



**P R I M E
M I N I S T E R**

**ADDRESS BY HIS EXCELLENCY THE PRIME MINISTER OF THE
DEMOCRATIC REPUBLIC OF TIMOR-LESTE
KAY RALA XANANA GUSMÃO ON “STATE BUILDING FOR THE NEXT
DECADE: A REFLECTION ON TIMOR-LESTE’S EXPERIENCES AND
EXPECTATIONS IN STATE BUILDING”
ON THE OCCASION OF THE OPENING SESSION OF THE
2013 TIMOR-LESTE DEVELOPMENT PARTNERS MEETING**

DILI, TIMOR-LESTE

19 June 2013

Excellencies,

Ladies and Gentlemen,

It is with great honour and pleasure that Timor-Leste welcomes once again the meeting of our development partners. This annual meeting is now part of Timor-Leste's history and provides an overview of the path we have taken since achieving our independence.

Once again partners and friends from different parts of the world have come to discuss and evaluate with us our challenges, our plans and our vision for the future.

I am also delighted to welcome Dr Heyzer who has been appointed by the United Nations Secretary General as the non-resident Special Adviser to Timor-Leste and who will support our country in its efforts towards peace building and State building and sustainable development.

I am also pleased to be able to work with Dr Heyzer in chairing the 69th session of the United Nations Economic and Social Commission for the Asia Pacific. During this year in this role we have the the privilege of working with ESCAP, and the nations of the Asia Pacific, to make further regional progress and improve human development.

Thank you very much to all of you for being here and particularly for your dedication to the development of Timor-Leste.

I would like to invite you to reflect on 'State building'. Timor-Leste persists with the concept of 'State building' because, even if still young, we understand that throughout the world there are States with over half a century of existence that are also considered to be fragile States.

We are still witnessing major social and political shocks that put into question the legitimacy of States, such as in the Middle East (Iraq, Afghanistan and now Syria) and in North Africa (Tunisia, Libya and Egypt).

Everyone knows that Timor-Leste is one of 49 least development countries, and also one of 35 fragile and conflict affected.

What is the difference between those fragile States, some of which are even considered to be failed States, and States (like Iraq, Afghanistan and Syria) where international interventions to support democratisation and human rights has contributed,

or is contributing to, the destruction of these countries, in their social fabric, their infrastructure and even their viability as a State.

The news from the G8 Summit in Northern Ireland, that concluded yesterday, brought some hope that world leaders are finally trying to find solutions through dialogue and with the involvement of all sides.

But, how are we to look at the major social (and political) problems in countries such as Portugal, Spain, Cyprus and perhaps even France and Italy?

Is Greece a failed State, since even the public broadcaster has been closed? Is Turkey now a candidate to become a fragile State within the European Community?

In many parts of the world some countries, with enormous reserves of natural resources (exploited by multinationals), face serious problems of fragility and insecurity, when their resources could make them viable and economically sustainable.

It is a pity that after so many dozens of years, the international community has still not managed to resolve the root problems of those countries and instead maintains their fragility.

It is regrettable that the decision making centres of the world were not able to clearly analyse the consequences of their actions so that we might have prevented the incongruence of the appeal, by the United Nations High Commissioner for Refugees, for \$5 billion to assist Syrian refugees. We are relieved to hear British Prime Minister David Cameron announce that the G8 will donate \$1.5 billion for humanitarian aid to the Syrian refugees.

And all of this takes place, ladies and gentlemen, while more than 1.5 billion people in the underdeveloped world go hungry and suffer from disease, exclusion, violence and social conflicts!

With the increase of violence, which is accepted and consented to in the defence of democracy and human rights, we are not able to foresee a successful outcome for the Post-2015 Development Agenda, which appear to correct the errors of the Millennium Development Goals set in 2000. The major global financial crisis does not allow us to have great hopes that the Post-2015 Development Agenda will become a reality, in the medium term!

I ask these questions so that we, the Timorese, can understand that the process of State building is not an easy task. I ask these questions so that we, the Timorese,

can also understand that the governance of States, that are developed over centuries of existence, have their own internal problems which are, socially and economically, very serious - as we can see throughout Europe.

It was precisely to answer our own question of 'why... all of this?', happening in the globalised world, and in this world of enormous technological breakthroughs that, in April 2010, we promoted an International Conference on 'Peacebuilding and Statebuilding', out of which emerged the 'g7+', advocating a 'New Deal' for engaging with the development partners.

As a young member of the United Nations, we felt that we also had the duty to contribute to the correction of the mechanisms used to deal with poor and weak countries.

This correction must necessarily entail these countries taking responsibility for examining themselves, and through this analysis, to understand their weaknesses, their flaws and the errors they have made, in order to firmly enable the correction of these flaws and errors through a process of ongoing programs.

However, this process must belong to the countries themselves, which must follow the principles of 'ownership and leadership'.

It was guided by this perspective of 'ownership and leadership' that, during the difficult circumstances of 2008, we decided to ask UNMIT/UNPOL and the ISF to remain quiet in their barracks, so that the F-FDTL and the PNTL might take on full responsibility for solving the problems brought by the crisis that belonged to us, the Timorese. Immediately afterwards, we gave back to these international organisations their competencies, thus beginning the reform process of our two security institutions.

At the time, the first goal was to 'step away from fragility' in terms of political and social instability, which reflected itself in the insecurity of our population and their assets. And we did it.

When we celebrated our first ten years as a sovereign State, we were able to convey to our people a new sense of security, allowing a new confidence in the future of this nation. The withdrawal of UNMIT and the ISF, at the end of 2012, was a confirmation of this success, in which UNMIT and the ISF played an active role.

The second goal was to consolidate the core institutions of the State, seeking to provide gradual capacity and ongoing training to staff, so that in the medium to long

term they will surely be able to respond by themselves to the problems and challenges faced by the nation.

After leaving behind the crisis of 2006-2008, (the same crisis that some experts, with considerable experience in handling crises in several countries, said we would only solve after 2018) we initiated a long process in order to prepare our future as a State and as a Nation. We became aware that we could no longer guide ourselves only by Annual Action Plans.

Therefore, in 2011, after an extensive consultation throughout the country, we approved a Strategic Development Plan for the next 20 years.

Additionally, an important guiding principle is that we must always take into account the social, cultural, economic and political reality of Timor-Leste.

Only this clear conscience of our own reality can liberate ourselves from the 'sense of guilt', if indeed it exists, for not agreeing with assessments that did not reflect these specific characteristics of our process, since they would require us to wear shoes that are too big for our feet. Or, as can happen every year, we can refuse partners assistance when it is not integrated in our own annual programs.

I am reading the Report by the 'International Crisis Group' and my first impression is that the ICG experts continue to have reviewing parameters that would be more appropriate for countries like Iraq, Afghanistan, Syria, Guinea-Bissau or Mali, for example.

Excellencies

During these first ten years of existence as a sovereign State we made fighting poverty a National Cause, and will continue to do so until it is eradicated from Timor-Leste. As such, we are focusing on social and economic policies to reduce social inequities in terms of education, health and job creation.

We are aware of the great challenges ahead of us before we can achieve the Millennium Development Goals.

Accordingly, the Fifth Constitutional Government drafted the guidelines for carrying out the Strategic Development Plan during the five years of its mandate. This will drive the carrying out of activities to gradually reduce poverty, seeking to eradicate it in the medium term.

As a complementary instrument we have the 2010 Census which provides us with an objective snapshot of the actual living conditions of each household. This will enable us to measure progress, periodically, to determine the advancement which has been achieved.

Excellencies

Although the Strategic Development Plan concerns the period from 2011 to 2030, and while we started with research and studies in good time, 2012 was a year full of electoral activities, preventing us from continuing major projects in the manner that we would have liked.

The Fifth Constitutional Government entered into office on 8 August 2012 and its 5-year Program was approved on 12 September of that same year. In a way, I should say, the Program of the Fifth Constitutional Government is the program for the first five years of the Strategic Development Plan.

When presenting this Program to the National Parliament I reminded the lawmakers and all Timorese that planning is not an easy task, particularly when there are so many different and competing priorities. Planning national development is like managing a complex network of challenges, since it is not possible to cover all priorities at the same time. We must also take into account our limitations in terms of specialised human resources, as well as the stagnation of our productive sectors.

For these 5 years, the Government has given special attention to the development of Social Capital, recognising that the true wealth of any nation is in its people. And so, the Government is committed to maximising service delivery in the health and education sectors and to improve the overall living quality of the Timorese as a condition for a fair and progressive society.

In the same way, the Government is aware that to develop the nation, build a modern and productive economy and create jobs it is necessary to build core infrastructure. And so, the Government has a broad infrastructure program covering roads and bridges, water and sanitation, ports and airports.

On the other hand, the Government considered the stage of the national private sector and the fact that there is little economic diversification, with excessive concentration in agricultural production which, even so, lacks major expansion and

productivity gains. The Government intends to explore the strong economic potential in the areas of agriculture, livestock, fisheries and tourism.

The Government seeks to encourage the creation of cooperatives and the development of agro-industries, while implementing the National Development Plan for Sucos, so as to continue and strengthen the quality of the Decentralised Development Programs.

In order to be able to achieve all these goals there is an absolute need to improve the country's administrative and financial management, since this is a requirement for good governance. As such, the Government will provide assistance to State institutions, promoting the operational capacity of public administration, so that institutions may carry out their tasks with a sense of rigour, transparency and accountability.

The Government is also aware of the need to bring public administration closer to the citizens, in order to provide better service delivery and to enable more effective local democratic participation. We have held public debates in the 13 districts so that every Timorese citizen knows that creating a municipality means more than just establishing a structure that may result in additional expenses for the State. It is necessary to carry out training and capacity building programs so that the structures to be created may actually respond to the problems and challenges that every municipality will necessarily face.

We embraced the idea of a new development paradigm. We, the Timorese, want to get away from simplistic mathematical and statistical calculations of our actions to justify our proposed investments.

And to make it possible to establish a new paradigm of action in the efficient and sustainable fight against poverty, Dr Mari Alktiri is leading the transformation of Oe-Kusse into a Special Zone of Economic and Social Markets.

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We know the country we want to be ten years from now. We want to have a healthy and educated population with more opportunities to develop professional activities and that can protect the people's wellbeing in a politically and socially stable and safe environment.

Ten years from now, we want to have a health service able to provide specialised care, with primary services provided by health clinics in an adequate ratio across the territory.

We want investment in education across all levels and all social sectors, including specific attention to the more fragile and socially marginalised groups. We want investment in education to include technical and professional capacity building, since we want young Timorese students to have sound education alternatives within the national territory, namely a higher education sector integrated and articulated with the business sector, so as to provide a first working experience.

One fundamental pillar is the substantial improvement of our infrastructure, which is our primary foundation for our economic growth and for improving the living conditions of all Timorese. Improving our roads to international standards will enable the movement of people, goods and services throughout the country, which is essential for the growth of Timor-Leste. There will be public water supply and sanitation covering every home, in accordance with a vital effort to improve national health.

The development of infrastructure will also comply with the principle of energy efficiency, focusing on renewable energy alternatives so that at least half of the needs in the sector are met through renewable sources.

Also in the infrastructure sector, ten years from now we will have established in several parts of the country the ports and airports we need so that Timor-Leste can have integrated growth. More particularly, we want to transform the south coast into a primary development area of our country, thereby making the best use of the petroleum sector. This means that, ten years from now, we will have the Suai Supply Base operational and the Betano Refinery project in an advanced stage of construction.

Ten years from now, the investment made in sectors such as petroleum and other national resources will enable the diversification of the economy by strengthening other traditional sectors like agriculture, livestock and fisheries. Ten years from now, our sectors of livestock and fisheries should be oriented towards exports, with food production increasing in such a way as to enable supply to exceed demand.

Timor-Leste also possesses unique wealth, such as the beauty of our mountains and our coast and the depth of our culture and traditions. This legacy has an enormous potential as the basis for the sustainable growth of our tourism sector. Ten years from now we want to be able to receive visitors throughout the national territory, aided by an improved infrastructure network and efficient local companies.

Indeed, the multiplication of local companies is one of the key goals in the Program of the Fifth Constitutional Government. We know that for balanced growth

across the country we need to stimulate a dynamic and entrepreneurial private sector, with a sound structure that enables the creation of employment and sustainable livelihoods for all Timorese. Ten years from now, we want that structure to include several pillars, such as an Development Bank, an Investment Agency, a strong Commercial Bank and an efficient legal framework in terms of property rights, land rights and labour law.

In order to boost the private sector and to transform Timor-Leste into a high middle income country, we know that one of our priorities must continue to be the strengthening of the institutional framework. This has been a cornerstone in our democratic evolution, which is why during the next decade we want to continue strengthening our institutions. This way we will give the Timorese, foreign investors and our development partners the necessary confidence to build this country together.

In regard to governance, we want the management of public assets to be characterised by transparency and a culture of accountability. Ten years from now, we also want Municipalities in each district to be fully operational administrations, so as to make governance more efficient throughout the country, correcting imbalances between urban and rural areas.

The justice sector will also receive special attention. Ten years from now, we want every Timorese citizen to have real access to efficient and effective legal services, so that they may feel that justice is impartial, because justice upholds equality in its judgments. We also want Timor-Leste to become a country that complies in full with commitments to human rights and gender equality at every level of society.

This is the vision of a country that wants to modernise in every aspect, with general access to information technology supported by fibre optic cables around the country.

We also believe that ascension to ASEAN will enable Timor-Leste to play a different role in the world, by making use of the special ties we have with our neighbours in Asia and in the Pacific, as well as by establishing bridges with our friends in the CPLP group. By opening diplomatic representations in other regions, Timor-Leste will be able to open new channels of dialogue that may also promote foreign investment in our country.

We want to invest in a new participation by our country in the international system, namely by entering other multilateral debates and decision-making spheres. We also want to make an active contribution to improving international policies

regarding aid and conflict resolution, through forums of dialogue such as the 'g7+', which we are proud to lead.

Excellencies,

In general terms, our principle is to take into account the macro and micro doctrines that are supposed to be universal but only as a guideline to our annual and long term policies. The fundamental reason is that these policies have to reflect the current and real needs of our country.

These macro economic theories were not capable of solving the global financial crisis. The world today needs a more human doctrine to free itself from the mathematical calculations of money that define the GDP of nations as an instrument to evaluate and separate the rich from the poor all living at the cost of the speculations of the market.

In February I asked this question at our National Parliament and today the group of the 8 more developed countries is discussing the issue of tax evasion of trillions of dollars a year in the US and the European Union.

We know that inflation will be a constant challenge for our economic growth that will demand considerable public investment.

The economic miracles in the 2nd half of the 20th century, many without the help of natural resources, show a consistent focus on public investment, in the creation of basic conditions for generating other types of wealth, in maintaining a double digit growth rates and in dealing with a double digit inflation. The question put to them when seeking proper solutions in each of their programs' period of implementation was how low it should be and how high it can be.

However the dilemma is choosing between stopping the programs of development to deal with inflation or whether they should merely strive not to let inflation run wild without the necessary control. We are conscious of the various factors, external and internal, that produce inflation in our country and for that reason we will create the necessary conditions and instruments capable of minimising it.

Timor-Leste has enormous wealth in terms of natural resources, namely in oil and gas. We know that they are not renewable resources. However, it is absolutely necessary to utilise these resources to develop our country and the reason is so that in the future we are able to be a non-petroleum dependent economy. We assumed since the First Constitutional Government a commitment to the people of using the money of

the petroleum revenues in a sustainable way to ensure the prosperity of future generations. Today, we are studying the best way to diversify the investment in our petroleum fund.

Timor-Leste subscribed to the requirements of the Extractive Industries Transparency Initiative (EITI) being the third country in the world and the first in Asia to do so and we have already supported several countries that want to understand better our practices.

Excellencies,

We strongly believe in this project. We believe in the vision that we have for Timor-Leste, especially because we know our country from one end to the other, and we know the determination of our future when they know the future ahead.

We know that the challenges we must face are immense and that the only way that they can be overcome is through an integrated and sustainable development.

I hope that the development partners in attendance today will accept this challenge and join us in believing in this vision and in this project. It was precisely the combination of national determination and firm support from the international community that brought us this far. We believe that if we continue walking this path together, today as we did yesterday, we may continue to transform Timor-Leste into the country that we all want it to be.

Thank you very much.

19 June 2013
Kay Rala Xanana Gusmão