



REPUBLICA DEMOCRATICA DE TIMOR-LESTE
MINISTÉRIO DAS FINANÇAS

Briefing Notes
Visit of Minister of Finance and Delegation to Tokyo, Japan
14-16 February 2011

I. Introduction

Minister of Finance and delegation visited Tokyo, Japan, from 14 to 16 of February 2011. The delegation comprised of Minister of Finance, Hon. Emilia Pires, Debt Management and Investment Advisor, Mr. Jose Abel, and Executive Secretary for Minister of Finance, Ms. Balbina Soares. Timor-Leste's ambassador to Tokyo, Mr. Domingos Alves accompanied Minister Pires and delegation during the visit. This briefing provides information on specific points discussed with several high-dignitaries from the Government of Japan, Japan Chamber of Commerce and Industry, Japan Federation of Economic Organizations as well as members of Japan-Timor Leste Parliamentary Friendship Association. It will end with conclusion and future actions.

II. Purpose of the visit

The main purpose of this visit was to discuss Timor-Leste's request for accessing Japanese ODA loans with high-ranking officials of the Government of Japan (GoJ) while strengthen the relationship between the two countries. The visit was also a forum for exchanging information in various fields of development of Timor-Leste. The delegation arrived in Tokyo midnight of the 13th February 2011, and started meetings from Monday, 14th February 2011 to Wednesday, 16 February and arrived back in Dili on 17 February 2011 (See Meeting Schedule).

III. Meetings and points discussed

3.1. Briefing points of H.E. Emilia Pires

Minister Pires and delegation started the meetings with high level dignitaries by thanking the GoJ for the cooperation and technical assistance provided to Timor-Leste in various areas of development, which has deepened the relation between the two countries and wished that the visit would further strengthen this relationship.

She briefed the dignitaries on the work of the 4th Constitutional Government of Timor-Leste since 2007 with particular focus on addressing problems of Internal Displaced Peoples (IDPs), Petitioners, government policies on the subsidy to elderly people and veterans, public sectors reforms undertaken during the period, achievements made in various sectors of the economy, as well as the Strategic Development Plan (SDP). The SDP will be implemented over the coming two decades (2011-2030) with the objective of developing the country and ensuring the prosperity of the people. The Plan offers a Vision to 2030, sets out government overarching priorities for 2020, and a Public Investment Plan to 2015. The government has established two main pillars of SDP, which are the Infrastructure Fund and Human Capital Fund with defined strategic sectors of development, including infrastructure, petroleum related industries, agriculture, eco-tourism and human capital development. This will transform Timor-Leste's heavily dependent oil economy into a strong non-oil economy over the coming two/three decades.

To enable this to happen and to achieve the goals of SDP, the Government of Timor-Leste will need to mobilize substantial financing. Minister Pires was then explained the 9 key issues undertaken by the GoTL as part of preparatory work for accessing Japanese loans. The GoTL, with assistance of JICA and ADB, has also prepared Debt Sustainability Analysis (DSA), Private Public Partnership (PPP) policy, Borrowing Policy, drafted Debt Management Law. Minister Pires informed the dignitaries that the GoTL will launch the SDP, procurement and transparency portal of the Government of Timor-Leste by mid July 2011. National Development Agency (NDA) and Debt Management Unit (DMU) were established.

In this line, she reiterated the request of GoTL to GoJ for accessing Japanese ODA loans. The loans will be utilized for “upgrading road project” from Dili-Manatuto-Baucau with 7 meters wide, two meters shoulder, road alignments with best international road design standards for 30 years guarantee. Therefore, the Japanese ODA loans is needed to help turn around Timor-

Leste's economy by improving road infrastructure. She was also stressed the importance of grant assistance for development in Timor-Leste. These briefings were well received.

As part of joint efforts for strengthening the relation between the two countries, Minister Pires invited all dignitaries met to visit and see by themselves development and changes in Timor-Leste. She insisted that the visit of the dignitaries shall be coincided with Development Partners meeting planned to take place on 11-13 July 2011 in Dili. There will be also launching of Timor-Leste's SDP, Procurement and Transparency Portal.

3.2. High-level meetings

Meeting with high-ranking officials of JICA. While thanking JICA on the assistance provided so far to Timor-Leste in various areas of development, Minister Pires informed JICA on progress made and SDP processes as well as Dili-Baucau road proposed as the first loan funded project in Timor-Leste. JICA renew its commitment to continue support the GoTL in various areas of development.

Meeting with Hon. Kazuya Shimba¹, member of the Japan House of Councillor. The meeting took place at Sanoo Park Tower. Minister Pires explained the purpose of the visit and briefed Mr Shimba on the development and progress made by the GoTL. Mr. Shimba appreciates achievements made and stressed the commitment of GoJ to continue assist Timor-Leste in developing the country. On Yen loan request, Mr Shimba welcomed the intention and will support any discussion within the GoJ. He went on by suggesting Timor-Leste to focus its development not only in infrastructure and petroleum industry, but also in the education, tourism and agriculture sectors.

Meeting with Minister for Economy, Trade and Industry (METI), Hon. Banri Kaieda². Although he has not been able to visit Timor-Leste after independence, but informed the delegation that Ambassador Kitahara has updated him regularly on the development and changes in Timor-Leste. His Ministry is willing to facilitate local products of Timor-Leste, such as "Tais", to enter Japanese market. Regarding Yen loan to Timor-Leste, Mr Kaieda acknowledged that he has received official request from the GoTL, but would like to discuss

¹ Mr Shimba visited Timor-Leste in April 2010 and met various agencies of the GoTL

² Mr Kaieda visited TL during Indonesian rule and met Bishop Belo. After independence he has not visited TL but would like to visit sometime in the future.

the subject internally within the Government of Japan as soon as possible. He informed that during his visit to TL, he noticed that roads and other infrastructures in Timor-Leste are in poor condition and need to be developed or upgraded. He will seriously consider Yen loan for Timor-Leste, but reminded that Ministry of Finance of Japan would have final approval.



Figure 1. Minister Pires handed a gift to Mr Kaieda Water Pot of TL

With regard to the Yen loans to be discussed with MoF Japan, Minister Pires emphasized that since Mr Kaieda has better understanding of Timor-Leste, it would be beneficial if METI can also explain to the Ministry of Finance of Japan on the importance of Yen loan for Timor-Leste to transform the economy from oil-economy to non-oil economy. On the questions why borrow while Timor-Leste has Petroleum Fund, Minister Pires explained that borrowing comes with transfer of skills, knowledge and management capacity.

Meeting with President of National Defence Academy of Japan, Hon. Makoto Iokibe. The meeting was a “four-eye closed door meeting” focused on how to strengthen military cooperation between the two countries. The National Defence Academy (NDA) of Japan is willing to establish a strong partnership with FFDTL, particularly in the area of training and capacity building. Four FFDTL members currently attend trainings at NDA of Japan.

Prior to meeting Hon Iokibe, Minister Pires and delegation met ***Minister of Justice of the GoJ, Hon. Satsuki Eda***³. Mr Eda expressed strong commitment of the GoJ to continue assist the GoTL in building country. He underlined the excellent work of Ambassador Kitahara, who works very hard deepen the relation between the two countries. Although the current GoJ is facing various challenges, all Ministries are committed to strengthen the relationship with

³ Mr. Eda visited TL during the 1999 referendum taking all risks to follow the referendum process. Two months later, Mr Eda paid another visit to TL together with Mr Hatta, former Prime Minister of Japan. Both were looking and met current Prime Minister of TL, H.E. Xanana Gusmao. His latest visit to TL was conducted in 2008 with House of Councillor members

Timor-Leste, Mr Eda informed the delegation. Regarding ODA loan request from Timor-Leste, Mr. Eda informed the delegation that the GoJ will seriously discuss the request, but suggested to discuss in more detail with Minister of Finance of Japan.

On the second day of the visit, Minister Pires and delegation attended a number of meetings, including meetings with *Vice President of Chamber of Commerce and Industry(CoCI)⁴ of Japan, Mr. Takeshi Akagi; State Secretary for Foreign Affairs, Hon. Mr Bano; Dr. Hasegawa and academicians and students of the UN University as well as meeting with Japan-Timor Leste Parliamentary Friendship Association.*



Figure 2. Mr Satsuki Eda and Minister Pires were exchanging gifts after meeting

While thanked Minister Pires and delegation for the visit, Mr Akagi appreciates the updated information provided on development in Timor-Leste and progress made in various sectors. He also expressed his appreciation to the GoTL for inviting Japanese companies to invest and involve in the development of Timor-Leste. He assured the delegation that Japanese companies will extend their cooperation to Timor-Leste and willingness to participate in developing Timor-Leste's infrastructure.

One major concern rose by Mr Akagi was lack of information on the Timor-Leste's state of development, development programs and as well as other information on tourism etc. Such information will be useful for the Japanese companies before taking any decision. In fact, he informed, many reports and/or information circulated in Japanese public were centered on conflict and civil war. Therefore, it is imperative for the GoTL to provide updated information on development with positive image on Timor-Leste and this will certainly change people's perception about Timor-Leste.

⁴ The CoCI is an umbrella organization accommodating 513 CoCI in the whole country comprised of small, medium and big enterprises. The Tokyo CoCI has 75,000 members. The Japanese companies have both technical and financial capacity and know how on infrastructure as well as new technologies on infrastructure development.

Further, Minister Pires and delegation met *State Secretary for Foreign Affairs, Hon. Mr Bano. Mr. Bano* informed the delegation that he has not visit Timor-Leste, but would like to visit sometime in the future. By referring to the experience of Japan, in terms of development processes, Mr Bano suggested that development of Timor-Leste needs to balance between soft and hard aspects. The soft aspect has to be first in place to activate the hard aspect. For instance, construction of a road must be based on proper legal framework. Without this soft instrument may create social problems in the future.

Regarding Yen Loan, he emphasized that the GoJ would expect the GoTL to utilize and manage Japanese ODA loans properly with strong commitment for economic development, sustaining poverty reduction and improve living condition of the population. In this regard, the GoTL needs to be well prepare for utilization and managing Yen loan. He reminded that it is easy to discuss Japan Yen loan, but most important is the need of confidence in true meaning of borrowing.



Figure 3. Minister Pires at UN University Seminar- TL's Journey to Development

On the same day, Minister Pires and delegation met *Dr Hasegawa at the United Nations University*. As part of the visit programme, Dr Hasegawa facilitated a conference at UN University with H.E. Minister Pires as keynote speaker on “*Timor-Leste's Journey to Development-Sustainable Peace and Development*”.

The seminar was part of a series of policy-oriented event for scholars and practitioners in the fields of international cooperation, peace, development and sustainability. The seminar was attended by various academicians of UN University, researchers and university students.

A number of questions raised by participants, including: (i) will Timor-Leste join ASEAN, and if yes, what sort of actions have been taken by the GoTL? it was underscored that TL should

not only ready in terms of expressing the intention, but really need to prepare and take clear actions on the ground before joining ASEAN.

A question was also raised on how infectious diseases were addressed in Timor-Leste? Is there any “infectious disease policy in place for future economic cooperation? How petroleum fund is managed and what is/are employment effect of Petroleum Fund. Minister Pires answered all the questions, while Ambassador Domingos explained the grounds of Timor-Leste decision for joining Asean.

Meeting with Japan-Timor Leste Parliamentary Friendship Association, House of Counselors. The parliamentary friendship association is an informal organization comprised of various social and public figures and working with various agencies, both government and non-government organization, promoting closer relations between Japan and Timor-Leste through social, economic and cultural webs. During the meeting, members of the association expressed their willingness to continue support Timor-Leste through various ways, including undertaking campaigns and sharing information with Japanese public on Timor-Leste.

Minister Pires and delegation was also met ***Senior Vice Minister of Finance of Japan, Hon Fumihiko Igarashi.*** The meeting was held in the main building of MoF Japan. While welcoming the delegation, Mr. Igarashi acknowledged development and significant progress made by Timor-Leste. With reference to previous assistance provided for training of Customs officers of the Ministry of Finance Timor-Leste, Mr. Igarashi emphasized the willingness of the GoJ to continue grant support to Timor-Leste in various sectors of development, including capacity building programs.

With regard to the Timor-Leste’s request for accessing Japan ODA loans, Mr Igarashi expressed his appreciation on the approach undertaken by Timor-Leste’s government. He was then inquired the: (i) repayment capacity of Timor-Leste? (ii) MoF Japan would also like to see whether the Petroleum Fund can be used to repay the loans? These questions would need further in depth analysis and examinations. Mr Igarashi acknowledged the importance of Japanese loans for Timor-Leste, but several issues will need further examinations and eventual decision will be made in response to the request of Timor-Leste. He reiterated the commitment of the GoJ to continue support development in Timor-Leste through grants and technical assistance.



Figure 4. Minister Pires and Delegation Meeting with Vice Minister for Finance of Japan, 16/2/2011

In response, Minister Pires explained that there are limits to withdraw the funds (annually), while the needs of Timor-Leste are paramount, especially in infrastructure, petroleum industry, agriculture and tourism as the main key sectors of the economy. Therefore, loans are needed to help turn around Timor-Leste's economy, boost economic growth and set the country for prosperity. She explained that the economy of Timor-Leste has

grown very well in the past three years, and was one of the fastest growing economies in the world. The petroleum management of Timor-Leste is one of the most transparent system. The GoTL is now established a portal for "Free Balance System". In terms of environmental law, Minister Pires explained that the GoTL has adopted the famous Kyoto protocol, while the "Environmental Law" for Timor-Leste was approved by the Council of Ministries and is now in the parliament. Therefore, when Timor-Leste made a decision on loan, we choose Japanese loan as the most suitable loan for Timor-Leste as it comes with transfer of skills and management capacity as well as discipline, and these are the most important ingredients of Yen loan. Minister Pires further informed that JICA, ADB and World Bank had assessed Timor-Leste's capacity through Debt Sustainability Analysis (DSA). The JICA, as the main arm of International Development Agency of the GoJ concluded their study on the road project from Dili-Manatuto-Baucau section with 119 Km length and it fulfills all social and economic viability. She emphasized that road shall be upgraded with 7 meters wide plus 2 meters shoulders, applying international standards with 30 years guarantee. Minister Pires underlined that there are opportunities in Timor-Leste for the private sector of Japan to participate, not only on the loan funded projects, but also on PPP and other state funded projects. Therefore, we have something to offer and they have something that they wanted and this should consider as "win-win offer".

Meeting with Ms Makiko Kikuta, Parliamentary Vice-Minister for Foreign Affairs.

Ms Kikuta commended on the remarkable achievements made by the GoTL in only after 10

years of independence. “I, therefore, would like to pay my respect to H.E. President of RTDL, Hon Ramos Horta and H.E. Prime Minister, Hon Kayrala Xanana Gusmao in making progress in various sectors of development”, she said. Ms Kikuta informed the delegation that Japan has a lot to share with Timor-Leste on the infrastructure development, e.g. Japanese companies have the knowhow on infrastructure work, technology and skills to be transferred to Timorese.

Ms Kikuta informed that Japanese government understands that Timor-Leste would like to join ASEAN. As part of preparatory work, JICA has provided Trade Advisor to assist Ministry of Foreign Affairs of Timor-Leste in preparing trade related policies and trade diplomacy. As for Yen loan, Ms Kikuta said ... *“we will help and make efforts to answer your request”*, but it would be also important to discuss this subject with Ministry of Finance of Japan. The meeting underlined the



Figure 5. Minister Pires and Delegation Meet with Ms Makiko Kikuta, 16/2/2011

importance of sharing information on loan related aspects with MoFA Japan to ease explanation on the Timor-Leste request Yen loans to the Ministry of Finance of Japan. Therefore, it is important to work closely with Ministry of Foreign Affairs of Japan through provision of detail information loan related aspects, such as the 9 issues.

She informed the delegation that Japan does not have any natural resources as compare to Timor-Leste, and Japan today is the results of the hard work of previous generations’. I would then wouldlike very much to visit Timor-Leste and see with my eyes the development and changes happen in Timor-Leste over this period. She also informed that there are many supporters of Timor-Leste in Japan, and they have to be organized. Ambassador of Timor-Leste for Japan will help, but Minister of Finance need to support Ambassador in undertaking public campain and information sharing on Timor-Leste. This initiative must be developed through a *“Specific and Joint Cooperation”* program between two countries in achieving development targets. Such a joint cooperation can be in the form of Capacity Development

Programs, promotion of Timor-Leste's traditional products, such as "Tais" that can be exported to Japan. Through such a program, Japanese people will know and better understand Timor-Leste.

Meeting with representatives of *Japan Federation for Economic Organisations (JFEO-Nippon Keidanren)*, *Ms Nobuko Sanu, managing director and Mr. Shinozaki Mitsuru, International Cooperation Bureau*. The meeting took place in the office of Nippon Keidanren. One main question rose by the JFEO was information about Timor-Leste. Lack of information is the main challenge face by the Japanese business and private sector players. Business community in Japan will not be able to take any investment decision, unless information is adequately provided.

During the visit in Tokyo, Minister Pires also had the opportunity of having tele-discussion with FFDTL members who studied at Japanese Defence Academy and tried to understand their situation and challenges. Minister Pires encouraged them to study hard, get good results and back to Timor-Leste to contribute to development of the country. The student's representative informed Minister Pires that two students have not received their salary and/or scholarship since October 2010. This situation may affect their studies. Minister Pires was then promised to inform relevant Minister and to follow this up immediately. Minister Pires also met other Timorese students in Tokyo. The students submitted a proposal for Ministry of Education to follow up with future scholarship programs to study in Japan Universities.

IV. Conclusion

Minister Pires briefed the high dignitaries of the GoJ on the work of the 4th Constitutional Government of Timor-Leste since 2007, achievements made in various sectors of the economy, as well as the Strategic Development Plan (SDP), its main pillars and how to transform oil economy into non-oil economy over the coming two/three decades.

The dignitaries of the Government of Japan commended the smooth progress made on various sectors in Timor-Leste. The visit was further strengthened the relationship between the two countries, and potential joint cooperation program can also be developed in the future. GoJ expressed strong willingness and commitment to continue support Timor-Leste in developing the economy and building the capacity of government institutions. Chamber of Commerce of Japan appreciates the visit and have updated information on development in Timor-Leste, but

would like to have more detail information on state of development of Timor-Leste and development programs.

Timor-Leste's request for accessing Japanese ODA loans discussed with high dignitaries of the GoJ and was productive. Although a number of questions will need further clarification, the response was positive. The GoJ will be seriously discussed the request by relevant Ministries/Agencies of the GoJ. Ministry of Finance of Japan inquired whether Petroleum Fund can be used to repay the loans, repayment capacity, while insisted further examination on certain aspects of loan to Timor-Leste.

On the proposed road, METI of Japan acknowledged that roads in Timor-Leste are in poor conditions and need to be upgraded. METI of Japan will consider the loan request of Timor-Leste but MoF of Japan will be the one to make final decision on behalf of the GoJ. METI stressed that loan must be differed from "old Yen loan". Meanwhile, minister of Justice welcomed the request for Japan ODA loan, while stressed the willingness of GoJ to continue assist the GoTL in building the country. JICA renewed its commitment to continue support Timor-Leste and would like to discuss future cooperation. Mr Kenjo Oshima stated that "JICA is quite ready to have Yen loan for Timor-Leste". Therefore, JICA would like to have follow up discussion on the Japanese side.

High dignitaries of the GoJ met as well as Chamber of Commerce and Business Federation of Japan responded positively on the invitation of Minister Pires to visit Timor-Leste and see the development and changes in Timor-Leste.

V. Follow up actions

Issues Raised	Follow up actions	Responsible agency
Dili-Baucau road project for the 1 st Japan concessional loan to Timor-Leste	Result of studies shall be circulated for decision makers both in Tokyo and Dili. Next steps need to be clearly defined with timelines for the loan.	JICA/MoF/ADN/MoI
Official loan request already received by MTIC of Japan	Result of internal discussion of GoJ	JICA/EoJ/EoTL /MoF
Detail information on Timor-Leste's state of development	Promotion of TL in Japan	MTCI-TL/ MoF/EoJ/EoTL
Promotion of Timor-Leste handicraft, coffee. How Tais can be marketed in Japan and others	Promotion of TL's product	MTCI-TL/ MoF/EoJ/EoTL
Detail information on 9 key issues and other aspects related to Yen loan		MoF/EoJ TL/EoTL

Annex 1. List of dignitaries met

1. Mr. Bann Kaieda, Minister for Economy, Trade and Industry, Japan
2. Mr. Satsuki Eda, Minister of Justice, GoJ, Japan
3. Mr. Shimba Kazuya, Senior Director, Committee on Foreign Affairs and Defense, Member of the House of Councillors of Japan, GoJ
4. Mr. Makoto Iokibe, President of National Defense Academy, Japan
5. Prof Dr Hasegawa, United Nations University, Japan
6. Mr. Banno, State Secretary for Foreign Affairs, Ministry of Foreign Affairs, Japan
7. Members of Japan-Timor Leste Parliamentary Friendship Association, Japan
8. Mr. Fumihiko Igarashi, Senior Vice Minister for Finance, GoJ, Japan
9. Mr. Hironori Shibata, Director, Office of Development Finance, International Bureau, GoJ, Japan
10. Mr. Masao Uno, Director for International Cooperation, Customs and Tariff Bureau, GoJ, Japan
11. Mr. Daikichi Momma, Deputy Director, General Office of the International Bureau, GoJ, Japan
12. Ms. Makiko Kikuta, Parliamentary Vice Minister for Foreign Affairs, GoJ, Japan
13. Mr. Katae, Director for Asia and Pacific, Ministry of Foreign Affairs, GoJ, Japan
14. Mr. Takahiro Iwato, Senior Officer, Second South East Asia Division, Ministry of Foreign Affairs, GoJ, Japan
15. Mr. Shimizu, Advisor, Ministry of Foreign Affairs, GoJ, Japan
16. Mr. Domingos Sarmiento Alves, Ambassador of Timor-Leste, Japan
17. Mr Tadeu Marcelino Soares, Third Secretary, Embassy of Timor-Leste, Japan
18. Mr. Kenzo Oshima, Senior Vice President, JICA, Japan
19. Mr. Hirota, Director General, JICA, Japan
20. Ms. Hayashi, Asia Pacific Department, JICA, Japan
21. Mr. Takeshi Akagi, Project General Manager, International Division, Chamber of Commerce, Japan
22. Mr. Shigeki Taniwaki, Manager, International Division, Chamber of Commerce, Japan
23. Mr Akira Imai, Senior Expert, International Division, Chamber of Commerce, Japan
24. Ms. Sanui Nobuko, Managing Director, Nippon Keidanren (Japan Federation of Economic Organisations, Japan
25. Mr. Shinozaki Mitsuru, Manager, International Cooperation Bureau, Japan Business Federation, Japan
26. Mr. Manuel Gutteres Soares, Timorese Student, Tokyo, Japan
27. Mr. Cancio, Timorese Student, Tokyo, Japan

Annex 2. List of Acronyms

ADB	Asian Development Bank
EoJ	Embassy of Japan
DSA	Debt Sustainability Analysis
DMU	Debt Management Unit
GoTL	Government of Timor-Leste
GoJ	Government of Japan
IDPs	Internally Displaced People
JICA	Japan International Cooperation Agency
JFEO	Federation for Economic Organizations
METI	Ministry of Economy, Trade and Industry (Jpn)
MoF	Ministry of Finance
MoI	Ministry of Infrastructure
MTCI	Ministry of Trade, Commerce and Industry (TL)
NDA	National Development Agency
SDP	Strategic Development Plan
ODA	Overseas Development Assistance
PPP	Public Private Partnership