



REPÚBLICA DEMOCRÁTICA DE TIMOR-LESTE IV CONSTITUTIONAL GOVERNMENT

MEDIA RELEASE

Díli- October 26, 2009

Statement

By

*The Spokesperson of the IV Constitutional Government,
The Secretary of State for the Council of Ministers*

Government changes the public service culture to deliver budget results

The Minister for Finance for Timor-Leste, Ms. Emilia Pires, will go before Commission C on behalf of the IV Constitutional Government to deliver the results of the 2008 and 2009 budget performance as a precursor to the presentation of the 2010 budget proceedings.

2008 was a transition year when the Government of Timor-Leste adopted a cash basis system for the management of public finance to comply with Section 39.1 (b) of The Budget and Financial Management Regulation which stated 'public accounts must be consistent with International Accounting Systems.' The previous system did not comply as the modified accrual basis did not meet international standards.

Despite the transitions, in 2008 the Government improved in all areas, both revenues and budget execution rates.

In 2006/2007 the former Government reported revenues of \$47.5m. The following year, despite the tax reforms lowering the threshold, the new Government delivered US\$69.9m in domestic revenues, an average of \$5.8m per month. In 2009, the domestic revenues have averaged an additional one million per month (\$6.88m), thus resulting in a significant increase in revenues to be expected by the end of the 2009 financial year.

In 2006/2007, the former Government had a budget executing rate of 48.9% on cash basis, on a budget of \$328.6m. In 2008, the budget effectively doubled and with the same public service capacity, reaching a budget execution rate of 79% on cash basis.

Forecasts on the 2009 budget execution look even more positive, this time last year, budget execution was at 37%; this year 48% of the 2009 budget has been executed; final execution rates will largely be determined by the timely delivery of goods, many of which have been re-routed to meet demands of various humanitarian crises from regional natural disasters.

The results reflect the Governments' commitment to improve conditions of the nation through more effective and efficient public financial management which ultimately has resulted in improved overall economic indicators.

Recently, The World Bank Doing Business Report 2010 cited Timor-Leste as having the largest improvements in reforms in 'paying taxes'. Evaluated on their taxation services globally, Timor-Leste increased 56 countries in one year to rank #19 from 183 countries; making the nation attractive for investors. Timor-Leste also increased by nine countries in the overall doing business category to rank #164.

Timor-Leste was the second fastest growing economy in the world in 2008, with a 12.8% economic growth and prospects for 2009 look good, reaching at least 8% which is needed sustainable development.

In a Timor-Leste Financial Management Performance Report which evaluated the three years prior to 2007, the main findings say there were '**Unproductive Attitudes and Behaviors.**' in the public service.

The report continues "**Many of the problems faced by the PFM system stem from an ineffective organizational culture characterized by a lack of transparency and accountability, and by systemic corruption. Most high-level staff have no leadership and management experience, and the incentive framework is weak and uncertain. Managers are reluctant to delegate, further reducing the degree of responsibility felt by staff. There are problems of staff absenteeism, lack of motivation**'

The Secretary of State for the Council of Ministers and Official Spokesman for the IV Constitutional Government noted "I believe our positive results demonstrate a shift in culture of the public service. The improvements in budget execution and revenue collection are performed by the same public service, but this Government has strong policies and a shared national agenda. The budget process has never been so transparent and open for debate.'

'We are actively reforming and professionalizing our institutions, like with the implementation of the civil service commission, higher wage scales, promotions based on meritocratic systems, training and capacity building initiatives and in turn, our public servants through strong leadership and management by our Government led by the Prime Minister Xanana Gusmão, are energized and achieving greater results for the nation.'

Increases in budget execution and domestic revenues are largely due to new systems and controls, implementations of stricter procedures, streamlined efficiencies for collection and identifying and targeting those areas where fraud or corruption could occur with deterrence measures. **ENDS**

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