



2010
ANNUAL MEETINGS
International Monetary Fund
World Bank Group
Washington, D.C.

Press Release No. 50

October 8, 2010

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

2010 Annual Meetings of the
International Monetary Fund and the World Bank Group
8 October 2010
Washington DC, USA

Delegation Statement

HON. EMILIA PIRES
Governor for Timor-Leste
Minister of Finance
Democratic Republic of Timor-Leste

Two years after emerging from the 2008 global financial crisis, world conditions have become no less complex, crossing continents and regions, affecting both the developed and the developing. Now, there is even a greater sense of urgency in addressing the challenges inherent to the growing demands of economies struggling through recovery while facing even more critical and complex challenges.

We are witnessing a turning point in our history, where by necessity there is a demand for nations to avoid unilateralism in favor of collectivism in policy making for challenges from accelerated industrialization over the last century. We have now shifted from addressing ailing markets and collapsed financial systems to addressing much more serious consequences; nations facing financial collapse and currency challenges; reactionism has substituted the fundamental policies needed for market stability and global equilibrium.

Amongst those most crucial issues to address: foreign exchange policies to regulate a more stable forecast and international banking policies, which is necessary if we are to avoid increased poverty. The 2008 crisis plunged additional millions of global citizens into extreme poverty. Meanwhile, the demand for energy is no less critical. Food prices have once again surged, for the last quarter of 2010, wheat prices have risen 60-80% and maize has risen on average 40%. Against the natural disasters in regions such as Haiti and Pakistan this year, not atypical of developing regions which incur 97% of natural disaster related deaths, the global community is faced with responsibilities of epic proportion to ease human suffering while attempting to defer future potential loss caused by

climate change. This is the reality of 2010 which many have noted is uncharted territory requiring innovative solutions cross border and boundaries.

In 2010, recovery is slow and unbalanced; massive public spending in 2009 has caused alarming rates of debt in many countries. As a result, future restricted public spending brings to the forefront not only economic challenges but impacts significantly on social conditions. This is a predicament many developing countries have experienced for decades.

In the spirit of collectivism, a new global forum has been established called the g7+ which Timor-Leste has been nominated to lead. The g7+ includes seventeen fragile and post conflict countries and regions including Afghanistan, Burundi, the Central African Republic, Chad, the Democratic Republic of Congo, Ethiopia, Guinea Bissau, Haiti, Ivory Coast, Liberia, Nepal ,Papua New Guinea, Sierra Leone, Solomon Islands, Somalia, the autonomous region of Southern Sudan, and Timor-Leste. The aim is to share experiences and lessons learnt for the purpose of formulating effective policies that will contribute to the global community for better outcomes and solutions, help reduce poverty, accelerate the attainment of the MDG goals and contribute in deterring conflict which costs the global community hundreds of billions of dollars per annum. The g7+ members are the countries and regions most acutely aware of urgent action and reaction to rapidly changing circumstances within politically charged environments and acknowledge the only solutions are those which generate from constructive dialogue. This approach has brought a new level of stability to Timor-Leste which fostered new conditions, in-country.

In 2007, one out of every two citizens in Timor-Leste lived below the poverty line. In spite of the reported \$8 billion in aid spent on Timor-Leste since 1999, poverty had doubled in some of our regions to reach the national average of 49.9%.

In late 2007, Timor-Leste adopted an aggressive reformist agenda. Under this agenda, the country has undergone significant social and economic transformations. Economic growth peaked in 2008 and 2009, at 12.2% and 12.7%, respectively, ranking the Timor-Leste one of the top ten fastest

growing economies in the world for two consecutive years. The nominal GDP has increased from US\$357.8 million in 2007 to US\$444.6 million in 2008 and then to US\$548.1 million in 2009. The projected nominal GDP for 2010 is \$637.2 million dollars. Capital development has surged to 1023% since 2006. With a targeted spend of US\$1.4 billion dollars since 2007, the Government achieved a **9% reduction** in poverty, delivered within a two year period.

This is a major achievement if you consider that out of 167 conflicts occurring in 81 countries, the average growth lingered between 2-5% five years after the conflict. Yet since the 2006 crisis, Timor-Leste has registered a 15% jump in economic growth. This is a new benchmark for fast tracking economic growth which in turn stabilizes social conditions to foster peace.

Timor-Leste has a Petroleum Fund now worth US\$6.3 billion, averaging a return of US\$138 million per month from oil and gas revenues in 2009 and a forecast of US\$150 million per month for 2010. The nation currently has no debt constraints and has focused on utilizing sovereign wealth to invest into the nation: human capacity, infrastructure, social capital, all assets which will spur the non-oil economy, create employment opportunities and establish long term economic growth. Prudent and targeted public spending has been the cornerstone of growth.

The National Strategic Development Plan 2011-2030 which will be presented this year will be the guiding document that will bring Timor-Leste from a low income country to a middle income country by 2030.

Dialogue, stability, reform and planning have been the benchmarks for the modicum of success of a new Timor-Leste. These simple four concepts are applicable to the most complex of global challenges; replacing reactionism, and unilateralism with inclusivity to navigate a global path back to restore and invigorate public confidence, public confidence in leadership, in governance and in institutions . We have learned this lesson through the formation of the g7+ and will continue to reap the benefits as Timor-Leste moves from fragility to agility.

Thank you.