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**Statement by Mr. Mouminah and Mr. Alhomaly on Democratic Republic of Timor-Leste
(Preliminary)
Executive Board Meeting 21/70
July 9, 2021**

We thank the staff for a well-written report and Mr. Bevilaqua, Mr. Saraiva, and Mr. Coelho for their insightful Buff statement. We broadly share staff's analysis and policy recommendations and would like to confine ourselves to the following comments.

- 1. We support the authorities' short-term focus on mitigating the fallout of the twin shocks caused by the COVID-19 outbreak and floods.** The temporary easing of the fiscal stance is appropriate to support recovery and protect the most vulnerable, including through further strengthening vaccine rollouts. We take note of the Anti-Corruption Commission's plan to undertake audits of COVID-19-related spending and encourage continuing the reform efforts in the areas of Public Financial Management (PFM) and budget execution.
- 2. A credible fiscal adjustment is needed over the medium term to mitigate risks and prevent future excessive withdrawals from the Petroleum Fund.** In particular, a fiscal consolidation plan, supported by domestic revenue mobilization and expenditure rationalization, is needed post-pandemic to preserve fiscal sustainability and reduce the deficit at a faster rate than under the baseline. In this connection, we welcome the authorities' interest in the IMF's technical assistance in the areas of Value-Added Tax implementation and tax administration.
- 3. Finally, we emphasize prioritizing human capital productivity and social spending in health, education, and social protection.** We also commend the authorities for the steps taken to digitalize their payments system, and encourage further developments in the financial sector to further improve financial literacy and inclusion. In this regard, we take positive note the authorization of two electronic money wallet services, which will help generate information on a borrower's creditworthiness and ultimately enhance financial

inclusion. We hope the use of electronic financial services aids in providing economic relief to those in need by facilitating their access to formal credit.

With these remarks, we wish the authorities further success.