



PRIMEIRO
MINISTRO

**ADDRESS BY
HIS EXCELLENCY THE PRIME MINISTER
KAY RALA XANANA GUSMÃO
ON THE OCCASION OF THE CELEBRATION OF THE 1ST
ANNIVERSARY OF THE CENTRAL BANK OF TIMOR-LESTE**

Hotel Timor, Dili
13 September 2012



Palácio do Governo,
Avenida Presidente Nicolau Lobato,
Dili, Timor-Leste

Your Excellency
The Speaker of Parliament

Your Excellencies
Members of Parliament and fellow Government Members

Your Excellencies
Representatives of Civil Society

Your Excellency
The Governor of the Central Bank of Timor-Leste

Your Excellencies
The Members of the Administration Board

Honourable guests
Ladies and Gentlemen,

Today we are celebrating not only the first anniversary of the Central Bank of Timor-Leste, but also the consolidation of a sound and independent institution that has been serving the Timorese people well.

It was precisely one year ago that the Banking and Payments Authority was transformed into a Central Bank. Indeed, the Constitution required the State to create a national Central Bank, which would share the responsibility for drafting and executing monetary and financial policies.

However, this institution has already been regulating and supervising our banking sector for over ten years, through the Banking and Payments Authority, having successfully introduced the US dollar as the official currency and maintaining the proper quantities of bills and coins to be used by the citizens and businesspeople of the country.

Additionally, this institution has been managing the Petroleum Fund remarkably well since 2005. This is acknowledged internationally, particularly when we consider Timor-Leste's lack of experience in terms of financial management.

In this way, the path of the Central Bank mirrors in many ways the process that the country has been undergoing since its independence in relation to the tasks, responsibilities and roles it has performed. These have been growing both in terms of quantity and complexity, so as to meet the needs of our young Nation.

In addition to being the people's banker, the Central Bank also has a mandate concerning insurance companies and the regular publication of economic and financial statistics, including the Nation's balance of payments. In this way it contributes to improved economic planning and consequently to the development of the country.

As any other central bank in the world, our Central Bank, which is now fully established, is responsible for pursuing policies to achieve and maintain domestic price stability, including the liquidity and solvency of the banking and financial systems, drafting exchange rate policies and promoting a safe, sound and efficient system of payments.

Ladies and Gentlemen,

The Central Bank of Timor-Leste also has a vital role in supporting the general economic policies of the Government. This means that the Government and the Central Bank will collaborate in the drafting of the national economic policy.

As you are aware, yesterday the Fifth Constitutional Government presented its Government Program to Parliament.

The key message of the Program is quite clear and represents the main mission of our governance: to strengthen the State and to provide a sound foundation for the national development of the country.

We have a plan for the future. We have actual goals and objectives to transform Timor-Leste into a medium-high income country, creating opportunities for all in a fair and inclusive manner, so as to enable the growth of a dynamic and job-creating economy.

This is the collective vision of the Timorese People, expressed in the *Strategic Development Plan 2011-2030*. We want to have a population that is healthy, educated, safe and self-sufficient, with access to justice and all essential goods and services.

This requires economic development and job creation. The private sector is therefore a strategic partner of the Government.

We vow to build a modern and diversified economy based on agriculture, tourism and the petroleum industry, with a strong and emerging private sector that supports the creation of opportunities for all Timorese citizens.

This is a vital strategy for breaking the dependence on our petroleum revenues.

Our Petroleum Fund continues to grow, standing currently at US\$ 11 billion. This is remarkable when we recall that in September 2005, when the Petroleum Fund started to operate, it stood at US\$ 250 million.

Although we have improved the management of the Fund during the last few years – and here we must credit mainly the Central Bank team – the Government intends to invest in the diversification of the economy, so that we do not continue to depend excessively from the Petroleum Fund and that we can ensure alternative financial resources for future generations.

Ladies and Gentlemen,

In view of this, the Government wants to:

First – focus on a commercial agriculture that goes beyond food self-sufficiency, enabling the development of agricultural exports.

Second – focus on the petroleum industry, developing the south coast with proper infrastructure, through the Tasi-Mane project. This includes the multi-year investment in the development of three industrial clusters: the Suai supply base, the Betano refinery and petrochemical industry and the Beaçó liquefied natural gas plant.

Third – focus on the tourism sector and associated industries, maximising Timor-Leste's potential in terms of supply, benefitting from the fact that we have great natural beauty, unique history and culture, tropical beaches that are rich in marine life and mountain ranges that will prove a draw card for tourists.

In this way, and by expanding agriculture, the petroleum industry and tourism, which will be fully supported by comprehensive infrastructure and human capital development programs, as well as by promoting the capacity building and training of Timorese citizens at all levels, the Government will create opportunities for the development of the private sector.

Ladies and Gentlemen,

In order for this strategy to succeed, it must be supported by effective economic policies. This includes the development of credit agencies, business regulation and the capacity building of the private sector.

As such, we highlight the following priorities, which will receive the Government's full attention:

- Improve the business environment, including the increasing the capacity for obtaining finance, improve contract enforcement, simplify the business registration procedure, reinforce land titles and property registration and provide effective mechanisms for the settlement of business disputes.
- Introduce a new investment law containing general tax provisions for business investment.
- Support the strengthening of the Chamber of Commerce and Industry.
- Promote the creation of an effective and responsive Investment Promotion Agency that is able to provide information and advice to national and international investors.

- Develop Public-Private Partnerships.
- Establish the National Development Bank of Timor-Leste to enable access by the private sector to long term funding.
- Support the establishment of the Timor-Leste Investment Company to support companies, that operates in a commercial manner in accordance with clear and strict investment guidelines and independent management.
- Consolidate the National Commercial Bank of Timor-Leste, in order to support the expansion of small companies by providing credit.
- Establish Special Economic Zones, with a clear and simple regulatory and tax environment, enabling Timor-Leste to attract foreign investment and international companies, in addition to creating development opportunities for the national private sector, with the establishment of industrial, commercial and service zones.
- Expand the IADE Business Development Centres to every district and expand the array of services they provide, including the “Business Incubator” concept. This will promote the renting and purchasing of machinery, as well as access to services such as transportation, storage and marketing.
- Approve and implement legislation on land tenure.

The Government’s decentralisation policies will also support the development of the private sector in rural areas. In addition to this, we will invest in agribusinesses and in the cooperative sector, through direct support to cooperatives, including credit grants for equipment and tools, the establishment of markets and for improving infrastructure, such as cooperative headquarters.

Ladies and Gentlemen,

Although the Central Bank has specific responsibilities in terms of supporting the development of the financial sector, we are also expecting it to provide valuable contributions to progress in other sectors of the economy and in doing so contribute to the sustainable development of the nation.

The role that the Central Bank will play in supervising the banking sector, which will grow as a result of the new economic policies that we will implement, is in itself a key undertaking for achieving our development goals.

Further, the regulation of and supervision of insurance companies, one of which has already been granted a licence, and the efforts made to prevent and fight money laundering, are also clear ways in which the Central Bank is supporting the economic policies set out in the Strategic Development Plan and in the Government Program.

Therefore, it is with great satisfaction that I congratulate the Central Bank on its first anniversary and on its performance towards the sustainable development of the country. I would also like to seize this opportunity to call upon the entire private sector, and all economic and financial institutions in attendance here today, to take an active part in the development of our beloved nation.

Thank you very much.

Kay Rala Xanana Gusmão
13 September 2012