

**The Secretary of State for the Council of Ministers and
Official Spokesperson for the Government of Timor-Leste
Ágio Pereira**

**September 2, 2010
Díli, Timor-Leste**



**STATEMENT REGARDING THE OFFICE OF THE VICE PRIME MINISTER
MARIO CARRASCALAO**

The Government of Timor-Leste wishes to clarify the statements made by the Office of the Vice Prime Minister of State Administration, Mr. Mario Carrascalão on Wednesday August 25; assertions which are erroneous and misleading in the representation of the national interest of Timor-Leste.

These statements were not approved, supported or endorsed by the Council of Ministers. Given the disparity of facts presented; the public record should now be clarified.

Last February, the Council Of Ministers (COM), in response to the unexpected non-stop heavy rain and floods which affected many parts of the country, devised a rapid response strategy to counter damage to roads, bridges and soil erosion. The Council of Ministers approved the purchasing of heavy and light civil construction equipment, which included trucks to facilitate transport of the equipment throughout the country where and when needed.

The Vice-Minister of Infrastructure José Manuel Carrascalão undertook the purchasing process, including obtaining the guarantee that the purchase of heavy and light civil construction equipment, including the necessary trucks for transport, would be of quality and the supplier would deliver the goods to Díli according to the terms of the contract. The Vice-Minister procured a quotation which met the terms of the necessary and required provisions. The time frame for the Díli handover of all products in totality was three months.

Vice-Prime Minister Mario Carrascalão rejected the quotation and instructed his Ministry to prove the quotation was over-priced to the value of USD\$700 000 (seven hundred thousand US dollars).

In March, the Office of the Vice Prime Minister Mario Carrascalão presented an alternative quotation; which, at first instance, was comparatively very low. However; after further review it was revealed the Vice Prime Minister's preferred supplier only agreed to ship the goods to Surabaya not Díli. The quotation excluded third party costs for the intermediary company, excluded the additional transport costs from Surabaya to Díli and included a clause holding the Government liable for "unforeseen expenses" without limit.

In August, the Council of Ministers discussed the matter in an extraordinary meeting and after a comprehensive review considered the submission by Vice Prime Minister Mario Carrascalão to have a number of flaws including but not limited to:

- a) Inconsistency in declaring the costs, having the declared written costs different from those numbers expressed in the Contract.
- b) Lack of understanding of the rules governing contracts in terms of excess liabilities for the delivery, storage and insurance of the equipment upon handling in Surabaya, not in Díli.
- c) Discrepancies in the contract. The contract proffered by the Vice Prime Minister for the Minister of Infrastructure only included heavy equipment, some of which would only arrive

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in Timor-Leste in December and excluded the totality of heavy and light equipment with trucks for transport of equipment originally proffered in the quotation provided by the Vice Minister of Infrastructure.

e) The Contract would hold the Government of Timor-Leste liable to pay unforeseen expenses without limit, and payments would have to be paid according to invoices presented by the third party supplier who was chosen by the Office of the Vice Prime Minister.

When questioned over excess costs, the Office of the Vice Prime Minister responded to the Council of Ministers that costs could be upwards of USD\$500 000 (five hundred thousand US dollars). However, the amount would be only for the heavy equipment included in the said contract. The amount, however, would not include 'unforeseen expenses' as well as the costing for the purchasing, transport and delivery of the trucks, without which the entire work of procuring equipment would be pointless as the equipment could not be transported to locations as necessary.

The Council of Ministers rejected the quotations by Vice Prime Minister Mário Carrascalão and further instructed the Minister of Infrastructure not to sign the contracts.

Additionally, having considered all the additional expenses, the Council of Ministers rejected the original assertions of Vice Prime Minister Mário Carrascalão that his Office would guarantee savings and efficiency in the provision of the heavy equipment, transport and light equipment needed to respond to the emerging needs of Timor-Leste caused by heavy rain and floods and rejected the accusation initially asserted by Vice Prime Minister Mário Carrascalão regarding 'corruption' and the savings of USD\$700,000 in relation to the original quotation by the Vice Minister of Infrastructure which; in entirety, met the original contractual terms as agreed by the Council of Ministers.

The Council of Ministers then proceeded to revoke the powers entrusted upon the Vice Prime Minister Mário Carrascalão on this matter.

Additional delays in other capital works projects across Ministries were discussed in depth in the same extraordinary session of the Council of Ministers with equal concern. Further threats to procurement were compounded by a current and potential further law suits resulting from the actions of the Office of the Vice Prime Minister.

Due to these actions, budget delays and impaired service delivery resulted across Ministries. Accordingly, the unanimous decision was made to suspend the mandate of the Office of the Vice Prime Minister of future procurement duties.

Therefore; the claims by the Office of the Vice Prime Minister of Budget execution is inaccurate. Budget execution is when the payment has been transferred and the transaction is completed. Budget execution does not include contracts "in the processing phase" or contracts in the "proposal received" phase. Budget execution also does not include the "tender process", "evaluation process", "implementation process", or "proposals waiting to enter the contract phase". Claims being made by the Office of the Vice Prime Minister to defend the delays and inaction of capital development illustrate a lack of understanding of simple budget concepts; the statement deemed misleading in conduct.

A clear reason for the delays is the fact that when The Office of the Vice Prime Minister was established, the Office failed to pursue or implement the mandate as agreed with the Prime Minister, His Excellency Xanana Gusmão, in consultation with the Council of Ministers, to establish two vital organs of the State to ensure transparency and accountability. Resources were allocated to establish a qualified and fully staffed **technical procurement secretariat** which, for checks and balances, should have more than two staff (part of the

reason for such vast delays and low budget execution) and an **independent procurement commission** which would include members of civil society, and other key independent bodies for due diligence and oversight. This was not achieved. The technical advisor whose contract is now in question was a quality control officer, not an implementation or procurement expert, whose experience was to be utilized in establishing both organs of the State with a view to ensure quality control; not implementation of highly technical and legal matters concerning large sums of public funds which was not her area of expertise. It is apparent that Vice Prime Minister Carrascalão kept a highly centralized operation with minimal staff, little oversight and lacked accountability, breaching those mechanisms entrusted to his mandate which affected line ministries from doing their jobs; rebuilding the country as approved by the National Parliament for projects in the 2010 budget.

As the actions of the Vice Prime Minister demonstrates a clear breach of competencies; the Council of Ministers unanimously agreed to the action to suspend the procurement mandate of the Office of the Vice Prime Minister.

It is the Government's deep regret that Vice Prime Minister Mario Carrascalão has made unfounded allegations of corruption. Despite numerous investigations having been completed, with no corruption or wrongdoing cited, the Vice Prime Minister has taken no responsible action to rectify his damaging statements, or to clear the allegations, often blaming journalists for misreporting. Mr. Carrascalão has deliberately withheld the outcomes of such investigations despite the damage caused to key Government ministries and officials. To date the Office of Vice Prime Minister Carrascalão has made no advancements in identifying, discovering or uncovering any corrupt activities. On the contrary; he has established a highly centralized system which is not a deterrent from fraud, corruption, collusion and nepotism.

Unfounded allegations of corruption to intimidate or defame for political advancement or to elevate professional status and merit is a very real form of corruption that cannot be accepted by a coalition Government working cohesively and systematically for national development.

The Secretary of State for the Council of Ministers remarked "The coalition is to be congratulated for their political maturity, having succeeded in advancing Timor-Leste through sheer will, determination and putting our people first. The Council of Ministers was deeply concerned about the recent turn of events and unanimous in this decision demonstrating unity, professionalism and the consolidation of the effective running of the State under the leadership of the Prime Minister Xanana Gusmão. This does not impact, but enhances our ongoing mechanisms of sovereignty, transparency and accountability, of all members of the Government. Furthermore, the public service should be congratulated for their due diligence across line ministries in quickly identifying discrepancies, irregularities, and concerns which could have affected national development. This demonstrates a new level of transparency, understanding of the procurement processes and communication between all departments and organs of the State." **ENDS**

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