



8th CONSTITUTIONAL GOVERNMENT

ADB | 54th ANNUAL MEETING OF THE BOARD OF GOVERNORS

DEMOCRATIC REPUBLIC OF TIMOR-LESTE

SPEECH OF THE GOVERNOR AND MINISTER OF FINANCE OF TIMOR-LESTE,

RUI AUGUSTO GOMES

May 5, 2021

Honorable Governors and President Asakawa,

Timor-Leste was up until December 2020 one of the few countries in the region with only twenty-nine positive cases of Covid-19, thanks to the swift move of the authorities through border closures and the imposition of travel restrictions. However, as more illegal border crossings became increasingly difficult to control, an outbreak of positive cases of Covid-19 was inevitable. Today, there are more than two thousand active cases and four fatalities. Whilst the Timorese authorities were applying lockdowns and mass tests to contain the propagation of the virus, on the 4th of April, the country was badly hit by flash floods, causing widespread damage to public infrastructure, water supply systems, private dwellings and taking forty-one lives. The twin shocks further exacerbate the pre-existing vulnerabilities, thus placing Timor-Leste far more distant from its ambitious objective to achieve the upper-middle income status by 2030.

There were reasons to believe that the upper-middle income status was achievable based on earlier growth projections, noting that Timor-Leste had experienced double-digit growth of its non-oil economy—which has not happened since 2009—, combined with a rapid expansion in income from offshore petroleum. However, a prolonged political impasse in 2017-2018 constrained public spending, which resulted in a significant contraction of non-oil





8th CONSTITUTIONAL GOVERNMENT

GDP in two consecutive years. The growth rate in 2019 of 1.8% was insufficient to recover from the 2017 and 2018 economic recessions. Then the failure to approve the 2020 budget triggered another political uncertainty, and with the declaration of a state of emergency in the advent of the Covid-19 pandemic, resulted in a sharp contraction of non-oil GDP in 2020.

In the midst of visible destruction of infrastructure and the displacement of thousands of people who had lost their homes due to the recent floods, the Asian Development Bank showed agility in responding to the scale of the devastation, for which the Government of Timor-Leste highly appreciates. Soon after the state of calamity was declared, a grant agreement was signed between the Government of Timor-Leste and ADB to support the flood responses and recovery project, to be implemented through the United Nations System. This program will benefit many who lost their means of income and saw their lives and livelihoods strangled.

The Government is confident that the two-decade partnership between Timor-Leste and ADB will become stronger under President Asakawa's wise leadership who had also dealt with complex challenges arising from the financial crises of 1997 and 2008 that had profoundly affected many economies in our region.

The war against the Covid-19 pandemic in Timor-Leste has just begun, the reconstruction of the damaged infrastructures to ensure connectivity and normalization of public services is urgent, and the fate of thousands of the displaced people must be addressed immediately. The national health system demands for better prevention schemes for tackling future disease outbreaks. The Government believes that this is the time to invest in capacities to resist unprecedented shocks of such a magnitude. This is the momentum to readjust pathways that have led the country to become heavily dependent on the State's economic activity. Timor-Leste's reliance on the Petroleum Fund necessitates better capacities to effectively manage its petroleum wealth to reduce public sector dependence, diversify the non-oil economy, and generate decent jobs for a rapidly growing population. Our vulnerability to climate change and the recent level of destruction caused by the floods call for better quality of infrastructures, systems and institutions that are capable of responding efficiently and effectively to any adverse climate impacts. In short, it is possible to build back better, because of our mutual trust we have nurtured over the last two decades of cooperation with ADB.





8th CONSTITUTIONAL GOVERNMENT

Nearly 60% of the total Timor-Leste foreign loan come from ADB, which is a clear indication of mutual trust. Through loans, technical assistance and grants, the country is able to build its transport connectivity, invest in human capital to improve labor productivity, which will be much needed for job growth and private sector investment. In its effort to diversify and sustain the economy, the Government of Timor-Leste will count on the good cooperation of ADB, particularly in times of uncertainty ahead of us. The Government of Timor-Leste is impressed by ADB's response in providing assistance for our health sector, private sector supply chains and to ease the government fiscal position.

Today, the Government is more than ever determined to recover the Timorese economy and bring the country back to a sustainable growth trajectory. To that end, in August 2020, the Council of Ministers approved an Economic Recovery Plan. It is a plan that puts people at the center of development. It seeks to improve quality of and access to education and healthcare, narrow skill gaps, create decent jobs, and provide better social protection to its citizens. At the moment, there are two major infrastructure projects that will facilitate international connectivity and integration of the country in the region and beyond, including the construction of the Tibar Port, which will be completed by mid-next year, and the expansion of the Presidente Nicolau Lobato International Airport whose negotiations for a co-financing agreement will take place in a couple of weeks, and the signing of the loan agreement is expected to take place at the end of this year. In the meantime, the front-end engineering design for the installment of a submarine cable connecting Dili from Darwin are at its final stage, which will be immediately open to tender. This will allow faster and cheaper internet services in the near future. Ongoing efforts have also been made to strengthen public financial management and promote good governance, which are critical for public investment efficiency and better quality of public services.

The Government is confident of the immense work that President Asakawa had done last year under intense pressure will continue to bear fruits, particularly in ADB's developing member countries such as Timor-Leste. With the strong leadership of President Asakawa, the Covid-19 pandemic will not distract ADB's focus and response from assisting countries in achieving the 2030 Agenda for Sustainable Development, to which ADB is aligned under Strategy 2030. Timor-Leste is grateful to have ADB as a trusted partner and we can move forward in addressing the challenges.

