

## **The Government Approved a Forceful Stimulus Package to Manage the Economic and Financial Risks from The Coronavirus**

The Government approved today, April 20, at the extraordinary meeting of the Council of Ministers, an economic stimulus and response package to counteract the expected negative effects of the coronavirus on the economy, submitted by the Interministerial Commission to Combat COVID-19.

The Government will execute the necessary fiscal and monetary remedies to quickly ensure that the economy survives during the Coronavirus crisis. It is a national priority to address the costs and implications of an economic shock for a three-month period, from May to July, so that people who are hurt by the negative effects are protected from loss of income and unemployment and businesses running into difficulties are able to sustain their cash flow and economic activity.

In the absence of an immediate and forceful response, social distancing restrictions and the health emergency are disrupting supply chains, will increase unemployment, reduce incomes, and threaten our economic activity. Depending on how long the health emergency lasts, projections for 2020 show that the average household may suffer an income loss ranging between \$170 and \$670. This could conceivably push our most vulnerable citizens into poverty and food deficit.

For this reason, the Eight Constitutional Government has identified 19 strategic measures for immediate implementation to support households and businesses in these difficult times, cushioning the economic impact of the health emergency. The economic stimulus approved today is essentially designed with a view to protect people, save jobs, sustain consumption, and aid private sector activity.

As decided today, the Government will implement a universal cash transfer system that will provide a monthly basic income to over 214,000 households. This is expected to last 3 months. It will also subsidize the payment of wages of formal sector employees who may be quarantined or staying at home during the pandemic, with the Government contributing up to 60% of the wage cost. This will stabilize employment and enable businesses to continue to employ their essential staff.

In addition, the Government will purchase a 3-month emergency supply of rice to offset potential shortages during the pandemic. It will provide subsidies to ensure connectivity. The Air North flight will continue its operations 3 times a week, providing crucial medical and emergency links to Darwin. The Government will subsidize the maritime transport of goods to and from Atauro and Oecussi and it will extend unloading from the port to a 24-hour basis. This will prevent delays in the distribution of essential supplies.

Furthermore, the Government will partially waive the payment of electricity bills (\$15 per month). It will also waive the payment of water bills, social security contributions (by both workers and employees), and rent on state properties. The measures include a considerable credit program, featuring reduced interest rates, credit guarantees for importers of essential goods, and emergency loans, to avoid bankruptcies, keep businesses open, and support households resolve their financial difficulties.

The Government will implement a program to increase food supply in the South Coast and Viqueque, and ensure the availability of agricultural, livestock and fisheries inputs. It will additionally provide stipends to over 4,200 Timorese students living overseas, often in trying

circumstances, while students in Timor-Leste will receive internet subsidies to study online. Lastly, a tracking system for COVID-19 will be developed.

The total cost will be proportionate to the impacts of the health emergency and the economic measures are dynamic and will be calibrated as long the economic impact lasts.

Timor-Leste is in a strong position to provide a forceful economic policy response to manage the economic and financial risks from the Coronavirus. The economic stimulus package is an extraordinary move to mitigate a threatening COVID-19 economic shock and will offset financing needs, liquidity problems, and shortfalls in income, so that households, firms and the most vulnerable groups and individuals in society persist in these uncertain times.

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