



DEMOCRATIC REPUBLIC OF TIMOR-LESTE

**Closing Statement by the Prime Minister
at the Debate on the Rectification of the 2008 State General Budget
22 July 2008**

Excellency, President of the National Parliament
Distinguished Members of Parliament
Distinguished Members of Government
Ladies and Gentlemen,

First and foremost, I would like to thank the Distinguished Members of Parliament for their valuable contribution during these past three days of truly democratic debate on the rectification of the 2008 State General Budget.

The presented Budget is not a “whim” of this Government, but rather the adaptation to new circumstances – both positive and negative – that arose during the year. Therefore, if on one hand we can move forward with new national development measures, as a consequence of the outcomes already achieved in the implementation of short term measures, on the other hand there have been new constraints caused by the international situation that threaten the stability of the Country.

In this way, if we evaluate the first year of the AMP Government’s mandate, we can see that structural reforms have already been promoted within the scope of the State Management Reform. National Security and Stability have also been strengthened, in strict compliance with the Government’s Program, having very significant reflections on long term economic growth and national development.

In providing an overview of the principal priorities set for 2008: from public order and security to social protection and solidarity, from meeting the needs of the youth to job creation and

income generation, from improved delivery of social services to a more transparent and effective Government - we have already achieved vital outcomes in order to set the Country on the path towards development. I can highlight the following:

- The **recovery of the People's trust** in State Institutions;
- The **recovery of trust by the International Community**, which was surprised by the way in which the Government faced the problems that arose in February, restoring public and constitutional order while never slowing down the implementation of its programs, pointing towards new cooperation projects;
- The **trust of foreign investors**, who have been presenting a greater number of investment proposals in our Country;
- The **trust of the Timorese private sector**, which currently benefits from an atmosphere of safety and greater support by the Government, as well as better procedures, a faster procurement system and a better budget execution;
- The **strengthening of public investment** on projects to provide services to the people in the areas of health, education and agriculture.

In view of this, there is no reason not to start immediately with new national development measures, which will enable the major project for 2009: **the Year of Infrastructure**; at the same time it is the Government's obligation to create mechanisms for preventing possible impacts of the world food crisis and of the price increase regarding construction materials and fuel.

This extensive program fully justifies a withdrawal from the **Petroleum Fund** above the 3% of Sustainable Income, as required by Law. The report of the Committee of Economy, Finance and Anti-Corruption is in complete agreement with the Government's option and has already explained – and we thank the Committee for that – the *raison d'être* for this withdrawal, contradicting itself when it calls for more detailed explanations. Quoting Committee C:

«It is also important to mention the scope of the expression long term interest. We believe that this long term interest should not be a merely economic or financial interest. This interest stated in the law should have a broader interpretation, being closer to a social interest that uses financial means to achieve economic and social stabilization purposes. Allocating substantial financial means to policy options realizing relevant social interests and ensuring social stability is also a means of ensuring a long term interest, benefiting present and future generations».

The reasons and the interest of Timor-Leste in the long term are evident:

1. The **social justice measures** realised in the sums allocated for the Elderly, Internally Displaced Persons, National Liberation Combatants, Petitioners and other vulnerable groups contribute towards greater security and stability, promoting the Country as a more attractive place for foreign investment and enabling greater public and private investment, which will consequently lead to employment creation. In addition to this, the payments to these beneficiaries will revert to their families and their stability, contributing towards the development of commerce and small companies, as well as to better nourishment, health and education, which in turn lead to the development of the Country's human capital;

2. The **investment in the development of human capital**, realised with the 2008 Budget, is vital for the Country's long term development and is a priority of this Government. Here I would like to highlight the following:
 - Implementation of the National Education Policy, with 9 years of mandatory and free education;
 - Implementation of baccalaureate courses for 300 teachers and equivalent diplomas for 285 basic education teachers;
 - Implementation of intensive training courses for 3,000 pre-secondary and secondary school teachers;
 - Provision of 100 Annual Scholarships per year, in training areas that are vital for the Country's development, as well as Scholarships enabling Civil Servants to acquire additional skills;
 - 2,099 professional training courses to be held in the first semester – this number will be doubled by the end of the year.

3. The **public investment in infrastructure projects**, the main drive for employment creation. Allow me to give you some examples of what is possible in 2008:
 - Infrastructure (roads, bridges, flood control) projects currently being procured will create 22,300 jobs;
 - In addition to solving the problem of production and distribution of power throughout the entire country in the long term, the Power Plant construction project will also promote the development of agriculture, trade and industry, as

well as contribute towards rural and environmental development (since it will reduce the number of felled trees) and create around 30,000 jobs;

- Infrastructure projects concerning the production of alternative energy will create around 40,000 jobs;
- Irrigation projects, along with better equipment for farmers, the introduction of more modern seeds and the construction of support and maintenance centres, will increase agricultural production, ensure food security, allow the development of the internal, regional and international market, and enable job creation;
- The strengthening of the “cash for work” program will also increase the number of jobs, which was 24,474 in the first semester;
- In addition to protecting a source of wealth for current and future generations, the construction of two ships to prevent illegal fishing will provide training and create employment for Timorese workers. The contract was entered with China, as this country provided the best conditions, including sending youth and military personnel to be trained in the construction, maintenance and piloting of ships – we will also be building a dry dock, so that all future repairs can be done in Timor-Leste;
- The project for constructing storing silos, an essential measure for food security in the long term, will enable the storing of large quantities of foodstuffs and contribute towards the development of processing industries – in order to preserve produce such as fruit, corn, sweet potatoes, honey as well as undertaking value added processes, therefore, reducing dependency on imported goods.

4. Lastly, the **Economic Stabilization Fund** is a provisory preventive measure for solving the problem caused by the world crisis.

Your Excellency the President of the National Parliament

Distinguished Members of Parliament

This Fund has a place in the Budget, in the category of goods and services, as a mechanism to prevent against adversities caused from without. Precisely for this, it cannot be confused with Ministry expenses and it is not included in a contingency fund – because it is supposed to be a **temporary measure, not a budget practise.**

This sum shall be used case by case, need by need, protecting our Country’s poorest and ensuring the execution of the Government Program, so as not to jeopardize national development.

However, if against all odds the economic situation changes, this sum shall not be used at all. But if the grey scenario darkens even more, we shall be ready to act, and this action will be fair and transparent, ensuring the National Parliament all conditions to verify the sum allocated to this Fund.

I conclude by saying that the allocation of sums for economic stabilization is vital to ensure the long term development of the Country: without capable human resources there can be no working institutions; without public and private investment there is no development of infrastructures, without infrastructure works there is no employment creation and without employment creation there is no purchase power to enable the survival of the Timorese people; without food, health and leisure we can have once again situations of violence and instability in the Country.

It is better to prevent now than have to remedy later!

Thank you very much.