



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

**KEYNOTE ADDRESS
BY HIS EXCELLENCY THE PRIME MINISTER
KAY RALA XANANA GUSMÃO
AT THE CONFERENCE ON “HARNESSING NATURAL RESOURCE
WEALTH FOR INCLUSIVE GROWTH AND ECONOMIC
DEVELOPMENT”**

**Dili, Timor-Leste
18 September 2013**

His Excellency Taur Matan Ruak, President of the Republic
His Excellency Anoop Singh, Director of the International Monetary Fund's Asia and Pacific Department
His Excellency, Mr Hiroto Arakawa, Chief Economist of the Asian Development Bank

Members of Parliament
Members of Government
Ambassadors
Distinguished guests
Ladies and gentlemen,

It is a great pleasure to speak at this conference on "Harnessing Natural Resource Wealth for Inclusive Growth and Economic Development".

I would like to thank the International Monetary Fund, the Asian Development Bank, the World Bank Group and the Japan International Cooperation Agency for their important support to this Conference.

We also welcome our international guests who will be able to share with us lessons learned from resource rich nations around our region and the world.

I am very pleased to speak today because the theme of this conference reflects our vision for our nation. It is a vision that is set out in our *Strategic Development Plan 2011-2030* and it is a vision we are already pursuing with determination.

It is absolutely our intention - and our unrelenting focus - to wisely use our natural resource wealth to develop a diversified economy and build our beloved nation for all our people.

Ladies and gentlemen,

In Timor-Leste we are well aware of the rise in inequality across the world. This is both in developed and developing countries, including the great emerging economies.

In our region of the Asia Pacific we have seen spectacular growth stories. With access to capital and a focus on human resources many Asian nations have made remarkable progress which has lifted millions of people out of poverty.

Economic growth can only be sustainable; however, if we ensure that there is improvement in the social well being of the people. However, some of the economic growth in our region has often not being balanced and inequality continues to rise.

The Asia Pacific is still home to nearly two thirds of the world's poor and far too many people face hunger and extreme deprivation. Without addressing poverty and inequality the social cohesion and stability of many growing economies will be put at great risk.

There are many reasons for the growth in inequality but a common thread is the self-interested actions of the wealthy and the powerful.

The world's financial system is a key part of the problem as it perpetuates and reinforces inequality. I think we can say with confidence that global free market finance has failed.

The Global Financial Crisis stripped bare the world of finance and exposed gross inefficiency, unrestrained greed and systemic corruption. To make matters worse, no one in the developed world took responsibility for the Crisis and it was the world's poor and vulnerable that suffered most. And yet, even during the Crisis, Timor-Leste was subject to moralising lectures, for spending our money to improve the desperate lives of our people, by the very same experts who were bringing the world's economy to its knees.

The unrestrained greed and market manipulation by world finance resulted in a huge rise in inequality, as well as in hypocrisy. It also brought poverty and struggle to the people of once proud European nations. We saw hundreds of billions of dollars in bailout funds being given to developed nations while the world's fragile and Least Developed Countries were largely ignored. And we must ask the question, why?

It is perverse that we are urged to put our faith in this same system that has caused such pain and which continues to perpetuate inequality. There must be a better way.

Ladies and gentlemen,

In Timor-Leste we want to follow a different path. We want to make sure the benefit of our natural resources and our development is spread across our whole nation and to all our people. That is why Timor-Leste is pursuing balanced and sustained growth.

Timor-Leste is a small but emerging economy with open markets and some of the lowest tax rates in the world. We have set an economic and regulatory framework to promote growth and development.

Since 2007, we have enjoyed average rates of economic growth of 11.9% and this strong growth is predicted to continue into the future. This is creating jobs and opportunities for our people and tax revenue to fund important government services including health and education.

We understand that we remain a fragile nation and our economic progress has been possible because of our sustained stability and security. For this important reason, we have also been investing in the professionalism and capability of our security sector to maintain and build peace.

Our sovereign wealth fund, the Petroleum Fund, has grown from \$1.8 billion in 2007 to almost \$14 billion dollars today. Since January this year, the fund has increased on average by more than \$300 million each month, thanks to crisis in Egypt and Syria.

We all recognise the enormous responsibility that we have in ensuring that the wealth from our natural resources is spent to improve the lives and opportunities of our people and build a foundation for our future; while at the same time preserving wealth for future generations.

We are proud that Timor-Leste was the first country in Asia, and the third country in the world, to comply with the Extractive Industry Transparency Initiative. This means that every dollar earned from our oil and gas resources is accounted for and audited so that the funds are managed transparently for the benefit of our people.

Ladies and gentlemen,

Our people sacrificed so much for the cause of independence and self-determination. They have suffered unspeakable acts of violence and hardship. And while we prevailed against all odds, and with little international support, too many still suffer every day from extreme poverty and miserable living conditions. They deserve more.

When we became an independent nation we started with nothing. We had no money, no experience of nation building and we lacked the core infrastructure necessary to support a modern and productive economy.

And so, when the wealth from our petroleum reserves started to flow we had only one option – to spend money to meet the immediate needs of our people and begin the development of our country.

First, we recognised that without electricity we could not build our country, grow our economy or provide government services. So we embarked on our country's biggest ever infrastructure project and built a national electricity generation and distribution system. This means that power is now provided across the nation.

We know that we have a long way to go. While building good national infrastructure is essential to being able to develop socially and support balanced growth, the challenge is large and ongoing.

We need to build an extensive network of quality and well maintained roads to connect our communities, promote rural development and support industry and tourism.

Providing access to safe drinking water and sanitation is critical to the wellbeing of our people and our national development. And it is important that we have sea port capacity to support our development and a national airport that can meet growing demands.

Importantly, we are also working to establish an undersea optic cable connection from Darwin to Timor-Leste to provide access to high speed broadband internet. This is to make sure that our nation does not suffer from being on the wrong side of the global technological divide and will give our people equal access to knowledge and global connections.

Without providing our nation with core infrastructure we cannot achieve balanced and equitable growth.

Ladies and gentlemen,

Our vision, which is set out in our *Strategic Development Plan 2011-2030* is to transform our country from a low income nation to a country with upper-middle income levels by 2030, with a population that is secure, educated and healthy.

The first section of our *Strategic Development Plan* is Social Capital. We started our plan with this focus on health, education and training, social inclusion and because we know that the true strength of our nation is our people. We recognise that we cannot build a nation without the human resources to do so.

It is often said that you can judge a society by how well it treats its weakest members. In Timor-Leste we are proud to be able to support the most vulnerable member of our community. We have established an effective system of pension and transfer payments to the elderly, the disabled and to our veterans and introduced similar social justice measures for other vulnerable groups such as women, children and young people. We see this as an appropriate way for using our natural resource wealth to tackle inequality and disadvantage.

It is very important that this conference does not neglect an issue of vital importance to equitable growth and that is the circumstances of women and girls.

Growth can never be inclusive if most economic power resides in men. Social progress is no progress at all if it is only men that are benefiting or if women and girls are subject to violence and abuse.

We must always remember that the women of our nation sacrificed and suffered as much as the men in our struggle for independence. Regrettably, this included sexual violence which has been a brutal weapon of war in conflicts across the world.

In measuring inclusive growth and development, I therefore suggest we consider gender equality, and violence against women and girls, as critical indicators of progress and development.

Ladies and gentlemen,

Government expenditure must also be balanced across the whole nation to ensure that we do not create an enclave economy in Dili.

The government is embarking on a program of decentralisation to ensure the delivery of services is brought closer to all our people and to give the responsibility for decision making about local issues to local communities.

We are also undertaking a major initiative to ensure that our economic growth is balanced across our nation. The *Programa Nasional Dezenvolvimentu Suku*, or *National Program for Village Development*, is a new, nation-wide community development program which will see more than \$300 million over 8 years funding basic village infrastructure.

In our rural areas, poor infrastructure is a key constraint to development and access to services and opportunities which helps perpetuate a cycle of poverty and inequality. By supporting communities to plan and build basic infrastructure, this program aims to help to make sure that people are not excluded from development opportunities. It follows the earlier Referendum Package and District Development Programs and is a key policy to ensure balanced and fair economic growth.

We are also moving to establish a Special Economic and Social Zone in Oecussi. Dr. Mari Alkatiri is leading the establishment of this development zone and the concept may be extended to other parts of the country. The Special Zone in Oecussi is a new approach to promote sustainable and balanced development and fight poverty. Through this Zone Oecussi will become a commercial and industrial centre focusing on market opportunities in the region.

Timor-Leste is also implementing the Tasi Mane Project to develop an on-shore oil and gas industry to create jobs and underpin economic growth. The Tasi Mane Project will open up our south coast as a sub-regional centre for the petroleum industry, bringing a direct economic dividend from this industry.

Ladies and gentlemen,

Before I finish, I would just like to mention that Timor-Leste knows it is not alone in the fight against poverty and systematic oppression. We have reached out to the international community in solidarity and joined with other nations facing similar challenges to ourselves.

In particular, Timor-Leste wants to address the problems with development assistance and international engagement in fragile and developing countries. We have seen so much money being spent for so few outcomes in the name of international aid.

An important part of this approach is working with the g7+, which is an innovative new collaboration between 18 fragile States to provide a united voice for fragile countries and to advocate for change in global development policies. Many of the g7+ members

are rich in natural resources and we want to work together to ensure that we are not exploited and to ensure that the benefits of this wealth is distributed fairly to our people.

As a group we want to ensure that natural resource wealth does not fuel conflict as we know from bitter experience that without peace and stability there can be no development.

This message was repeated loudly and clearly, when the 'g7+' nations, and some of our neighbours from Asia and the Pacific Islands met in Dili in February of this year, at an international conference, hosted by my Government with the theme "Development for All". The Conference agreed on the "Dili Consensus", which set out our priorities, and hopes, for the post-2015 development agenda.

The Dili Consensus recognised that the standard approaches to development have failed and acknowledged that the challenges we face vary depending upon local context.

The nations of the world will meet at a special session of the United Nations on September 25 to follow up efforts made towards achieving the Millennium Development Goals and to discuss the post 2015 development agenda. Timor-Leste is proud of our Finance Minister, Emilia Pires, who was a member of the High Level Panel that advised the United Nations Secretary General on this agenda.

In April this year, Timor-Leste was also honoured to take over the Chair of the 69th session of the United Nations Economic and Social Commission for the Asia Pacific. I have the privilege to Chair this session and working with ESCAP, and the nations of the Asia Pacific, to make further progress and improve human development.

We debated the challenges faced by the nations of the Asia-Pacific region with the aim of better integrating plans and actions at the regional and sub-regional levels to address human development and provide better connectivity to break the isolation of some countries.

We are of course honoured to work with Dr. Noeleen Heyzer, United Nations Under Secretary-General and Executive Secretary of ESCAP. Regrettably it was not possible to have Dr. Heyzer here with us today in her capacity as Special Adviser of the United Nations Secretary-General for Timor-Leste. We wish her a quick recovery and we look forward to working with her in friendship and cooperation.

Ladies and gentlemen,

I wish you all the most productive and constructive conference on Harnessing Natural Resource Wealth for Inclusive Growth and Economic Development.

I trust that the outcomes of this conference will help us to improve our fiscal policy, and the design of our national public investment framework, to transform our nation through

a stronger and diversified economy. Using our natural resources wisely will allow us to make sustainable structural changes to our country.

Economic growth by itself is for nothing if it does not support poverty reduction, job creation, better education and health services and the tackling of social exclusion.

Our people fought for independence, not for a few but for every single Timorese person. Let us all work together again to build a better and fairer nation for our people.

Thank you very much.

18 September 2013
Kay Rala Xanana Gusmão