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TIMOR-LESTE

ECONOMIC RECOVERY PLAN

The Government of Timor-Leste has approved the Economic Recovery Plan aimed at tackling the economic downturn caused by the COVID-19 outbreak.

The plan includes (i) short-term measures, to be implemented until the end of 2020, aiming the mitigation of the impacts of the crises caused by COVID-19; and (ii) medium and long-term impact measures, to be implemented as from 2021, aiming at the economic “recovery with transformation”, within an horizon of 2-3 years, responding to the pre-existing (cyclical and structural) economic problems. The main measures may be summarized as follows:

Phase I – Short-Term Measures

- Provision of basic food basket to families, preferentially composed of national or local goods;
- Payment of a monthly recovery subsidy for a period of five months to employers, under specific conditions;
- Exemption of Social Security contributions due by employers for a period of six months;
- Payment of a special subsidy to self-employed persons and informal economy workers.

The total estimate cost concerning these measures is around 113 million USD.

The short-term measures above have been approved by Government Resolution 28/2020, of 19 August 2020, that has entered into force on August 20.

Phase II – Medium and Long-Term Measures

- **Agriculture** – Definition of a coffee plantation renewal policy, development of forest and livestock exploitation, implementation of import substitution policies, promotion of agricultural associationism, improve training and technical assistance;
- **Tourism** – Incorporation of a national entity to boost the sector, promotion of the eco-tourism, rehabilitation of the Baucau airport to receive charter flights (within 5-6 years), development of publicity and marketing campaigns about the country;

- **Housing** – Construction of infra-structured neighbourhoods for implantation of social housing, ensuring basic sanitation, household water supply and electrification of the whole country in stages, construction of a modern waste and wastewater treatment plant in Dili;
- **Education** – General increase of public expenditure, increase of the educational establishments’ network;
- **Health** – General increase of public expenditure to significantly increase quality, strengthening of public investment in the expansion of hospital infrastructure and health care centres throughout the country, development of agreements with private entities (including the third sector) to grant the management of hospitals, clinics and health centres, with state subsidy, in order to increase their supply and quality without creating entry barriers;
- **Social Protection** – Approval of the Social Protection National Strategy and of the incorporation and management model of the Social Security Reserve Fund, creation of mechanisms/alternative instruments of social benefits’ payments, implementation of employment active programs
- **Institutional Aspects**
 - Approval of the Land Law and all related legislation;
 - Approval of the legal framework necessary to the companies’ functioning, such as the legal regimes of insolvencies, mergers and access to credit;
 - Approval of a new framework law for the general state budget, including all the Administrative Public Sector;
 - Enhancement of the capacity of the courts-of-law;
 - Carry-out a Public Administration Reform, including, among others, de-bureaucratize specific procedures, enhance capacities and competences;
 - Carry out the long-awaited fiscal reform;
 - Establishment of partnerships with the banking sector with regard to the access to financing;
 - Effectively initiate the administrative decentralization process.
- **Optic Fiber** – Accelerate the installation of the optic fiber submarine cable;
- **Renewable, Sustainable and Alternative Energy Sources** – Exploitation of Timor-Leste natural resources.

The Economic Recovery Plan includes four chapters that concern (i) the analysis of the economic and social context – the international conjuncture, the diagnosis of the country and the impact of COVID-19 –, (ii) the priority intervention areas, with a detailed analysis of the proposed measures, (iii) the financing of the Economic Recovery Plan in the period 2021-2023, indicating potential funding sources of the State budget, and (iv) the monitoring and impact analysis, proposing the creation of a technical team that shall create quality indicators for the monitoring and impact assessment, and suggesting the principles that should guide the implementation of the proposed measures.