

Timor-Leste Development Partner's Meeting, April 2010  
International Finance Corporation Statement

(IFC)

Your Excellency President of the Democratic Republic of T-L  
Your Excellency Prime Minister  
Your Excellencies Ministers and Vice Ministers  
Government Members  
Ambassadors  
Members of International Organizations  
Private Sector Representatives  
Members of Non-Governmental Organizations  
Colleagues

We meet again this year with the shared vision: "Goodbye Conflict, Welcome Development."  
This is a clear and welcome message. Much has been achieved in the past year, and IFC would like to congratulate the Government on its accomplishments. If the return of Timorese investors to their home country can be seen as an indicator for an improved perception of stability, then we are encouraged.

It is good to see private sector representatives at the table. Last year, the public-private Better Business Initiative, or 'BBI', supported by IFC, worked with the private sector to present shared priorities to the Government in a consultation convened by Your Excellency, Prime Minister. The result was a short but weighty 'to do' list:

1. Pass the Land and Property Law
2. Access to Finance for the national private sector
3. Reform Business Registry and Licensing
4. Streamline trade facilitation procedures
5. Maintain security and stability
6. Help the private sector formalize into effective professional institutions

So, where are we a year later on these issues? While much remains to be done, it is encouraging to see how much real progress has been made.

- (1) A new land law has been passed by the Council of Ministers and awaits parliamentary discussion. This is a huge step forward in securing the viability of long-term investment in Timor-Leste. IFC's own investment engagement in T-L has underlined the critical importance of land titling, and of a mortgage registration system, as urgently needed infrastructure for lenders considering investment in the country.
- (2) Access to financial services is one of the key priorities of the private sector. We recognize the importance of improving the private sector's access to sources of finance. With its financial services working group the BBI undertook research on market demand for credit and worked to clarify the different options for GoTL participation in the financial services sector. We understand the GoTL's rationale in budgeting funds for the establishment of a development bank, but would welcome the opportunity to continue dialogue with the government and other development partners on this with a view to identifying more financially sustainable options and we look forward to sharing our global experience. Our immediate focus in helping to broaden and deepen access to sustainable finance in Timor-Leste will be through a major new performance-based grants program being developed in partnership with AusAID.

(3) Business Registration and Licensing Reform

Business registration reform is well underway, led by the Ministry of Justice. We will assist in bringing international best practice and sustained support into the reform process. We note that full success in reform will also depend on streamlining the business licensing regime and IFC looks forward to working closely with the MTCI in this area.

(4) Streamline trade facilitation procedures

Lack of clarity of customs procedures is a key concern of importers. The BBI worked with individual businesses to clarify priorities and recommendations for reform of trade facilitation. During a recent consultation with industry, the Government presented new procedures and improvements and industry presented shared priorities. We see the will to reform, and stand ready to support.

(5) Security and Stability

Both have demonstrably improved – a fact of central importance to improving the climate for investment. Over the longer term, continued employment growth will be critical to further consolidating peace and stability, and will be a particular challenge given the level of population growth, with 16,000 new entrants into the labor market each year.

(6) Formalization of Professional Institutions

Perhaps one of the biggest changes for the national private sector will be building from 38 associations to a unified Chamber of Commerce. Government has played a strong role in inspiring the national private sector to organize itself. The national congress to elect the leadership is scheduled for next week, and then the real work begins, to choose an independent Chief Executive Officer and build the Chamber. The new Chamber will get continued support from Australia and Germany.

In short, solid progress has been made against all six of the priorities identified by the private sector last year. Whilst there is still much to do, this is nonetheless impressive progress. And this is without mentioning other major efforts, such as tax reform, which made Timor-Leste the number one reformer globally on 'the Paying Taxes' indicator of the World Bank Group's 'Doing Business' data series. A new investment law is also scheduled for Council of Ministers discussion.

It is crucial that GoTL stays on the reform path. It is hard work, but the gains compound over time. Further regulatory reforms that can encourage the private sector to grow include accelerating and facilitating the resolution of commercial disputes, providing certainty and clarity for government approval processes; and last but not least, creation of a level playing field through transparent and competitive procurement services. At the end of the day, it's important to strike the right balance between government engagement, and freeing the private sector to do what it does best – create wealth and jobs, and drive growth.

We would also like to thank the Governments of Australia, Japan, New Zealand, Portugal, and the United States for supporting IFC's partnership with the Government of Timor-Leste.

Thank you.