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

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Ministers, Governors, distinguished guests, ladies and gentleman. It is an honor and pleasure to address you all today. The rising energy cost, the growing demand for oil from industrialized countries and emerging economies, rising food prices, scarcity of land for agriculture and of water in many regions, climate change, are only some of the indicators of the serious challenges we have faced in 2008. Add to that the recent near meltdown in the global financial markets and 2008 may well be remembered as the year markets failed.

However, it has not been all bad news. The developing world continues to grow, albeit at a slower pace than before and therein may lie part of the solution to the current global crisis. When we in the developing world face these types of crisis, which we do on a more regular basis than our colleagues in more economically advanced nations – then we are repeatedly told to increase our openness to the global economy, to trust in the market but to regulate them well. To be honest this approach has worked. The economies of Asia, the Pacific and Africa are still projected to grow and may well be part of the salvation of the current economic woes.

However, for that to happen, we must make sure that in the effort to correct the market failures that have led to some of today's challenges the world does not overreact and nations become more insular and protective rather than open and competitive. Improving the flow of capital, labour and financial resources from the developing world where economies are growing to the developed where they may stagnate will be an important part of the recovery process. That is not to say that targeted intervention cannot help.

Much like in the recent crisis where many Governments have seen the need for a large injection of liquidity into the financial system, many of us in the developing world have also had experiences (with equally mixed results) of trying to correct rapidly failing markets in a politically and economically charged atmosphere. Indeed we may be able to share a lesson or two with some of our more developed partners in terms of how to intervene in markets. In Timor we passed our own Economic Stabilization Act – but this was not in reaction to the recent financial crisis but the earlier rise in the price of basic commodities.

Through targeted but limited interventions this year has seen some positive developments, mainly in the return of the internally displaced

peoples (IDPs) from the 2006 crisis; 25 out of 54 IDP camps have been closed. Cash transfers were made to vulnerable groups, including the elderly. Clear targets were set for improving basic health and education through the 2008 National Priority Program.

Responding to their genuine solidarity as a member of the international community, Timor-Leste (a least developed country) has also started to help other countries overcome hardships. Apart from donating emergency relief to victims of Tsunami in Indonesia, Timor-Leste will contribute \$1 million in support of the work of UNICEF globally, in 2009. In *per capita ratio*, this amount would exceed the assistance that has been provided by many developed countries.

We do this not out of a sense of pride 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.

Ultimately global crisis like the current financial crisis will have to be dealt with by re-looking at global institutions like the IMF and World Bank to better prepare them for the challenges of the 21st century. 2008 has shown us that market failure and inability to regulate are not only problems for the developing world – but issues that deeply affect us all. Therefore, it is up to all of us in this room to look both collectively and individually at what can be done to create a more prosperous world for all its citizens.

Thank you.