

Opening Remarks by the Minister of Finance on Occasion of the Timor-Leste Development Partners Meeting 2021



Excelências:

Senhor Presidente do Parlamento Nacional, Dr. Aniceto Guterres,

Senhor Primeiro-Ministro, General Tuar Matan Ruak,

Senhor Presidente do Tribunal de Recursos, Dr. Deolindo dos Santos,

Vice-Primeira Ministra e Ministra da Solidariedade Social e Inclusão, Dra. Armanda Berta dos Santos,

Vice-Primeiro Ministro e Ministro do Planeamento e Ordenamento, Eng. José Maria dos Reis,

Membros do Oitavo Governo Constitucional,

Embaixadores, Representante das Nações Unidas, Representantes Residentes, Charge d'Affaires,

Representantes da Sociedade Civil, Instituições Académicas, Setor Privado, os Mídia,

Ilustres Convidados, Senhoras e Senhores,

As Co-Chair of this year's Timor-Leste Development Partner's Meeting, it is with great honor that I welcome you today, in a time when Timor-Leste, a *Least Developed & Small Island Developing State*, is trying to address a number of structural challenges in its development trajectory.

The blow of the Buffalo Horn by our performers from *Timor Furak* was to call upon people to gather for a big event.

The big event involves a traditional cuisine, which involves important ingredients normally used in the dowry system, and this is symbolized by the *Cele-Cuku* Dance from Lospalos.

And the *Coffee Harvest* dance shows that the farmers are looking forward to a rich harvest, money in their pockets and food on the table for their families.

Here we are today with the theme: “*Moving Beyond Crisis: Building Back Better for Inclusive Development and Recovery*”—is particularly suitable and timely.

Timor-Leste’s economy continues to grapple with long-term issues, including limited domestic market, distance to international markets, low efficiency of our public service, low labor productivity, fiscal imbalance, constraint in domestic resources, and little resilience to natural disasters, to name a few. Today, these issues are further exacerbated by the twin shocks, caused by the Covid-19 pandemic and, more recently, by floods, posing new challenges to the economic outlook, and indeed our People’s wellbeing.

From the perspective of the Ministry of Finance, we are implementing Public Financial Management (PFM) reforms, improving budget execution and fiscal outturns, as well as managing the fiscal accounts, in order to preserve the resources accumulated in the Petroleum Fund.

And to reduce investment risk, since the 1st of July, we have introduced a segmentation of the Petroleum Fund into separate liquid and growth portfolios. A Liquidity portfolio is to finance the projected withdrawals over the next three years.

And the remainder of the Fund will be invested in a Growth portfolio that will be invested according to the current fixed interest and equity allocation of 65% / 35%.

This is a new approach and it is consistent with industry best practices.

In January this year, the Government presented to Parliament a draft of the Budget Framework Law, it is now under discussion, a law which will guide future budgeting and planning processes, enhancing comparability by adopting a chart of accounts and budget classification based on international standards.

We have resumed a number of actions to increase domestic revenue mobilization by improving tax administration, promoting economic diversification, and fostering private-sector job creation. A new Value-Added Tax (VAT) Law is due in Parliament this year. Other fiscal reforms are in the pipeline, such as the new Tax & Duties Act, a revised Tax Procedures Code and the establishment of the Board of Tax and Customs Appeals’ Office.

The recent implementation of program-based budgeting will facilitate the prioritization of government spending.

More on these will be presented by Director-General Martinho Lopes.

Certainly, we are aware of our capacity constraints, the reason for bringing us together to strengthen our partnerships to address environmental and economic vulnerabilities that may potentially derail the achievement of prosperity of our People and Nation.

On Tuesday, we began with bilateral dialogues, co-chaired by my colleague, Minister Adaljiza Magno, covering many specific and pertinent issues.

During the bilateral dialogues we registered that it is indeed important to build on what the

Government has done rather than doing something different or duplicate.

We confirmed that there is strong commitment from our Development Partners to support Timor-Leste's development, and this is done *numa lógica de continuidade e para o futuro*, in the words of Honorable Ambassador José Pedro Machado.

We confirmed through our bilateral dialogues that there is trust in this Government, and the channeling of aid through direct budget support, is not just a new chapter, but a new book, in the words of Honorable Ambassador Peter Roberts.

Some of you may recall that the last time the Government hosted the Timor-Leste Development Partners' Meeting was in 2019, with the theme **"Deepening Coordination for Financing Development."**

In that meeting, the Government emphasized the importance of our respected Development Partners working closely with the Government through, among other sessions, launching the Foreign Aid Policy which outlines the Government's position on preferred methods of cooperation, namely *country-owned and country-led development* that makes use of country systems.

Two years later, we find ourselves in a radically changed context. The Covid-19 pandemic has largely reshaped our lives and livelihoods, our politics, and our economies.

In early 2020, as the virus spread throughout the world and a vaccine was far in the distance, a deep sense of fear and uncertainty took hold of populations across the globe, including in Timor-Leste.

Once we registered our first case of Covid-19, the Government acted swiftly to close the borders, declaring the first state of emergency on 20 of March of 2020.

Through hard work, strict adherence to health guidelines, countercyclical investments to bolster the economy and improve social safety nets, and close collaboration with our esteemed development partners, Timor-Leste was able to maintain an enviable record of keeping cases of community transmission at bay until March of this year, nearly one year after the first state of emergency was declared.

However, our nation's troubles were multiplied with the 4th of April landfall of cyclone *Seroja*, resulting in the destruction of public infrastructure, the displacement of thousands of vulnerable people, and the death of more than 40 of our citizens.

Once again, during this time, the people of Timor-Leste were able to count on the support of our development partners who helped in various ways ranging from providing vital food and non-food items assistance, supporting critical water and sanitation repair, and helped the government efforts of returning people from temporary shelters to their homes.

Excellences, Ladies and Gentlemen,

Among the many lessons what these difficult times have taught us is that we are far more interconnected than we think.

Events that occur in far flung places can quickly have major ramifications that reverberate throughout the globe, changing the course of history in its wake. Moreover, science and our own experience points to the fact that cataclysmic extreme weather patterns resulting from climate change will continue and

may likely intensify in the future. That is why it is more important than ever to strengthen our cooperation now for a better and brighter future.

As the theme of this year's meeting suggests, we believe we are at a turning point in addressing the obstacles our Nation has recently faced.

Perhaps auspiciously, the morning after the April 4th flooding we received our first delivery of AstraZeneca vaccines, a sign that indeed there was light at the end of the dark tunnel.

Now, three months later with 12.3% of eligible population fully vaccinated and 37.4% with the first dose, and 95.4% of displaced people relocated, we stand with renewed hope for what the future holds for our Nation.

We are committed to protect our people from the Covid-19 pandemic, but also to normalize the situation where children can go back to school, businesses can re-open and eventually we can get our economy bounce back from a contraction of negative 7.8% last year to positive 1.8% or more this year.

We are in the middle of the budget process for the fiscal year of 2022, where the focus is on six priorities for state investment, namely human capital development, housing and social inclusion, productive sectors, private sector development and cooperatives, rural development and good governance. We believe this prioritization will bring about direct development impact to the people and faster result than otherwise.

I would like to take this opportunity to express our gratitude to our development partners for standing with us during the most challenging times in our recent history.

Your contribution during these times have undoubtedly helped and continue to help us overcome the struggles causing by the twin shocks.

Today's agenda is a full one. We will first have the honor of receiving welcoming remarks from the Prime Minister, His Excellency General Taur Matan Ruak.

Following the official opening of this Meeting, we will have our keynote speaker for the day, Former Prime-Minister, His Excellency Dr. Mari Bin Amude Alkatiri, and one of the founding fathers of Timor-Leste, who will be speaking on *Recovery and Reconstruction Post-Covid-19*.

After that, the Minister of the Presidency of the Council of Ministers, His Excellency Fidelis Leite Magalhães, will be sharing the Government Programs and Priorities for 2022, which will provide our development partners with a sense of what to expect next year and where we could use additional support.

The final morning presentation will be delivered by Her Excellency Adaljiza Albetina Xavier Reis Magno, Minister of Foreign Affairs and Cooperation who will update the audience on the status of Timor-Leste's Accession into ASEAN.

The afternoon session will provide audience members with vital information directly related to overcoming the crises. The first will be a presentation by the Minister of Health, Her Excellency Odete Freitas on the vaccination rollout, and the second will be an update delivered by the Minister of State Administration, His Excellency Miguel Carvalho, on the status of *Overcoming the Effects of Cyclone Seroja*.

Later in the afternoon we will be presented with the contents of the new *Consolidated National Action Plan for Food Security and Nutrition*.

This year's TLDPM will conclude with what we hope to be a productive and fruitful roundtable discussion where insights, reflections, and pertinent information will be shared.

I really look forward to thorough and constructive deliberations today.

With these remarks, I now invite His Excellency the Prime-Minister, General Taur Matan Ruak to deliver his speech and to officially open the *2021 Timor-Leste Development Partners' Meeting*.

Thank you. ***