



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

**ADDRESS BY
HIS EXCELLENCY THE PRIME MINISTER
AND THE MINISTER OF DEFENCE AND SECURITY
KAY RALA XANANA GUSMÃO**

“REFLECTING ON THE STATE OF THE NATION”

**12 July 2013
National Parliament
Dili**

Your Excellency the President of Parliament
Your Excellencies the Vice Presidents
Distinguished Members of Parliament

Fellow Government Members
Distinguished Guests

Ladies and Gentlemen
People of Timor-Leste

Coming here to this great house to speak about the State of the Nation is both a privilege and a duty I am pleased to perform.

It is also a great honour, being the first time Parliament has held a session dedicated exclusively to this subject, with the solemnity it deserves and in accordance with the Constitution of the Republic.

I believe that everyone in attendance here today recognises that our Country is on the right path and that we have made great progress as a Nation.

I say this because, looking across the world, I can find no other country that has achieved so much in such a short period of time.

In order to better understand the state of our Nation, it is vital that we look at what is happening in Europe, at the situation in America, at the problems in the Middle East and at what is happening around us, in Asia.

The world of today is experiencing much more conflict than at the time of the Cold War, when open conflicts involved struggles of liberation against colonialism.

The new world order, which came about after the fall of the Soviet Union, turned out to be an absence of order, ruled by those who hold the power.

This is the world in which we live, ladies and gentlemen, where for the great democracies of the world elections are an end unto themselves, rather than a means. We can see the results of this in the major social and political turmoil in Egypt, which is entering a turbulent transition...from a springtime democracy to a summertime democracy.

This is the world in which we live, ladies and gentlemen, where imposing democracy is, for the great decision making centres, an end that justifies every means. We can see the results of this in the decade-long wars in Iraq and Afghanistan and in the complete self-destruction of Syria.

World news has also been more exciting since the start of the Global Financial Crisis, because now it also include scandals. In addition to the scandals in the world financial

systems, with banks devoid of money, deceiving society, we now have the scandal of billionaires and of million-dollar companies transferring trillions of dollars into offshore paradises, in order to avoid paying taxes, while Governments struggle with a lack of money to support their countries. Further, in addition to the scandal started by the Australian Julian Assange with his Wikileaks, we have now learned of the spying scandal directed at allies and the European Commission, disclosed by the American, Edward Snowden. This in turn led to another scandal, which was the deviation of the airplane of the President of Bolivia.

The economic war, the war for strategic influence, the war for control over the resources of other countries and the war in the search of new markets for the products of the great economic powers are the setting for what I would call the Second Cold War.

And still it is we, the developing or underdeveloped countries, which in accordance with the International Conventions we have signed, must draft annual reports on Human Rights and Democracy, on Poverty and Malnutrition, on Money Laundering and Corruption, on Transparency and Civic Rights.

This very week the Pope spoke about the 'globalisation of indifference', however I would prefer the globalisation of hypocrisy.

By hypocrisy I am referring to the great democratic centres of power that 'impose' so-called universal standards on others, while breaching them with the impunity recommended by so-called 'national interests' and defended by the so-called 'security' of their States.

I – Introduction

President of the Parliament
Vice Presidents
Leaders of the Parliamentary Benches
Distinguished Members of Parliament
Ladies and Gentlemen

Firstly, I believe that today I must start by paying homage to the Timorese People. If today Timor-Leste is a feasible State in a sound period of construction and consolidation, we owe it essentially to our People, who are once again taking part in this process with the same dignity as before, in order to make this country a peaceful, tolerant and united Nation.

This act of complete dedication to a noble mission is already part of the character of the Timorese People. The past has proven that our People can rise from adversity and gain new energy.

Eleven years have now passed since that historical day of 20 May 2002. This was a day of jubilation for a body tired of waiting, a day of jubilation hiding a mind that was

traumatised by a long conflict, a day of jubilation nurturing a new spirit that was full of dreams. However, these dreams and hopes were too much for the fledgling State to meet, and so they created a society that was too demanding for immediate results.

As such, the start was extraordinarily complex.

The State will never forget, since it is part of our memories, that we began practically from nothing in every aspect, from our inexperience in governance to the lack of human and financial resources, from the absence of laws to the lack of experience living in a democracy, from the lack of infrastructure to the need to rebuild, from the lack of institutions to the inability to respond to the needs of the country.

On the part of every Timorese, our society confused duty with right, confused democracy with freedom to do whatever one pleased. Society lost sight of the long process that was the liberation of the country and began to assume, wrongly, the need to demand immediate responses to their requests. Additionally, there were individuals and groups reclaiming compensation for past services.

As citizens, we have absorbed universal values and principles that were conveyed to us by others. We swallowed them in one go, causing social cramps and political indigestion.

This resulted in a cycle of crises which emerged at the end of 2002 (the very year of independence), December 2004, April 2005 and April 2006 to February 2008.

Once again we smelled fire, we saw blood spilled on the ground of our homeland and we revisited the recesses of hatred, vengeance and violence.

This led our People to stop trusting the institutions of the State. It also led international experts to rush to the conclusion that Timor-Leste was fast becoming a failed State.

In 2000, a study that was not drafted by us, revealed that 41% of our population lived below the poverty line. In 2007, further research showed that the number of poor people in our Country had increased to 49.7%. This scientific data sought to prove the failure of democracy and the rule of law in Timor-Leste, suggesting that the Timorese were unable to be the masters of their fate.

Further research, this one more independent, mentioned that from 2000 to 2007 over \$8 billion was spent in one way or another on Timor-Leste. This led us to try finding any positive outcome that this money had had on the poor in our country, which had even increased in number during the period.

The last major crises of 2006-2008 even led some international experts, very experienced in solving crises all over Africa, the Middle East and Asia, to estimate that we would not be able to solve our problems before 2018. They further stated that in order to do this, we Timorese would need to understand the concepts of 'crisis

management sustainability' and the existence of 'actual long term and staged plans' for ensuring 'respect for human rights' and enable a 'participative democracy'. With all these inputs, we would still have 5 years of work ahead of us before 2018!

Ladies and Gentlemen,

We need to reflect thoroughly on our 'post-conflict' situation. Timor-Leste is part of the group of 49 least developed countries, as well as of the group of 30 fragile countries.

In the history of the resistance, the Timorese People showed unquestionable ability to think critically about their own responsibilities and correct the political deviations making them explosive, intolerant and aggressive. The Timorese People managed to change their attitude, overcome differences and bring people together, thus strengthening the struggle.

As such, in 2009, on the 10th Anniversary of the Popular Consultation, our People embraced the motto "Goodbye Conflict, Welcome Development". Since then, we have been living in peace and stability.

It was also on this path that, in 2010, we organised the First International Conference for fragile and post-conflict countries, under the theme 'Peace-building and State-building', enabling us to better understand the difficulties and challenges that other countries were facing in their efforts to remove the label of 'fragile State' or even 'failed State.'

It was important for us Timorese to realise that the 'State-building' process is no easy task. It is also important for us Timorese to realise that the issues of governing States, even those that have existed for centuries, are conditioned by internal problems that are intrinsic to each country, from political to social and economic problems, as we are seeing throughout Europe. The scale of these problems is influencing a new vision of the globalised world of today.

This is why that Conference in April 2010, in Dili, resulted in the creation of the 'g7+' group, seeking to advocate a 'New Deal' in the relationship between fragile countries and their development partners.

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

This correction must necessarily entail the ownership, by those very countries, of the responsibility to examine themselves critically, as we Timorese have been doing, in order to start establishing ongoing programs to gradually correct the flaws, gaps and errors made.

We all understand that democracy is a universal value, but we also understand that most of all it involves a specific process for each country, assumed and worked on by

the people of each country, without exact formulas that can be copied from other societies. This is essential so that there can be 'ownership' and 'leadership' by each country in relation to its democratic process.

It was under this perspective of ownership and leadership that in February 2008 we decided that the ISF and UNMIT/UNPOL should return to their barracks so that F-FDTL and PNTL could take on full responsibility for handling the problems resulting from the crisis... which were ours and no one else's! That was also the time when we began the reformation of both institutions, starting by changing mindsets and behaviours.

I must say that being a young State we strived to learn from our errors and setbacks, and here the dialogue within State agencies and between State Agencies and Civil Society proved to be invaluable. I believe that all of you will agree that this ongoing and genuine dialogue, as well as the cooperation between every Body of Sovereignty and Civil Society, were the key to our success.

Ladies and Gentlemen,

Unlike many countries, Timor-Leste started with many political parties running for the Constituent Assembly and becoming a part of the First Legislature. In the Second Parliament there was a clear reduction in the number of political parties with seats in Parliament. This reduction continued in the Third Parliament, in which only four political parties now sit in Parliament.

Democracy is not limited to elections and the representation of parties in the legislative body of the State, which is the Parliament. Our democracy is forged in the active participation of society in general, through public and broad consultations, through the interaction of the different parts of society and through dialogue.

Today, Timor-Leste is living in an innovative and dynamic environment. The State has established a mechanism of structured dialogue reflecting the spirit of applicable democratic rules, to which everyone is subjected.

Therefore, in this new decade of State building, in this new chapter of our history, we are all more engaged in the strengthening of our institutions, more committed to the plans for economic growth and better prepared to sustainably develop the Nation.

It is important to say that we are all aware that national interests are the general interests of our country and the long term interests of our people.

II – State building

1. Institutional reforms

Distinguished Members of Parliament

Ladies and Gentlemen

From the start, the State has strived to build the society and the Nation.

Since 2000, we have been carrying out an intense and thorough process of internal reconciliation, along with an effort to provide civic education to our society, seeking to convey the due balance between rights and duties in this construction process, and the fundamental obligations by the State to the People and to the Nation.

We all remember the difficulties that our guerrilla fighters endured in the barracks of Aileu, without conditions to give them the proper dignity as Armed Forces of National Liberation. We all witnessed the lengthy process of transforming guerrilla forces into conventional forces.

We all remember the initial difficulties we had creating a Timorese Police that would accompany the activities of the UN Police. We all recall the enormous difficulties that our police officers endured in terms of learning and adaptation, since each country involved in that good intention of assisting Timor-Leste provided a different type of training.

Believing that there cannot be development without security and stability, we undertook crucial reforms in the defence and security sector, seeking to build capacity and to professionalise the Defence Forces and the National Police.

These reforms may not please everyone, but the fact is that each institution now has a more efficient legal and administrative framework, in addition to a policy framework of solidarity and cooperation in joint activities, which have been producing positive outcomes.

Meanwhile, the Defence Forces are guiding their vision towards a more effective participation in international missions in the areas of peacekeeping and natural disaster response. The Defence Forces also seek to improve their readiness to ensure security in our south seas, including with surveillance and rescue missions.

Further, the National Police, in addition to investing in conflict prevention policy through community based policing, is preparing for activities outside Timor-Leste, taking into account our future membership of ASEAN and a more effective cooperation within the establishment of an integrated development region with the neighbouring islands of Indonesia, including the Northern Territory of Australia. The National Police must be better prepared in order to be able to deal with transnational crime, which currently concerns every State, particularly small and still weak States such as Timor-Leste.

Ladies and Gentlemen,

The Government has also made broad reforms in terms of State management and administration, working to develop a more professional, competent and independent

public sector. Timor-Leste has taken large steps towards good governance and transparency in the public sector, including through:

- The establishment of the Civil Service Commission;
- The establishment of the Anti-Corruption Commission;
- The strengthening of the competences of the Inspector General of the State;
- The creation of the Audit Chamber, to carry out audits independently from the Government;
- The launching of the Timor-Leste Transparency Model, including the Budget Transparency Portal, the eProcurement Portal, the Aid Transparency Portal and the Government Results Portal – in order to bring services closer to the public and to enable the public to monitor the execution of expenditure, State procurement projects and the outcomes of financial execution and contracts;
- The improvement of public financial management, with greater decentralisation, increased efficiency and better service delivery to the People.

Following these reforms, in 2012 Timor-Leste climbed 30 places in the Corruption Perceptions Index world ranking by Transparency International, which was an acknowledgement of the significant efforts made by State agencies in this area.

The 2013 Resource Management Index report by the Revenue Watch Institute stated that Timor-Leste “adopted transparent and accountable systems for managing its petroleum wealth”. Timor-Leste was ranked 13th among 58 countries, being placed above some of our developed neighbours in terms of safeguards and quality control.

Further regarding the reform of public financial management and administration, Timor-Leste implemented important good governance policies, such as:

- The establishment of the National Procurement Commission, for assessing large projects, with the support of an international procurement company, assuring quality, cost-efficiency and a high level of transparency, professionalism and integrity in key infrastructure projects;
- The establishment of the National Development Agency, responsible for assessing the main infrastructure bids and monitoring and reporting on the execution of infrastructure projects;
- The operation of a financial system called FreeBalance in order to manage, control and monitor the budget, government finances and payments by the State.
- The improvement of the functions of the Treasury, enabling Full Reconciliation of Accounts and the establishment of a Single Account Treasury System in the Government, providing greater scrutiny over operations in all bank accounts held by the Treasury.

- The dramatic improvement of budget execution rates, by way of improving public finance and building the capacity of civil servants.
- The establishment of an Infrastructure Fund and a Human Capital Development Fund, allowing multiyear projects and ensuring the continuity of large investment projects in infrastructure and in the development of Timorese human resources in strategic sectors.
- The establishment of a quarterly reporting system to Parliament, with the main activities of each line ministry set out and in accordance with budget execution.

Ladies and Gentlemen,

The Constitution of the Republic requires the State to recognise all those who gave their best so that Timor-Leste could become independent, as well as to protect the citizens that need the most protection.

Under this mandate there is a broad program of recognition and homage to our national heroes and veterans. In addition to providing subsidies and pensions, the State has built Monuments and Memorial Houses throughout the country. The 2nd Veteran Demobilisation Ceremony will take place in Betano on 20 August 2013.

In line with its goals, the State has decided that it could not postpone measures promoting social justice and protecting our society's most marginalised citizens. As such, the State is operating a program for providing assistance to the elderly, the disabled and other vulnerable groups.

The State is also preparing for the establishment of a universal and contributory welfare regime, ensuring that every worker, both in the public and private sectors, will receive a pension on retirement, disability or death.

Here I must underline that every reform and policy enabling the development of other sectors and high economic growth would not have been possible without strong institutional cooperation, preserving the checks and balances befitting a democratic State, as set in our Constitution.

Consequently, our People are living today in an atmosphere of safety and stability, our Nation is more attractive to foreign investment and our society has acquired greater confidence in a bright future for its beloved homeland.

2. Economic Growth

Your Excellency the President of Parliament
 Your Excellencies the Vice Presidents
 Distinguished Members of Parliament
 Ladies and Gentlemen

The evolution of a society or a people is based on the economy. When the economy has clear goals and moves forward, the society and the people progress.

Building a nation has never been an easy task in any part of the world. Building a nation requires firstly a vision for the future, a realistic perception of what may be and an objective assessment of all strengths and weaknesses.

At the start of any progress there are countless priorities and the desire is always larger than the ability to provide proper responses. The ability to provide responses is the ability to make a decision on options – the right options.

And that is what we have done, what the Timorese have done. The Strategic Development Plan lists the policies to be made at every step and at every stage – policies based on the strong potential of Timor-Leste.

We want to become a high middle income country within 20 years, with a healthy, safe and educated population.

This philosophy reflects the current situation of poverty in the country and the misery that our people still face. Since the First Government, we have all assumed the Fight against Poverty as a National Cause.

Ironically, while there are still 1.5 billion people living in misery throughout the world, dying of disease, hunger and exclusion, the great centres of power in the world prefer to feed hatred, vengeance and violence through wars and conflicts that they cause or provoke, under the slogan of defending the national interests of their countries.

As such, in Timor-Leste we must only consider the growth of our economy to be a favourable indicator of national development if it observes two key principles: inclusiveness and equity.

We will develop what and we need to develop, but we want to develop well, distributing the dividends of the growth of the economy across the entire population, from Tutuala to Pássabe, from Fatu Mean to Laklubar, from Ataúro to Hato Builiko.

As you know, it was the First Government that began efforts to establish administrative decentralisation and to implement Local Government.

Recently we have been creating the framework for the municipalities. This year we have started the popular consultation to establish the 13 Municipality Installation Committees and to create 3-5 Municipalities within the next few years.

In addition to the decentralisation process, which is vital for stimulating entrepreneurship, the State is also creating conditions for facilitating investment and

nurturing the business environment, in order for it to produce goods that can be traded and exported, and in doing so, make our economy more competitive.

Timor-Leste is a small but emerging economy, with a free and open market.

By implementing tax reform, with some of the lowest tax rates in the world, we have become more attractive to national and foreign investment. This reform was further strengthened by the approval of the Private Investment Law in 2011, granting exemptions of up to 100% for investors that obtain investor certificates.

Since 2008, we have been recording high rates of economic growth. Our average growth rate since 2007 has been 11.9%, with the International Monetary Fund estimating that Timor-Leste's growth will continue at these levels.

This growth means that there is greater economic activity in the country, as anyone can plainly see, and reflects the existence of a private sector that, while emerging, is beginning to affirm itself and contribute to overall development.

It also means a steady generation of wealth, with the creation of more employment, an increase in trade and tourism activities, both in Dili and in the districts, and greater production, including agricultural production.

Ladies and Gentlemen,

In order to achieve the principles of inclusiveness and equity we have been having greater budget balance in terms of the distribution of wealth in projects throughout the territory since 2008.

In 2009, we launched the Referendum Package. This was an innovative measure that, among other things, enabled the creation of local companies, so that entrepreneurship would no longer be centralised in Dili.

With the Referendum Package we also managed to build local leaders who were aware of the need to take part in the decision making process on projects, in order to ensure greater local ownership and control and to increase social accountability.

In 2010, we established the Decentralisation Programs, seeking to decentralise administration to the district level. In 2012 we established a planning, implementation and funding system to ensure that the State Budget is invested in areas that the District and Sub-Districts define as priorities. This was called the Integrated District Development Planning (PDID).

In 2013, we will be implementing the National Program for Suco Development (PNDS), initially in 30 sucos. This plan harmonises both the SDP and the LDPs.

We have learned practical lessons from the Referendum Package and from PDD I and PDD II. As such, we can now say that these measures have enabled the development of the private sector, benefitting populations in several parts of the country through the construction of small infrastructure works.

Distinguished Members of Parliament
Ladies and Gentlemen

We know that the private sector, rather than the State, should be the main driving force of the economy, including in regard to generating wealth and creating employment throughout the country.

The creation of the Chamber of Commerce and Industry was timely, since it represents and defends the interests of the Timorese private sector and works alongside the State on developing opportunities and in the search for solutions. However, there is still much to be done in order to clarify responsibilities.

We believe that it is crucial to create an Investment Agency and a Development Bank to work alongside our Commercial Bank. As such, these two agencies are considered to be priorities for the country. The greatest weakness of our business environment is the lack of financial capacity; therefore, there is an urgent need for access to credit. This is why, that in addition to tax reforms, the State is establishing an efficient legal framework for property law, land law and labour law.

The creation of a “single counter – SERVE” in June 2013 will simplify and reduce the time for registering companies. This, together with the support being given to small and medium sized companies and to industrial and commercial cooperatives and groups, will boost the diversified productive sectors.

The State is aware that strong economic growth has been accompanied by high inflation, putting pressure on the purchasing power of the Timorese. We have been recording, monitoring and assessing inflation carefully, as the Timorese State is committed to lowering it.

The State is also aware of the various external and internal factors that cause inflation in our country, which is why we will create the necessary instruments to minimise them. We will not stop investing in development programs - we will just ensure that inflation does not shoot out of control.

Ladies and Gentlemen,

Our natural resources are essential for developing the country in a diversified manner, so that in the relatively near future we may have an economy that is not oil-dependent.

Since the first moment we have assumed a commitment before the people to use the money from the petroleum wealth in a sustainable manner, so as to provide for future

generations. Consequently we continue studying the best way to diversify the investment of our Petroleum Fund, which will require investment in specialised Timorese human resources.

Timor-Leste, despite being independent for only a decade, has developed a world class revenue management system and was the first country in Asia and the third in the entire world to be granted compliance status with the Extractive Industry Transparency Initiative.

Part of the reason why this was possible was that the First Government established the proper system for receiving revenues from the oil reserves in the Timor Sea, in order to benefit both current and future generations. This system is the Petroleum Fund, which currently has a balance of over \$13 billion.

In 2008 we established the National Petroleum Authority, responsible for managing and regulating petroleum activities in the areas of exclusive jurisdiction of Timor-Leste, as well as in the Joint Petroleum Development Area with Australia.

Currently, we have two fields producing in the Joint Petroleum Development Area: the Bayu Undan project, operated by Conoco Phillips, and the KITAN project, operated by ENI.

Exploration activities, in both the JPDA and in our exclusive offshore areas in the Timor Sea, including seismic surveys and drilling, indicate there is an active petroleum system in the area with a number of prospects which will attract further exploration in the future.

Timor-Leste has adopted the Petroleum Sharing Contract regime as a means to engage international and national petroleum exploration and production companies to invest in petroleum exploration.

Consequently, the National Petroleum Company of Timor-Leste, Timor-GAP E.P, created in 2011, signed its first petroleum sharing contract in 2013, enabling Timor-Leste to participate directly in a partnership for exploring and developing our resources in the Timor Sea. Our share is 24%, which is a starting point for testing our capacity.

The establishment of a dynamic and integrated petroleum industry along our southern coast will undoubtedly contribute to the development and start of the industrial sector, as well as for creating jobs.

As you know, in addition to petroleum resources, we also have substantial mineral resources. Preliminary data and information indicates that this includes gold, copper, manganese, marble, phosphate, gypsum and iron ore.

We believe that focusing on sectors such as oil and natural resources will lead to the diversification of the economy by strengthening traditional sectors such as agriculture,

livestock and fisheries, increasing national productivity in order to create added value in certain products that can be sold in the international market.

Your Excellencies
Ladies and Gentlemen

Investing in improved basic infrastructure and liberalising the telecommunications sector will make an enormous contribution to our already strong economic growth.

With the completion of the first stage of our national electricity generation and distribution network, we have taken an important step towards modernising our economy and improving the living situation of the people. On 20 August of this year we will be inaugurating the Betano Power Plant.

Only by building a road network to an international standard can we have integrated development in all sectors, including health and education.

We have already planned to build national roads from Dili to Baucau, Dili to Ermera, Dili to Motain and Dili to Ainaro, with loans from JICA, ADB and the World Bank.

The State has also approved the mechanisms for establishing Public-Private Partnerships, which will make use of specialised knowledge in construction and / or operation. As such, the International Financial Cooperation is currently working with the Timorese State on studies concerning the feasibility of the PPP program in relation to the Port of Tibar and to the Nicolau Lobato International Airport.

This year we signed a Memorandum of Understanding to kick-off the feasibility, economic, and technical studies for the construction of a fibre optic underwater cable from Darwin to Suai, which will significantly improve data communications in Timor-Leste.

We are committed to investing in diversity and innovation, so that Timor-Leste can transform its economic profile. However, this effort will only make sense if it is accompanied by a drastic improvement in the more immediate quality of living of our population.

Ladies and Gentlemen,

When we speak about the actual quality of living of our population, we are speaking about inclusiveness and equity.

In addition to the PNDS and PDID decentralised programs, the Infrastructure Fund currently features 18 development programs that will significantly improve several sectors, by building or repairing agriculture irrigation systems, roads and bridges throughout the country, new schools in various districts, police stations, defence buildings and public health buildings.

The existence of clean water supply, basic sanitation and sewers is essential, since it will contribute to improved public health. We are investing in this in rural, regional and urban areas, while implementing the Sanitation and Drainage Master Plan in Dili.

We are also carrying out the necessary engineering studies to provide solutions to local communities about drainage problems. The maintenance of the existing drainage pipes is a key part of these solutions.

Over the past few years several agricultural initiatives have been implemented to improve productivity, using more and better infrastructure, irrigation systems, seeds, fertilisers and equipment and machinery.

As such, we have increased agricultural production in some staple crops. The production levels of rice and maize in 2012 were much higher than in 2011. The total production in staple crops increased from little more than 100,000 tonnes in 2011 to almost 200,000 tonnes in 2012.

This achievement is confirmed by the statistics related to rice imports. In 2011 we imported around 100,000 tonnes of rice, while in 2012 we imported less than 40,000 tonnes.

The continuous rains have caused much damage to the tilled plains and affected the production of maize. As such, the State now considers it necessary to increase the stock of food in order to ensure that there is no shortage in Timor-Leste until March 2014.

The sectors of fisheries and livestock have also been continuously supported by the State, through technical training, vaccination of around 80% of the animals across the entire country, creation of fish hatcheries and distribution of fishing boats and equipment.

In April 2013 we established a Development Policy Coordination Mechanism, which was presented recently at the Development Partners' Meeting, seeking to ensure an ongoing and effective monitoring of our ability to implement the Strategic Development Plan.

This mechanism will ensure the implementation of policies required for economic growth and sustainable development, as well as the inclusion of the participation of representatives from the civil society, the private sector and the development partners.

The Strategic Development Plan also sets out a new action approach to sustainable development and the fight against poverty through promoting the establishment of Special Economic Zones. Currently, Dr. Mari Alkatiri is leading the development of Oecussi, which as you all know will become a Special Zone of Social and Market Economy.

The Oecussi pilot project, which may be extended to other parts of the country, is called a Special Zone of Social and Market Economy because it will be part of the State's sustained fight against poverty.

The SZSME should have an impact on the living situation of the entire population of Oecussi and should boost local productivity and entrepreneurship.

In the future, depending on the enthusiasm of the 'atoni' population, Oecussi may become a commercial and industrial centre focusing on market opportunities in the region.

There have already been preparations in relation to this project, from the legal framework of financial regulations to the staging of its implementation. We have also considered the possibility of allowing the participation by the Timorese private sector and by the local population itself in this process.

I must say that the project is innovative and exciting. Nevertheless, the Government continues to weigh the possible risks, since the investment to be made is considerable. The Government is sure that a Memorandum of Understanding can facilitate greater trust and stimulate more productive debates.

3. Human Development

Your Excellency the President of Parliament,
Distinguished Members of Parliament,

The main goal of the Timorese State is to continue improving the living situation of Timorese citizens and their development as people.

Timor-Leste has moved up five places in the Human Development Index since 2007, according to the 2013 report by the United Nations Development Programme. This is the greatest annual average growth in the index between 2000 and 2012 by a Nation in East Asia and the Pacific.

In 1980, the living expectancy of the average Timorese citizen at birth was 35 years. This increased to 56 years in 2000 and to 63 years in 2012.

Timor-Leste has a Human Development Index of 0.576, being ranked in the 134th place among 187 countries and territories, which places us in the category of medium human development.

Between 2000 and 2012 our classification in the Human Development Index increased 38%, from 0.418 to 0.576. Timor-Leste's per capita GNP also increased 356% from 2000 to 2012.

We can also measure our progress by looking at the health and education sector.

Child mortality rates have dropped considerably, from 83 deaths in every 1,000 live births in 2003 to 43 deaths in every 1,000 live births in 2009/2010. Life expectancy at birth also increased from 59.5 years in 2006 to 64.6 years in 2011.

In October 2012, Timor-Leste had 13 specialised doctors, 139 general practitioners, 1,271 nurses and assistant nurses, 427 midwives and 416 health professionals, in addition to the 400 new doctors that recently graduated from UNTL.

By 2016 we should have over 1,000 Timorese medical graduates working as fully-fledged doctors in Timor-Leste. The successful integration of these doctors in the health system of Timor-Leste is a key priority for the State.

In the education sector, the overall number of enrolled children increased 5% in basic education, 8% in general secondary education and 17% in the technical secondary education between 2010 and 2011.

We have established a Human Capital Development Fund in order to develop human resources in our Nation. We are also sending students to countries throughout Asia and the world, so that they can acquire the necessary qualifications for building our State.

In 2012 the State issued 1,564 scholarships in strategic areas under this Fund. The State also funded the participation by 884 Timorese citizens in technical and professional development courses.

Ladies and Gentlemen,

Timor-Leste recognised that the Millennium Development Goals in the areas of poverty, malnutrition, health, gender equality and environmental sustainability would form a basis for improving the living situation of the population. The areas which have provided particularly difficult, however, include poverty, underweight children, maternal mortality and sanitation.

Nevertheless, Timor-Leste is making significant progress in relation to two MDGs: achieving universal primary education and promoting gender equality and empowering women.

In regard to gender equality, 38% of all Members of Parliament are women following the 2012 elections. This is the highest percentage of women elected for a Parliament in all of Asia.

This outcome was due in good part to the change of the Parliamentary Election Law in 2011, seeking to increase the quota of women in candidate lists to one woman for every three candidates. After we create the municipalities we will also strive to encourage women candidates to run in municipal elections.

The Law against Domestic Violence is in operation and the 2012-2014 National Action Plan on Gender-Based Violence is being implemented in order to reduce domestic violence and gender-based violence.

Ladies and Gentlemen,

In the last few years we have also made considerable progress in the area of justice, and we now want to consolidate this progress.

Here I can highlight the improvement in terms of generalised access to justice, including the rehabilitation of infrastructure and the strengthening of the legal framework.

The State will continue to strengthen the independence of magistrates, the autonomy of the Public Prosecution and the professionalism of legal professionals.

The State vows to increasingly adopt legislation that uses simple and plain language and to hold regular dialogue with civil society and the public concerning the drafting of laws. The State is also working to make justice services available in the districts, by deploying more magistrates, prosecutors and public defenders throughout the country.

Important steps are being taken to regulate and promote alternative ways of solving disputes, such as mediation and conciliation, particularly in regards to labour disputes, family disputes or disputes regarding the possession of land.

The State is giving priority to technical and human capacity building in the areas of criminal investigation and other forensic sciences, in order to be able to respond to complex crimes such as organised crime, corruption and money laundering, as well as to domestic and sexual crimes.

4. International relations

In this debate on the State of the Nation, it is also important to understand our place in the world. The internal effort for consolidating our institutions and our economy will also enable us to change the image that our international partners have of Timor-Leste. Indeed, this image is changing already.

International confidence in a strong Nation has enabled Timor-Leste to move from a transition where it mostly received aid to a new era where we attract investment and place ourselves in an advantageous position in order to have our voice heard.

In the area of international and multilateral relations, Timor-Leste has developed a foreign policy of having good international relationships, respect for the sovereignty and integrity of Nations and cooperation with mutual benefit.

Our relationships with our large neighbours are excellent.

A High Level Trilateral Meeting was organised for the first time between the Heads of State and Government of Indonesia, Australia and Timor-Leste. In addition to the trilateral meetings between the Ministers of Foreign Affairs, which usually take place in New York, we have also had the first trilateral meeting of Defence Ministers.

We also have privileged ties of friendship with the CPLP, the presidency of which we will hold for the period from 2014 to 2016. The preparatory work is currently being undertaken. Taking into account the difficulties faced by some countries in the CPLP, Timor-Leste wants to make a more active contribution towards the enhancement of this community, modernising relations between the members and shining light on economic issues.

We are on our way to becoming full-fledged members of ASEAN and we believe that, within the broad framework of security, development and democracy, this membership will not only benefit Timor-Leste in terms of stability and development, but also benefit the community by way of the small contributions that we can make.

Timor-Leste also has excellent relations with the Pacific Islands Forum. We will continue to strengthen these relations and explore further areas of cooperation.

We are determined to be part of the various regional forums of debate, including the Bali Democracy Forum, the Jakarta International Defence Forum, the Shangri-La Dialogue, the Pacific Islands Forum and others, so as to reflect on the future and to better understand the array of possible threats and the great variety of challenges ahead.

We know that strategic thinking for a country is increasingly inseparable from a complex framework of interconnected threats. Consequently, no Nation can presume to set a strategy for solving its internal problems – in terms of development, democracy, peace, security and even safeguarding human rights – without taking into consideration the challenges faced by the world.

These threats are increasingly unexpected, or even random, requiring greater adaptability and joint responses through dialogue, tolerance and mutual understanding between nations. This requires flexibility and respect for the specific needs of each nation and its people.

Timor-Leste was not alone in undergoing deep changes these last few years. The world itself has changed considerably, bringing new concerns to the international agenda.

The imminent global challenges of the 21st century are increasingly diverse, as are climate changes and the challenges resulting from security in terms of power, food and humankind's most precious resource: water. The world must also deal with economic shocks, rapid social and economic changes, demographic transitions, terrorism, transnational organised crime, piracy and latent and emerging conflicts.

In truth, the world is facing serious problems that could not have been imagined even during the period of the Cold War.

This is why a new paradigm is imperative. Market laws are too susceptible to speculation, profit calculation and fraud by the financial industry. Indeed, these realities have driven hundreds of millions of people to despair.

In this topsy-turvy world, global priorities are still disorganised. International policies should focus on people as an end rather than as a means to achieve less dignified goals.

This is the lesson that we learned at our expense during the last few years, and which we want to share internationally, as our contribution to a new vision on development.

Timor-Leste believes in the common project of peaceful cooperation and development and wants to take a more active part in the resolution of regional problems, including the management of transnational security threats, as well as to cooperate in the areas of humanitarian assistance, disaster relief, environmental management and response to climate changes.

III – Timor-Leste and the change of the old paradigm

Your Excellency the President of Parliament
Your Excellencies the Vice Presidents
Distinguished Members of Parliament
Ladies and Gentlemen,

I believe that we Timorese may start another initiative, a new development paradigm, in order to try to convince the world in relation to the effective and sustained fight against poverty.

Timor-Leste is considered by the international community to be one of the forty-nine countries that the United Nations calls the “Least Developed Countries”.

We are also considered one of the thirty countries that the World Bank calls “Fragile States”.

However, we are also one of the eighteen countries that came together to create the ‘g7+’, which seeks to monitor, report and call attention to the specific challenges faced by fragile States that, up until now, lacked the voice to be heard properly.

It was in this process of making our voice heard that we came to realise we needed a new development paradigm.

The international community, the United Nations, the World Bank, the IMF and OECD

have been the great promoters in the fight against poverty. However, the results of this fight are plain to see, particularly in Africa.

We have noticed that, although billions and billions of dollars are invested every year, much of the world population remains without food, shelter, health, education and safety.

Throughout the world there are around 1.5 billion people living in extreme poverty.

We often see how internal instability is caused in many countries in order to promote fragility in those nations and to protect multinational interests.

We have learned at our expense that the need to change this paradigm is strategic as well as ethical. We have learned that governments must lead their policies, not only because that is morally correct but also because policies invariably fail where there is no ownership.

This is why the g7+ nations have been working together to ensure that the post-2015 development agenda will provide an actual response to their needs in terms of peace and stability, as well as to hold the perspectives of fragile States as central to global dialogue.

It is urgent to focus more in action for underdeveloped countries, instead of insisting on empty slogans that are merely words to sell to others.

As you know, the world is currently finalising the dialogue in order to develop the post-2015 development agenda, which will cover the period after the MDGs. The Minister of Finance of Timor-Leste, Emilia Pires, is a member of the High Level Panel that has advised the Secretary General of the United Nations in relation to this agenda.

I would even say to the People of Timor-Leste what I have already said abroad: that the UN itself needs an urgent reform. This heavy organisation is like a turtle with a hard and heavy shell, trying to overcome the tides in order to get to the beach. This is so because going to the beach is precisely what some peacekeeping officers do in the countries where they are deployed. Later on they receive medals for the great sacrifice of not having been able to solve the problems that those countries had.

In order to help change these mechanisms, in February Timor-Leste received in Dili leaders from several countries throughout the world, including the Asia-Pacific and Africa, hosting an International Conference on the Post-2015 Development Agenda. This was the largest international conference ever held in Timor-Leste.

One of the outcomes of our discussions and deliberations was the “Dili Consensus”, which establishes our priorities and hopes for the post-2015 development agenda. A key aspect of this document states that we must set a credible, responsible and realistic path towards development.

In April 2013, Timor-Leste had the honour of assuming the presidency of the United Nation's 69th Session of the Economic and Social Commission for Asia and the Pacific. As such I will have the privilege of presiding over this session during the next year, as well as working with ESCAP and with the nations of Asia and the Pacific in order to achieve progress and improve human development.

Meanwhile, Timor-Leste is also supporting the APRC Council (Asian Peace and Reconciliation Council), established last year in Bangkok, which includes former Heads of State, former members of Asian Governments and scholars. The Council wants to facilitate dialogue within societies and between nations, so as to end frictions and prevent conflicts.

Timor-Leste looks favourably on this noble ideal and on this worthy mission of helping to nurture a culture of peace in our region.

During the past few years the State of Timor-Leste has contributed to efforts seeking to alleviate national disasters in many countries. Today the State of Timor-Leste is starting another mechanism, by creating the Development Cooperation Agency. We have started to provide financial support to S. Tomé and Príncipe, which require political reforms, and to Guinea-Bissau under the presence of a UN Peacekeeping mission headed by HE Dr. Jose Ramos-Horta.

Currently, we have the conditions to gradually develop our country and to share our development experience with other fragile States.

The new paradigm of the fight against poverty in Timor-Leste entails acknowledging that no one knows our frailties as well as we do, despite any international standards and readings.

We know the path we want to take and the most adequate strategy for handling our poverty. The Strategic Development Plan is the greatest example of this. Instead of universal but abstract concepts for leaving behind poverty, it makes an actual assessment of our needs and obstacles, since what we hear and feel – from Ponte Leste to Ataúro to Oecussi – are the tears, the sweat and the sacrifice of our People, as well as their determination and their aspirations.

As such, despite giving attention to the macroeconomic challenges that we must overcome, we cannot focus only on simple statistical and mathematical calculations for justifying the investments we want to make.

Timor-Leste has its own challenges and a history of struggle and sacrifice, but it also has a history of resilience and of considerable progress appealing to confidence in our future path.

This great project for fighting poverty, which started with the First Constitutional Government, requires a steady commitment by every Timorese citizen, as well as

sound State institutions. This will enable us to achieve our common goal of having a developed, fair and dignified country.

And I strongly believe in a... second Maubere Miracle!

12 July 2013

Kay Rala Xanana Gusmão