a sustainable and broad base economy for the country. The plan was discussed in 2017 which focused on agriculture production, fisheries, tourism, and manufacturing. However, its full design was not concluded due to political instability and was even further delayed by the COVID-19 pandemic. Reacting to the impacts of the pandemic which that have reversed some of the previous economic achievements, the Government introduced the Economic Recovery Plan which focusing on transforming the economic structure and developing productive sectors. Based on the Economic Recovery Plan, it is anticipated that more funding would be directed towards economic development, particularly to sub-sectors of agriculture, tourism, and manufacturing.

**Fourth**, the Government supports the sustainable and irreversible graduation from the LDC. At this stage, Timor-Leste is still facing multidimensional challenges, including limited fiscal space, macroeconomic imbalances, widespread poverty, and an underdeveloped social protection system. Therefore, Timor-Leste needs strong partnerships in ensuring and supporting the efforts to invest in its people to leverage the power of science, technology, and innovation for sustainable development, fast track structural transformation, enhance participation in international trade and regional integration, address climate change and care for the environment, and boost resilience.

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<sup>2</sup> Timor-Leste's Second Voluntary National Review Report on Progress of the Implementation of the SDGs, 2023 (VNR-2) p. 88-89; WFP Timor-Leste Country Brief, December 2023.

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After overcoming a difficult road and hard fight for sovereign rights, Timor-Leste has made tremendous progress promoting peace and stability and gained a notable level of post-conflict reconstruction from the ashes. In such a short period of time Timor-Leste has managed to organize free and fair elections leading to peaceful transition of power to further strengthen its democratic credential and press freedom. Furthermore, we have developed a strategic development plan with a vision transition into a middle-income country with a healthy, skilled, and safe population by 2030 envisioning a short, medium, and long-term approach to grow well and with a solid foundation.

Moving out from LDC status implies that above all, the government has been able to ensure sustainable economic growth, leading to a resilient future benefiting Timor-Leste and its people. Timor-Leste is aware of the need to further strengthen private sector-led economic growth that could guarantee a sustainable economy. The role of the private sector is widely recognized as an integral part of the strategic development plan, economic diversification, and job creation.

Despite best plans, initiatives, and policies be laid perfectly, but multidimensional circumstances and challenges often reverse their direction. In addition, the heavy reliance on the Petroleum fund is threatening the sustainability of Timor-Leste's economy, as well as health, education, and social protection systems.

In consideration of all of this, Timor-Leste sincerely appeals CDP to defer Timor-Leste's graduation in the next triennial review in 2027. This will allow the us to continue to work in addressing our socioeconomic vulnerability and human capacity constraints which will guide us to the right momentum to fast track structural transformation for a sustainable graduation.

We continue to count on the support of the international community and esteemed development partners to assist us to deliver the Doha Programme of Action in the context of country owned

and country led, to pursue “**AID FOR TRADE**” in accelerating the implementation of the 2030 Agenda for Sustainable Development.

As we all may have been aware that Timor-Leste has been undergoing two important national processes in parallel, namely the ASEAN accession and the adherence to the World Trade Organization, which require a just and predictable transition and transformation in localizing the norms and regulations for an efficient and effective undertaking.

I thank you Mr. Chairperson, members of the committee, for your kind attention and consideration. Last but not least, I wish to also take this opportunity to thank all the line Ministries of the Government of Timor-Leste for their respective contributions and request their disposals to respond to any questions from the members of the committee. I look forward to a constructive dialogue and interaction during the Q&A session.

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