



DEMOCRATIC REPUBLIC OF TIMOR-LESTE

OFFICE OF THE PRIME MINISTER

ADDRESS

BY HIS EXCELLENCY THE PRIME MINISTER

KAY RALA XANANA GUSMÃO

ON THE OCCASION OF THE MEETING

WITH THE PRIVATE SECTOR

**“Strengthening the private sector through business
associations”**

Ministry of Foreign Affairs Building, Dili

14 March 2009

Mr Peter McMullin

Government Members

Dear Businessmen and Businesswomen,

This meeting, the first of many we hope to schedule this year with the private sector, is especially important as it seeks to help overcome the obstacles that have been slowing down our economy.

The Government of Timor-Leste is committed to having the private sector boost the economic growth and the sustainable development of the Country.

Today national businessmen and businesswomen are invited to speak openly with the Government, in order for us to create instruments and mechanisms **that enable the private sector to become a Strategic Partner of the Government** so as to:

- generate employment;
- increase national productivity;
- increase income; and
- develop and strengthen the business capacity of the Country.

The difficulties in starting or developing businesses in Timor-Leste are not new. What is new is the fact that problems are being identified and that the Government is implementing measures to alter this situation, together with the very agents of this change, that is, the private sector.

We start off with the conviction that the Timorese are among the most skilled people in the world in turning resources into major achievements. This makes it possible for us to realise our dream of creating a Timorese industry that can sell our products in local and international markets.

We also start off with the belief that in today's world it no longer makes sense for the Government to be the main driving force for economic growth. The strategy of the past, where companies depended upon projects presented by the Government, has proved not to be the best way of developing a strong economy.

The Government must cooperate with the private sector, not rule it.

However, both have great responsibilities, and the Government's first responsibility is to create favourable conditions to enable businesses to develop.

In this sense, the first obstacle to the development of the business and industrial sector of Timor-Leste has already been removed. Today our people have a sense of security and national stability, which gives more confidence to private investors.

Security and economic development go hand in hand. **To invest in security is to invest in development!**

On the other hand, the reforms started in public administration, and in particular in the Ministry of Finance, have been improving systems and procedures significantly, including the procurement system and the

improvement of the efficiency of public spending and of budget execution rates.

This is a vital condition for nurturing the development of the private sector. We all know that our private sector still has difficulty in accessing bank loans and guarantees, unlike foreign businessmen and businesswomen. Therefore, good management of our public finances to ensure that businesses are paid on time contributes to providing a level playing field between national and foreign businessmen and businesswomen.

The tax reform already adopted by this government was another vital measure for promoting private sector development. The simplification of the tax system and the lightening of the tax load - which was inadequate and excessive in view of the Country's reality - were vital measures for developing our businesses and industries.

Presently our tax system has very low rates for every type of tax, and the former lengthy and complex procedure for paying taxes is now simpler and more transparent.

The Ministry of Tourism, Commerce and Industry has developed regulations to support the new company registration system, in order to make the process of creating companies faster and less bureaucratic. The new system reduces processing time from 92 days to a maximum of 3 days.

The Government has also started a process to provide greater judicial security concerning property rights. In short, these efforts can be summarised as follows:

- the existence of a legislation to support business, such as the Commercial Societies Code, the Commercial Registry Code and the regulation on extractive activities;
- the development of a Building Registration Code and the capacity building of Timorese staff for the Building Registration Department;
- the completion of the draft Civil Code, regulating, among other things, rights in real estate and property rights;
- the development of a National Mapping Service, which will enable the identification of every land parcel; and
- the revision of a new legislation package on Investment.

These are some of the steps we have already taken, but the Government is aware that there is still much more to be done.

We acknowledge that one of the reasons for such a low private investment rate in our Country is the state of our business environment. This is why we are giving priority, during this year, to improving this situation.

To improve our business environment we are undertaking efforts to create conditions for private businesses to have access to credit – including through support of microfinance institutions - especially in rural areas.

We will also be accelerating short term measures, including:

- eliminating the minimum capital required for starting a company;
- reviewing labour rules in order to increase flexibility;
- developing construction rules;
- continuing to simplify procedures for creating companies;
- improving coordination among the various stakeholders; and
- strengthening the capacity of institutions - including technical, human resource, financial and training institutions - and of businessmen and businesswomen.

Ladies and gentlemen,

The start of infrastructure projects, set for 2009, will be fundamental for improving the competitiveness and efficiency of the private sector.

The production and distribution of electricity to the entire Country, the improvement of the road and harbour networks and the improvement of telecommunications are some of this Government's priorities.

This is indeed an opportunity for the private sector to develop and to assist the transformation of our society, leading to better lives for all Timorese.

What we ask of the Private Sector is for you to join these efforts by the Government to develop our Country, as a national cause.

All Timorese are called upon to participate in our nation's building and development. When we all suffered with the crisis that jeopardised public order and security, all Timorese agreed that the institutions had to cooperate and work closely to overcome this national challenge.

Fortunately, we were able to do this, and there can be no better example than the excellent contribution that F-FDTL and PNITL, working together, made towards national stabilisation.

At this time, it is the private sector that is being called upon to contribute to this national cause of combating poverty. We know that the only way to deliver our People from misery is to achieve economic growth, and for this we will be requiring joint efforts by the public sector and the private sector.

And what can the private sector do now?

It can view its participation in our economy's development as a mission. It can work with dignity, professionalism and transparency.

It can join with the Government in the fight against corruption, reporting irregularities found in the system and acting responsibly in every situation.

Dear businessmen and businesswomen,

The private sector must also seize the opportunities brought by foreign investment. This Government has a strong policy that the Country's openness to foreign investment must be repaid through the capacity building of our national private sector, which means that you must also act to enable the establishment of joint venture arrangements.

Even if at first Timorese companies and industries can only make use of limited financial resources, they will have the opportunity to benefit the most from the imported know-how. The benefits they receive from these

partnerships will in time enable them to invest “more and more”, and to collect the respective dividends – this is how you build a strong private sector.

Ladies and gentlemen,

Lastly, one of the main reasons why we are here today is the identification of means for improving the organization and leadership of the private sector.

Experience in other countries tells us that the creation of business associations has been a success. By businesses organising themselves to provide one voice, and to share experiences and knowledge, companies and industries have been able to develop more successfully.

On the other hand, business associations enable the Government to provide focused support with greater effectiveness – this will promote a better environment for business operations.

A collective effort is a more effective effort. Companies and industries, by developing businesses associations, have greater ability to overcome business challenges.

The success formula of our struggle for freedom is precisely in this spirit and in the strength of the whole to pursue common goals – if we have been learning from our mistakes, then we should learn even more from our achievements!

The presentation we will now watch will contribute towards a better understanding of how a Chamber of Commerce and Industry works, and what advantages it brings. I thank our friend, Mr Peter McMullin, for collaborating

with us in this effort to strengthen our private sector. I hope this is the beginning of a successful and constructive partnership between us.

Ladies and gentlemen,

Progressing means action and sacrifice! It means understanding the challenges ahead of us and choosing the most effective means for overcoming obstacles. It means genuine cooperation to reduce the chances of wasting the great opportunities for development we have in our Country.

Let us have the private sector help to develop our country and to serve our poor!

Thank you very much!

Kay Rala Xanana Gusmão

14 March 2009