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Statement by the Hon. **EMILIA PIRES**,  
Governor of the Bank and the Fund for the  
**DEMOCRATIC REPUBLIC OF TIMOR-LESTE**,  
at the Joint Annual Discussion



**Statement by the Hon. Emilia Pires,  
Governor of the Bank and the Fund for the Democratic Republic of Timor-Leste,  
at the Joint Annual Discussion**

Mr. Chairman, Governors, distinguished guests, ladies and gentleman. It is an honor and pleasure to address you all today.

First of all, let me take this opportunity to congratulate the World Bank and the IMF for organizing this successful meeting. On behalf of my country, I would like to extend my gratitude to Turkey for hosting this meeting again after several decades.

Last year when we met at this distinguished gathering the topic of concern was the rising energy cost, the growing demand for oil from industrialized countries and emerging economies, rising food prices, and the scarcity of land for agriculture and for water in many regions. However, a challenging 2008 was made more difficult by near meltdown in the global financial markets at the end of the year.

Going into 2009 on the back of such turbulent economic times was always going to be a challenge. Many countries are now facing the prospects of severe economic downturns, which in some part have been partially alleviated by fiscal stimulus packages. Growing debt, rising unemployment and reduced confidence are major challenges for any generation. But for our generation, they are not all we face.

As we have seen recently following the devastation by earthquakes in Samoa and Indonesia or the flooding in the Philippines, nature can be as volatile as the financial markets. Whether it be caused by the movement of tectonic plates or by the impact of global warming we as an international community cannot ignore the impact of these events. We had not planned for the financial crisis and it may be the case that we remain ill equipped to deal with the climate crisis.

Let us not also forget that these tragic events tend to impact more heavily on the poorer and more disadvantaged nations and members of society. There is research to show that vulnerable groups like women and children can suffer disproportionately more during time of crisis than other members of society and so for example gender mainstreaming of policies is not just about keeping one part of the liberal agenda off our backs, it is yet another important facet of planning that we have failed to adequately consider in the past

but must now address. At the same time we need to therefore understand that development strategies need to serve the dual purposes of not only alleviating poverty but also mitigating some of the effects of these very crises.

For Timor-Leste, the main fallout from the ongoing global financial crisis has been a drop in crude oil prices. Otherwise, we have been fortunate in that we have few links to international trade and financial markets, the main effects being indirect. With resources in the Petroleum Fund providing an effective cushion against volatility in the price of its primary export commodity, Timor-Leste is in a good position to weather the storm. Over the coming year the benefits for growth of careful government spending should outweigh the negative impact of the international downturn.

Overall, our domestic economy is poised for continued growth despite difficult conditions elsewhere in the world, with projected growth for 2009 somewhat lower than 2008 but still strong at approximately 8%. As budget allocations shift towards much needed infrastructure development, each dollar of public spending will have a greater positive impact on growth.

However, we realize that careful planning is important as is the coordination of our efforts with our international partners be they bi-lateral or multilateral. We value our relationships with our multi-lateral agencies like the World Bank and the IMF even if we disagree from time to time on policies. Our overall agenda is to reduce poverty and this is a passion we both share.

At the same time we also value our bi-lateral Government relationships both with major regional neighbors like Australia and Indonesia as well as with others further afield in Europe, America and the Pacific. We believe that Timor-Leste has successfully taken its place on the global stage and that whilst we have much to benefit from our bi-lateral partners we also have much to share with the world.

We do this not out of a sense of pride or need or desperation but out of duty and a feeling of shared understanding and responsibility. In Timor we realize we are fortunate that we are somewhat insulated from the winds of market failures currently blowing around the world. This is because we have revenue from natural resources that have so far shielded us. But we know that as a global partner what affects our partners ultimately affects us and therefore we too, even though we may be a small nation, have our role to play.

Let me share with you some of our experiences in the face of crisis. Since our Independence in 2002 and in the space of less than 10 years, we seemed to experience crisis every two years. The current government mandate started in late 2007, precisely one year after the most serious crisis in 2006 which placed our country on the brink of

becoming a failed state. 150,000 people became refugees in our own country, former military renegades roamed the mountains as a constant threat to our national stability, the economy contracted by 6%, poverty had increased from 36% in 2001 to a staggering 50% in 2007.

With concerted efforts, the new government (a coalition of 5 political parties) put together some measures to address the immediate problems and kick-start the economy. Our dollarized economy proved effective for price stability. Expansive fiscal policies were adopted to address the key problems, resulting in an economic growth of approximately 13% in 2008, preceded by a growth of 8.4% the year before. Our Economic Stabilization Fund, something akin to the stimulus packages of the world, helped staved-off inflation and ensured food security. By mid 2009, all the 50 refugee camps around the country were closed down, military renegades were successfully reintegrated into the society, all vulnerable people assisted in one form or another.

Due to these fast track and short-term measures, we can now look forward to improving the management of our economy in a more efficient and competitive manner. We do look at international market to raise our economies of scale to promote prosperity and reduce poverty. Our ambition is to achieve parts, if not all the MDGs by 2015. Therefore, in 2009, with the support of our American friends we have started to address one of the key challenges in Timor-Leste. We aim to introduce a system to start registering land ownership.

Timor-Leste's development needs are enormous. Our infrastructures are poor beginning with roads, ports, airports, water and sanitation, and telecommunications. We intend to address these challenges as pre-conditions to promoting sustainable economic growth, reducing poverty and achieving prosperity. For the first time in our short history, we are exploring ways of borrowing from multi-lateral and bilateral partners to develop our infrastructure needs.

Mr. Chairman, Ladies and Gentlemen,

Ultimately the global crisis like the current financial, economic and environmental crisis will have to be dealt with by re-looking at global institutions to better prepare them for the challenges of the 21<sup>st</sup> century.

2009 has shown us that market failure deeply affects us all. Be it in the field of financial economics, the environment or gender we realize that we need to plan carefully. We need to have short term strategies that shield our most vulnerable people and long term solutions that can hopefully ensure these problems do not beset future generations.

Therefore, it is up to all of us in this room to look both collectively and individually at what actions we have taken in the past, what worked and more importantly what did not work so that we can be better prepared in the future and work collectively to create a more prosperous world for all our citizens.

Thank you.