

IMF Staff Complete 2026 Article IV Mission to Timor-Leste

August 28, 2026

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.

MEDIA RELATIONS

PRESS OFFICER: PAVIS DEVAHASADIN

PHONE: +1 202 623-7100 | **EMAIL:** MEDIA@IMF.ORG

- Timor-Leste's growth is expected to remain resilient in the near term despite a more challenging external environment. Inflation remains low but is expected to rise moderately in the remainder of 2026.
- To support growth and macroeconomic stability, substantial savings in the Petroleum Fund should be spent prudently. A stronger shift towards fiscal prudence will be key to safeguard fiscal sustainability and intergenerational equity.
- Continued progress on structural, financial, and fiscal reforms would support private sector development, economic diversification, and sustainable long-term growth.

Washington, DC : An International Monetary Fund (IMF) team led by Ms. Sumiko Ogawa visited Dili from August 17-28, 2026, to conduct discussions for the 2026 Article IV consultation with Timor-Leste. At the conclusion of the discussions, Ms. Ogawa issued the following statement:

"Timor-Leste stands at a pivotal stage in its development journey. Since independence, the country has made impressive progress in building institutions and accumulating substantial savings through the Petroleum Fund. As the country advances its development objectives, accelerating the efforts to diversify the economy, strengthen resilience, and address development challenges will be important."

"Despite a more challenging external environment, growth is expected to remain resilient at 4.0 percent in 2026, supported by continued public spending including recent policy support measures, before moderating to 3.8 percent in 2027. Inflation is projected to rise moderately to 2.1 percent in

2026 and 2.0 percent in 2027, with policy support measures cushioning the passthrough of higher global energy prices. Risks to the outlook are tilted to the downside amid heightened global uncertainty.”

“The 2027 budget should underpin a decisive shift toward fiscal sustainability while protecting growth-enhancing investments and support for economic diversification. This can be achieved through stronger restraint in recurrent spending, including improved targeting of electricity subsidies and social transfers, alongside efforts to improve public sector efficiency. Accelerating the preparations for the implementation of a broad-based Value Added Tax and advancing tax administration reforms would help strengthen domestic revenue mobilization.”

“Under staff’s current policy baseline, and without further reforms, fiscal deficits are projected to remain large and persistent alongside limited private sector development. This is expected to lead to the depletion of the Petroleum Fund in the late 2030s. We recommend a reform agenda that focuses on expenditure moderation, stronger revenue mobilization, deeper public financial management reforms, and measures to improve the business climate. These reforms would help ensure fiscal sustainability and support strong sustainable growth, stabilizing the Petroleum Fund.”

“We welcome continued progress on financial sector reforms, including recent advances in the new banking legislation and insolvency framework as well as the launch of the movable-collateral registry, which should help improve access to finance. Accelerating the issuance of land titles, advancing national corporate accounting standards, and modernizing payment systems remain priority to further deepen financial intermediation and support private sector development. Continued efforts to strengthen governance, invest in human capital, and improve the business environment will be important to support economic diversification and sustainable long-term growth.”

“The team had fruitful discussions with Minister of Finance Santana Cardoso, Central Bank Governor Hélder Lopes, other senior officials, the private sector, civil society, and development partners. On behalf of the IMF team, I would like to thank the Timorese authorities for their hospitality and excellent cooperation. The IMF stands ready to continue providing capacity development to support the authorities’ reform agenda and policy priorities.”