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Statement by the Hon. **EMILIA PIRES**,
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SPEECH

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Fellow Governors,
Government Ministers,
Distinguished guests,
Ladies and gentlemen.

I am honored to be here in Tokyo at the 2012 World Bank and International Monetary Fund Annual Meeting. I would like to thank the host Government of Japan and congratulate them on their 60th anniversary of membership to the IMF and World Bank.

I am pleased to be able to update both my colleagues from around the globe as well as my colleagues from these two pivotal institutions, the World Bank and the International Monetary Fund, that bring us together each year.

This year has been a year of historical context, a year I believe that both the developing and the developed nations, whilst from vastly different contexts, are merging to meet many of the same challenges. Global recovery from the lagging recession has not seen the progress we had hoped. Increased commodity prices, due partly to the effects of climate change, have once again affected regions across the globe; threatening productivity, global consumer confidence and reminding us we are interconnected economies, markets and Peoples; none isolated from the other. Challenges like food insecurity is now not only a threat to the developing but a concern of the developed evident by the swift action taken by the g20 agriculture Ministers when they met for the first time last year to seek collective solutions to shared challenges.

Mass decreases in social spending in many regions and countries due to austerity measures have increased People's anxieties and adversely affected Citizen -State trust.

Much of the Euro zone continues to be in debt crisis with budget deficits set to worsen not unlike many fragile and post conflict nations. People around the world are insecure about their livelihoods given the pressure from economic forecasts and looming financial conditions. There is no disparity between People's will for a secure livelihood in any part of the world. There is no doubt we are at a crossroads when demanding global trials require innovative resolutions, policies and close international cooperation.

Last year I broached the topic of the necessity of collectivism in facing these challenges as a global community; but first collectivism must start at home. Even though Timor-Leste is one of the smallest nations in the world, I believe we were able to contribute to the value of collectivism in 2012 both locally and globally. This year we celebrated our ten years of sovereignty. The celebration was marked by five years of consolidated peace and two successful elections in 2012. Both the Presidential and legislative elections were fair, peaceful and democratic, ushering in a new era for Timor-Leste as a stable nation looking towards a bright future. Our modest success can be largely attributed to the nation building process. Our civil service and armed forces are on a firm trajectory to depoliticizing,

understanding their roles and responsibilities, prioritizing civic duty and taking great pride in professionalizing service delivery. This year also marks a milestone when the United Nation Mission in Timor-Leste departs and we begin a new phase with the United Nations as partners in accelerated development to support our sovereign journey articulated in the Strategic Development Plan 2012-2030.

When we look back on our peacebuilding journey, Timor-Leste put a high premium on building and strengthening the institutions of the State. Resource management, including enacting the laws and legislation, as well as transparently managing public finance management, has been a core and central responsibility of the State to promote service delivery, deliver social welfare and benefits as well as spurring economic activity. The State has taken extreme measures in order to establish transparent and accountable systems on all fiscal affairs including both domestic revenues and revenues from petroleum by vastly increasing the capabilities and apparatus of institutions to prudently and transparently manage the resources and revenue of the nation.

With Quarterly publications on petroleum revenue, being the first in Asia and third world wide to be EITI compliant (Extractive Industry Transparency Initiative), and by establishing the Timor-Leste Transparency Model -the value chain from extraction to expenditure including budget execution, budget expenditure, procurement, aid and results is now open to public scrutiny. The newly established transparency portals have been lauded as one of the most comprehensive in both the developed and developing world allowing public involvement and daily analysis. The **Timor-Leste Transparency Portal** includes four on- line portals which served as a progressive not punitive anti-graft initiative as well as providing inclusivity to all stakeholders for deeper understanding , education enrichment on governance and provides interactive opportunities to the public.

Transparency initiatives have been the hallmark of the IV and now the V Constitutional Government and has been a critical factor in gaining confidence amongst citizens, development partners and investors. All critical measures contributing to the State building process.

Timor-Leste, in many ways, is at the beginning of its journey and therefor can take innovative initiatives in the nation building process. Last year Timor-Leste hosted the **Extractive Industry Transparency Initiative Conference; Beyond the EITI**, bringing together 28 countries. This marked the launch of the Timor-Leste Transparency Model, five pillars which extend the principles of EITI for better, more inclusive, resource management. Timor-Leste was able to begin the global dialogue on how the EITI principles can be expanded to a 360 degree value chain of fiscal accountability, promoting good governance and better results for the People of resource rich countries.

Timor-Leste was only the third country in the world to become EITI compliant. For a nation like Timor-Leste, that is highly dependent on natural resources to fund future economic growth and human development, these initiatives were considered vital. Today, the nations reaching compliance has grown ten –fold, both developing and developed, standing collectively on the issue of transparent regulations, and strong, open and accountable governance in resource management.

If we can reach this milestone in resource management, there is no doubt we can reach a level of consensus on transparent global fiscal and economic policies which affect us all as interconnected borders, regions and continents.

As we invest into our own economy, importing both materials and labour for infrastructure works while also investing into our own human capacity to reduce the reliance on foreign experts and exports, we are feeling the fiscal pressure of domestic inflation. Add drivers like increases in international food prices, depreciation of the US Dollar and increases in recurrent expenditure and we

faced a dramatic increase in domestic inflation. This compels us to continually review fiscal policy and monitor closely our accelerated growth and planning. Budgeting for Results is now a key measure where we gauge our strategic goals against performance information, use of performance information in decision making, results oriented management of the budget with a firm focus on increasing capabilities to manage for results.

Given these factors and others, Timor-Leste has taken the necessary steps to diversify the Petroleum Fund with an investment policy better aligned to the fiscal policy and Timor-Leste's nation building program. The amended legislation passed by National Parliament on August 23, 2011 strengthens the already internationally acclaimed governance framework embedded in the architecture of the original 2005 law. A key change in the amended law was to apply the fundamental financial market principle of diversification. The Petroleum Fund Law now allows for investment instruments other than US Government bonds and hopefully, increasing the share of equities will increase the expected long-term return. The law now allows 50% of the fund to be invested in equities and other asset classes rather than the conservative 10% as per the former mandate in the law.

Having successfully reformed much of the public finance management system, confidence in capacity has increased with positive results; increased budget execution, increased tax collection and compliance, increased decentralization and increased automation with transparency and accountability at the forefront of the reforms.

With these measures, Timor-Leste has proudly been able to go into the second year leading the g7+ , seventeen fragile and post conflict countries including Afghanistan, Burundi, Central African Republic, Chad, Democratic Republic of Congo, Guinea Bissau, Haiti, Ivory Coast, Liberia, Nepal, Papua New Guinea, Sierra Leone, Solomon Islands, Somalia, South Sudan, Timor-Leste and Togo. The g7+ have come together for the first time in history to contribute to global policy with the aim-to stop conflict, build States and eradicate poverty. Together with our partners we were able to provide a new aid architecture, The New Deal for Engagement in Fragile States endorsed in Busan, Korea at the end of 2011. A hallmark of the New Deal is country owned and country led transitions from fragility to development.

Together these nations have consolidated a united voice, with a focus on identifying Peace building and State building Goals (PSG's) as a prerequisite to achieving the Millennium Development Goals. Timor-Leste continues to co-chair the International Dialogue now with Denmark, promoting the Peace building and State building agenda with global organizations, development partners and partner countries to ensure the voice of the post conflict and fragile nations gets heard with one message and a future vision for the betterment of our People.

In closing, Timor-Leste, as one of the world's newest nations, still only a decade long in its nation-building cycle continues on an upward trajectory. We are confident in the strengthened abilities and reforms to the State and its Institutions that democratic principles will prevail, the nation will stay on course and Timor-Leste will maintain its strategic plan for a future of peace and prosperity for its citizens.

Thank you