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<http://www.laohamutuk.org/econ/OGE11/10OJE2011.htm>

DEMOCRATIC REPUBLIC OF TIMOR-LESTE

SPEECH

**HIS EXCELLENCY THE PRIME MINISTER
KAY RALA XANANA GUSMÃO**

**ON THE OCCASION OF THE PRESENTATION
DRAFT LAW OF THE STATE BUDGET FOR 2011**

**NATIONAL PARLIAMENT
12 JANUARY 2011**

His Excellency the President of the National Parliament
Excellencies, Representatives of Civil Society and the Press
Distinguished Members of Parliament
Colleagues from the Government
Ladies and Gentlemen,

I take this opportunity to wish the office-holders in the sovereign organs of the country, the distinguished representatives of the people of this Great House and all the people, the sincere wish of my Government that, in 2011, we all disseminate the values we strongly encourage the moral and political standards of professional ethics, and that all deepen the confidence of the people in the future, thereby enhancing social harmony by stabilization of democratic tolerance.

We also recall that we have come already in only a decade, in this transition process to recover our sovereignty, practically started in 2000 with UNTAET. Two years later, in December 2002, we began with small skirmishes in Dili, there are even a few house burnings. In February 2004, in Lospalos, our forces took to the streets, firing shots, police arresting and frightening the population. In April 2005, there were 19 days of demonstrations in Dili, which caused no destruction, caused a general feeling of anxiety and frustration.

In March 2006, in Baucau, began lifting military, with adherence to other units, which caused immeasurable damage to the state. In February 2008, the failed attempt to confront two organs of sovereignty, and caused huge political impact, nationally and internationally.

It seemed that Timor-Leste and its people were condemned to a cycle of fire and violence, violence that is repeated every two years.

It was in this sense that in 2009, the tenth anniversary of the Referendum, my Government launched the message to the People: Goodbye Conflict, Welcome Development! On December 31, we closed 2010, a party atmosphere, because throughout the year, we noted that, at night, our children take to the streets and the mothers take their babies to lap to enjoy the collective joy that we are moving to a truly friendly and caring society, and above all a tolerant society, peaceful by nature.

I would also and on behalf of my Government, also express deep feelings of gratitude to the organs of sovereignty of the state, political parties, the Church and all faiths, the international community, the UN and the ISF, Civil Society and Youth and with more reason, all the people of Timor-Leste, the efforts made by each and all, to ensure political stability in the country

We hope that 2011 be the Year of Strengthening Peace and Stability so that decade which will start in 2020, will know, in fact, the path of social progress and political and economic development of Timor-Leste needs and deserves, after difficult struggle for independence and 24 years after the first 10 years of constructing the foundations of our young state.

Excellencies

Ladies and Gentlemen,

While we are remembering the first ten years to get here, I also want to remind the entire people and the distinguished Members, in particular, that the year 2011 will be just a continuation of an of a 3½-year effort to comply with the program of the IV Constitutional Government.

Fundamental ideas covering our program of 5 years, presented here in the National Parliament in early September 2007 were:

- The need for the people to regain their confidence in state institutions. I firmly believe that we can do this, infuse this awareness, this spirit. If one of the causes of the 2006 crisis was the collapse of discipline and professional ethics in our Defense and Security Forces, today, despite much work to do in these two institutions, we cannot forget to appreciate the continuous efforts and committed Command, both F-FDTL and PNTL, to correct and improve our military and police. This, no doubt, also contributes much to the atmosphere of confidence and stability we enjoy today.
- Creating conditions for dynamic progressive growth, capable of combatting unemployment. And we proved that, a new dynamic of participation and although most markedly in Dili, nobody with eyes to see can deny that a bustle of economic activities might be creating jobs. Inside the country also managed to establish decentralized mechanisms of operability of the private sector and local job creation.
- The need for adequate support, or, consistent and determined support to the domestic private sector, to its gradual training by the criteria of competence, professional honesty, expertise in their relation to the value of projects. As result of a clearer definition of the partnership between the Government and the private sector, this crucial period of construction of the country is that started this process and we are doing what we can in this area.

- The fundamental principle of good governance has required a process of gradual reform to modernize the public administration. Efforts were made to establish a basic system, with results in the medium term, the creation of Civil Service Commission. The objective in the short term is to rehabilitate the image and role the public service. With state officials remain committed to improving their professionalism and inculcate, as a standard of ethics, honesty, discipline and team spirit.
- In this sense too, we must give prominence to the need to appreciate and improve our human resources. We have already taken some initiatives, but this is an issue that in the medium and long term must continue to receive the best policy and its best application. Our country has to have high-quality technicians and experts in the various areas, to avoid continuing depend on the subservience of the high wages, as happens to many (Timor-Leste and foreign) obeying only the organizations that pay them, reversing the spirit of serving the people and country.
- In the area of social policies, a process of payment to veterans, elderly and disabled has already begun. Also in this area, there has been assistance to overseas treatment for cases that could not be treated here. My Government continues to consider a Social Security system, which can be applied to current conditions and future of Timor-Leste and that might be sustainable, given that we have in the short term, thousands of employees and State servants who must undergo reform.

Therefore, as presented here and in the National Parliament in September 2007, my Government rejects the philosophy of “a poor country and a people in poverty, proud to have a lot of money in banks in rich countries.” And we all know, most of the Petroleum Fund is in U.S. Treasury Bonds, and I believe that we all follow the global economic crisis and also realize the great fragility of the U.S. economy, which suggests that in real value, our wealth in U.S. dollars, is less than the assumed nominal value.

In this sense, since September 2007, my Government declared in Parliament that “we want to use the wealth from natural resources and minerals, in a controlled and efficient manner.” In September 2007, the forecast of the total value of the Petroleum Fund was:

- For 2007 1,940 million U.S. dollars
- For 2008 2,906 million U.S. dollars
- For 2011 5,550 million U.S. dollars

On December 31, 2010, the balance in the Petroleum Fund is 6,900 million U.S. dollars, 1.4 billion above the forecast made in September 2007 for the end of 2011. In 2002, with support from the International Monetary Fund, the prediction of the total value of the Petroleum Fund for 2021 (the time they say the Bayu Undan field will be dry) was between 1.8 and 3.2 billion U.S. dollars.

I want to put all this out today, lest we lose the energy to talk about the Petroleum Fund, as if my government does not know the subject, as if my Government does not realize what is ‘Norwegian virus’ and what is ‘Dutch disease’.

With regard to oil revenues, they exploded in 2010. Timor-Leste increased by 38% compared to 2009 levels, with oil revenues reaching a record value of **2,172 million** dollars.

It is expected that oil revenues will remain high in 2011 and 2012, mainly due to demand from emerging economies and the damage caused by climate change affecting the world. Thus, oil revenues estimated for 2011 and 2012 are respectively **2.2 billion dollars and 2.4 billion dollars**.

Estimated Sustainable Income (ESI) is estimated at **\$734 million** in 2011, which means an increase of **\$232 million** compared to 2010. This increase is mainly due to a change in methodology of calculation of ESI, i.e. previously the calculation of ESI was made from a forecast of WTI (West Texas Intermediate) using the estimate of the low scenario of oil prices Energy Information Administration (EIA) provided in its annual report, which was considered overly conservative.

For the calculation of ESI for 2011 was used the average of EIA's low and reference oil price estimates of WTI. The average of two EIA scenarios is well within the confidence interval of 68 percent around the average futures prices, and significantly below the average price for future. Our Independent Auditor of the Petroleum Fund has certified these calculations and confirmed that they are being made in accordance with the requirements of the Petroleum Fund Law.

Predicting the price of oil according to the WTI is \$68 per barrel in 2011 and \$71 in 2012, increasing to \$110 per barrel in 2024. This change in methodology is within the jurisdiction of the Ministry of Finance, after 5 years of the existence of ESI, we critically reviewed the whole process and found that overly cautious predictions can undermine the credibility of the ESI calculations.

Any opinions, which defend this method of forecasting, overly cautious estimates, suffers from the Norwegian virus, forgetting that Norway itself took many decades to adopt it ... Norway was already economically and socially developed, without worrying about cash for mothers, elderly and veterans, teachers and midwives are still few, with malaria and tuberculosis, the lack of tables and benches in schools, with water and sanitation, with electricity, with subsistence agriculture, with the embryonic private sector, among many other challenges that Timor-Leste faces and has to solve.

Whilst continuing to be a prudent calculation, the ESI is now more appropriate to the real circumstances, not risking the future revenues of the Fund. It is the policy of this Government that these funds be used **now** and **in the future** by investing vigorously for our nation and our people.

It is the policy of this government to serve the best interests of our people and not "Lower their arms" to meet new challenges, even if they involve many hours of study and reflection. We therefore muster courage, after much consideration, in the course of these three years, have gradually been developing an investment strategy of Petroleum Fund with more benefits for Timor-Leste.

We intend to diversify the portfolio of investments in a range of class assets, regions and currencies to reduce risk and increase expected returns. Since 2009 the investment portfolio contains a range of securities of foreign governments and securities issued by supranational organizations, and in October 2010 the Fund started investing in global equity markets - all these, of course, strictly fulfilling the letter of the Petroleum Fund Law.

President of National Parliament
Distinguished Members
Ladies and Gentlemen,

For everything that was said is that we can see that the State Budget for 2011 is between the positive results already achieved to date and what is yet feasible to implement strictly adhering to finish what has been committed in the IV Government Program.

Reform policies, implemented by this Government, have led to remarkable economic and social performance in 2010, recognized internationally, successfully overcoming the cyclical crises that had occurred since 2002.

Timor-Leste is now an increasingly stable nation and that increasingly engaged in combat against poverty. About 96,000 people moved from a situation of extreme poverty, resulting from 1.4 billion dollars in public spending invested which resulted in a 9% decrease in poverty. Thus the trend of increase that was seen in 2007 when poverty had reached its maximum 50%, was finally reversed.

Unemployment is an ailment not only in Timor-Leste but also in many developed societies of today, especially because of the global recession. In Timor-Leste, we succeeded in reducing it; the most recent statistics show that an average of 95% of men between 30 and 49 years and about two in five women between 15 and 49 years were classified as currently employed.

And in 2007, 85% of all Timorese people were employed in agriculture, which now employs only 67% of employed men and 61% of employed women, In employment, the sales and services sector employs 22% of women and 14% of men, which demonstrates a progressive diversification and modernization of the Timorese economy.

Indicators of Millennium Development Goals were achieved regarding the rates of infant mortality and children under five years. Health indicators are improving rapidly, with 78% of children currently treated for basic illnesses and 86% of mothers receiving prenatal care, an increase of 41%.

It is also with pride, and with further hope for the future, we see Timor-Leste compared against the global indices, with economic growth in 2009 of 13% - this was not only the highest growth in the region, but also one of the ten highest in the world during the years 2008 and 2009.

The reforms in the Public Finance Management have been key to this growth. For example, reforms to the tax system raised the overall rating from 75 to 19, and in global *Doing Business* we moved up 7 positions. If, on the one hand, they are still small successes, on the other, this

only means that we are making some progress.

Moreover, the United Nations 2010 Human Development Index of the shows that Timor-Leste has risen 11 places since 2005, with Timor-Leste currently located in the category of Medium Human Development Index and the recent Transparency International Corruption Perceptions index of 2010 also shows an increase of 19 positions over the past 12 months.

Timor-Leste was the third country worldwide to achieve the status of full compliance with the Extractive Industry Transparency Initiative. The Revenue Watch Institute and Transparency International ranked Timor-Leste in 2010 as being among the countries with greater transparency to the level of revenue.

Therefore, we all should start this year 2011, with confidence and with new motivation. My Government feels a renewed willingness to contribute to further and better progress for our nation.

President of National Parliament
Distinguished Deputies,

Budget policy for 2011 was therefore designed to consolidate steps taken in recent past years of economic growth and development.

For this purpose, we have the commitment of an increasing efficiency of our Civil Service, which is now able to manage a more robust administrative and financial machine, as well as improvements in performance System of Public Financial Management which allowed, once again, very satisfactory budget implementation rates for 2010.

Thus, December 31, 2010, we noted that the total expenditure in cash made by the Government was **\$687.78 million**, representing a rate of execution of 82.1%.

Noted that the matter here:

1. The budget execution rate will be even higher because according to the prevailing international standards, closure of accounts is only fully booked two months past the end of the financial year concerned.
2. The government no longer includes the commitments in reports on financial execution. For clarity, I must report that there difference between “Obligations” and “commitments”.
3. All funds not used go back into the coffers of State at the end of the year, in a transparent manner.
4. Expenditure is monitored daily through the FreeBalance system, given the expenditure approved in the National Parliament, thus ensuring greater transparency and real-time adjustment to contingencies recorded in the country, with greater efficiency of public spending.

5. Finally, it is important to underline that we executed **73.8%** of capital development, a remarkable result since this year we faced some institutional constraints that conditioned the procurement processes of supply and also a very prolonged rainy season, and say even atypical.

President of National Parliament
Excellencies,

The total expenditure of the State of Timor-Leste for 2011 is estimated at **\$985 million**, while total non-oil revenues estimated at **\$110 million**. The non-oil fiscal deficit is **thus \$875 million**, of which **\$734 million** will be financed from the Petroleum Fund and **\$141 million** from the Consolidated Fund Timor-Leste.

Ladies and gentlemen, the main message of this budget will not be totally different from the messages of previous budgets: **The investment in the area infrastructure and human capital development is increasingly crucial for Timor-Leste**, if we want to diversify the economy and transform an economy that is mainly based on oil in a non-oil economy!

This is not a new situation and we know that all economies (and economists) in the world share this same vision. The challenge consists precisely in the form to implement this objective.

Let the rich countries of the 'G20' or 'G8' do their readjustments necessary for the gradual recovery of their economies, but in the meantime, we Timorese, to focus our attention on this complex process of ten years of state and nation building. Because if not, we fall into the effrontery of comparing the GDP, inflation and current balances with countries like Singapore and Australia, not to speaking of Indonesia itself, with 250 million inhabitants and China more than a billion inhabitants.

My Government is guided primarily by the principle of not avoiding, at this time, the reality of the country, the conditions of development of institutions the state and capacity of its human capital. My Government is also guided by principle not to accept everything that comes from abroad, without making some changes to correspond to Timorese reality.

This is why the Government, taking into account the reality and specific difficulties in Timor-Leste, decided to establish two special funds that will ensure better coordination of investment projects and development as well as its gradual multi-annual implementation, and monitoring.

This is a more coherent and efficient strategy to be applied in our country. So we opted for the creation of special funds for further management, organization and technical and financial control at the same time we freed the ministries, departments and other relevant services of the most bureaucratic, so that they devote all their efforts to provide services to the people, instead of losing part of their time worrying about the physical realization of their projects. There is a pressing need to improve the synergy of activities, lest that more than a school or clinic are completed but not delivered for lack of water, only because it is dependent on another organism.

It is not therefore a centralization of funding but rather rationalization and efficiency, to ensure greater transparency with regard to drawings and unit costs of materials and effective monitoring

and payment process. Thus, from the total 2011 budget of **\$895 million**, **\$317.306 million** is allocated to the Infrastructure Fund and **\$25 million** to the Human Capital Development Fund.

The Fund for Infrastructure covers multi-year projects and other large projects over a million dollars.

The Infrastructure Fund will also allow the project to continue of the national generation and transmission of electricity, with two power stations in Hera and Betano. We are allocating only \$166 million, while knowing that this amount is lower than what we really need to accelerate the project. Reducing the amount comes only the need to meet the various needs of the country, in these early years, full of great challenges.

This Fund also aims to continue to invest in roads, bridges, buildings public schools and hospitals, in addition to the necessary investment in financial systems integrated, with more than **\$7.7 million** for the development of hardware and software for procurement and financial monitoring.

Also from the Infrastructure Fund we will begin development of South Coast, with major projects underway in Tasi Mane, which will cost at this early phase, more than **\$30 million**.

These large projects compelling national interest include:

- Suai Development Package, including the Multifunction Port (**\$2.5 million**), the Supply Base (**\$11.5 million**) and the Rehabilitation of Airport (**\$6.5 million**).
- The study, detailed design and supervision of the local south coast development **Beaco (\$5.8 million)**.
- The development of infrastructure on the south coast for the analysis of the pipeline **route (\$3.5 million)** and related environmental studies (**\$2.8 million**).
- And the design and development studies of the naval port of Dili (**\$2 million**). The Dili jetty can no longer respond effectively, in space and operability, the demands of ever increasing volume of trade transactions.

President of National Parliament
Distinguished Deputies,

In September 2000, the Millennium Assembly took place in New York, where Timor-Leste was privileged to participate as an observer, because we had not had regained full sovereignty. There were designed the Millennium Goals, and in 2015, Timor-Leste will also have to go to report what we did and what we did not do, in these fifteen years.

In September last year, our President, Dr. Jose Ramos-Horta, announced in the United Nations General Assembly Timor-Leste's commitment to improve the housing conditions of our population.

The program was designed MDG-Suco, through the provision of housing, solar energy, water and sanitation, besides other minor social development works. This program also includes construction of five houses in each village. This means that in 2011 we will provide decent housing to more than 11,000 families, with the ultimate goal of 2015, under improved conditions of life to more than 55,000 families in rural areas.

Excellencies

Ladies and Gentlemen, we know that investing in infrastructure without parallel investing in human capital will lead only to a “dead end”. If not want to depend indefinitely on advisors, technicians or even international companies, we have to immediately accelerate the development strategy of our human resources.

In this sense, human resource development cannot be postponed, but cannot be done “in haste” to get results in the short term, it cannot absorb all the financial resources of the Nation, that are needed in other important sectors, but it is not feasible without a substantial investment. I remember that if there were an easy solution to this dilemma there would most likely not be any underdeveloped societies in the XXI century!

To finance multi-annual projects for professional and technical training for the Timorese in sectors such as justice, health, education, agriculture, natural resources, tourism, financial management and, of course, infrastructure, not only meets the objective of investing in our economic growth and greater competition in the context of regional development, it also means investing in national sovereignty.

Therefore, the Fund for Human Capital Development, with about **\$25 million dollars** allocated for 2011, will mainly be used to achieve of vocational and technical training and allocation of scholarships, as well as other training with a view to increasing skilled national technical staff.

This initiative will include the Government in 2011, the investment:

- \$7.7 million in scholarships under the Ministry of Education.
- \$2.4 million in technical training on the Higher Education and the Polytechnic in Suai and Los Palos.
- \$2.1 million for scholarships for training in public finance and computer training.
- \$2.5 million for scholarships for training in the oil sector.
- \$2.6 million for job training under the SEFOFE.
- \$2.4 million for training in health and medicine.
- \$1.9 million for vocational training in the area of justice, particularly for criminologists, land registry agents, auditors, judges, notaries, lawyers, translators and surveyors.
- \$1 million for technical education in public administration and scholarships in INAP.
- and, \$548,000 for training of officers of the F-FDTL and PNTL officers abroad.

President of National Parliament
Distinguished Deputies,

This may sound we are presenting three separate budgets, which is not true, because every application of public funds, including the Special Funds is included in the State Budget for 2011. The difference is only in the management of that money. We do not allocate, in these Funds, the total amount of each project, but only the annual portion of each project, to bring back to National Parliament, each year, to present the State Budget the portions which will follow, until all the works are finished. The process of annual reports and audits follows the stipulations of Chapter VI of the Budget and Financial Management Law.

When my Government took office, we had to bear the burden of known ‘carry over’, which came even from 2002/2003 and which amounted to 119 million dollars. We began a process of closing the accounts on 31 December, which was achieved on December 31, 2009. However, in the process of closing accounts, we noticed that, especially in the area of physical projects, the constraints of execution, which we all know exist in our country, did not allow a good pace and quality implementation in the financial year the funds were allocated for. And what we are doing was to rebudget the money which wasn’t executed, reducing our budget capacity to propose more money for capital development.

Taking into account, once again, the constraints in our eight-year-old country, as a State, I can say, these Funds not only will help immensely respond to any difficulties as weather conditions to guide the implementation to ensure quality.

Beyond the creation of these special funds for improving basic infrastructure and developing human capital, also catalyzes private investment, the budget estimates for 2011 benefited from new innovative criteria which improve cost predictions.

The Government is faced with the presentation format of the budget that tells the truth, but comes from the time of the UNTAET administration. We all understand that the budget of a UN mission did not have the complexity that a government of an independent state obviously has, because a Government has to meet the demands socio-economic- policies that always come from its status as an independent state agency.

The Government sought to recast the budget into two major divisions: recurrent expenditure and development. However, during the construction phase of the state and the Nation, both from this part or that we cannot just follow a methodology of simple arithmetic with numbers which are more or less fixed. But it’s a bit of what we hear, as budgeting and international standards. These standards can be met in developed countries, but cannot ultimately prevent some from entering into bankruptcy, having to turn to China to buy their debt.

To avoid the various state institutions falling into the tendency, often abusive, to raise numbers for each following year, and for better discipline in crafting the 2011 state budget, we settled on criteria which accept increases but the excesses are limited, decreasing the possibility, observed so far, of uncontrolled transfers (or “virements”) in various services. The criteria to regulate increases in recurrent expenditure are:

1. the rate of inflation, for 2011 was calculated at 4%.
2. a normal rate of increase, from 1 to 10% on the previous budget.

3. giving an increase of between 1 - 50% if a program is identified as national priority.

Also, in this context of innovation and to implement the new programs mentioned above, we will create, depending on the Office of the Prime Minister, the National Development Agency (ADN) to assess, monitor and supervise projects, including the Special Funds, and ensure an efficient supply and better quality control.

We know that the Strategic Development Plan can only be implemented if approved by the National Parliament. However, none of us can avoid thinking about the future, nobody can stop thinking that we have had more than ten years of building our state, and we start a new decade which will be decisive for Timor-Leste. With or without the Strategic Development Plan in 2011 there are policies that deserve continuity and thus I can say that, basically, the ADN could be seen as the forerunner of the agency that will later implement the Strategic Development Plan, when it is approved.

I will now summarize, ladies and gentlemen, the main programs for 2011, which Government has the responsibility to provide. Regarding the **Minor Capital**, this was reduced to **\$28.3** million. The major expenditure in this category are:

- Approximately **\$12 million** for the purchase of two patrol boats for the Security and Defense of the country, as well as ambulances, mobile banking and transportation to monitor school education in rural areas and to assist in the STAE preparation of local and general elections.
- **\$700 thousand** dollars to assist the transfer of responsibility from UNPOL to PNTL.
- And about **\$1.1 million** for equipment for schools and technical-professional laboratories of the Ministry of Education.

Within the policy of empowering the national private sector, initiated in 2009, an innovative program, called the referendum package, which aimed to decentralize the private sector, thus breaking the trend of the companies to establish themselves entirely in Dili, win competitions and sub-contract to local companies which are immediately stripped of sufficient resources for their own development.

In 2010, we continued with another program, called PDD, which began to make District Administrators responsible for conducting the whole process of tendering and supervision, although the latter area continues to deserve strong attention from the Government.

Thus, regarding **Capital Development**, with a total of \$405.9 million (of which \$317.3 are assigned to the Infrastructure Fund), the Government continues to improve the provision of services to people at local, sub-district and district especially for programs that were recognized as a success in 2010 such as the Decentralized Development Program (PDD). The main measures in this category include:

- \$65 million to the MDG's Suco, for housing, water and sanitation.
- \$15.5 million for the PDD at village level, suco and sub-districts.
- \$28.8 million for the PDD at the district level.

- \$166 million for continued construction of the power station and lines transmission.
- More than \$30 million for the development of Tasi Mane.

I would like to inform you all that, in fact, we received the suco development plans, commonly called PDL. The truth is that there was not enough time to study a larger and integrated planning of all 425 proposals from the sucos, since we noticed much difference in concrete objectives from one suco to another.

In 2011, the Ministry of State Administration will have sufficient time to elaborate an integrated plan of action, following in its general context, what each suco presented. Only then, in drafting the General State Budgets, the people can see their wishes answered.

Excellencies

Ladies and Gentlemen,

With regard to recurrent expenditure, we will also see a reduction, compared with 2010, expenditure of **Public Transfers**, totaling \$164.4 million. These transfers target the most vulnerable groups, with dual objective of improving the living conditions of the Timorese who gave everything for their Nation, so see that they don't lose their own future, as is the case of widows, invalids and veterans, but also to see how they also can take part in the development of the Independent Nation.

This framework includes the following:

- \$7.5 million for the demobilization of FALINTIL.
- \$1.1 million for the Veterans Council.
- \$800,000 for reburial of the remains of our victims.
- \$58.8 million for pension payments to veterans.
- \$30.2 million for other vulnerable groups.

Also in the category of transfers include initiatives to further assist actions or entities that pursue the public interest, including:

- \$3.4 million for the capitalization of IMFTL, in the Ministry of Economy and Development.
- \$3.5 million for operations and grants for capacity building of local administration.
- \$3 million for medical treatment abroad, allocated to the Ministry of Health
- \$1.5 million for the return of medical students in Cuba.
- \$2.5 million for the capitalization of the National Oil Company of Timor-Leste.
- \$1 million to respond to natural disasters.
- \$11 million for the continuation of PDD.

The total budget for the category of **Goods and Services** is **\$270 million**, including the Human Capital Development Fund already described. Thus the major expenditures in this category are:

- \$32 million for professional services and technical assistance in the legal, education, oil

and financial management, procurement, foreign affairs, tourism, conflict prevention and quality control areas.

- \$46 million for fuel, including EDTL.
- \$1.2 million for the F-FDTL in terms of provision of operational materials.
- \$3.4 million package for the Operationalization Package for F-FDTL and the maintenance of patrol boats.
- \$2 million for the reduction of maternal mortality and support specialists in Baucau and Suai Hospitals.
- \$1.6 million for the provision of textbooks and \$1.5 million for the meals school in the Ministry of Education.

Finally the key decisions for 2011 in the category of **Salaries and Wages** lead to a total of **\$115.9 million** for this category, including:

- \$65 thousand dollars for the recruitment of the PNTL and the F-FDTL.
- \$7 million for the salaries of professional education, reflecting the new career regime for teachers.
- \$9 million for representation allowances for all missions and diplomatic representatives overseas, under the Ministry of Foreign Affairs.
- Increased investment in Salaries and Wages in relation to the transition from temporary to permanent civil servants, according to Public Sector Reform.
- Finally, I must mention a substantial increase in grant from the Contingency Fund, which still am not able to ensure that it is enough.

During 2010, we have witnessed huge natural disasters of damages, worldwide. In our country, we cannot respond effectively to the ravages caused by heavy rains. The production of the 2nd season was destroyed by rain, the 1st time which is essentially production of corn, almost did not happen.

Nobody can give us a weather forecast throughout 2011. In our region at this very beginning of the year, we are seeing a disproportionate increase rainfall and water in Queensland, while also began a devastating fire in the forests near the city of Perth, there are floods in Thailand, Malaysia, Philippines and Bangladesh, not to mention Indonesia, with its earthquakes and volcanoes.

The Contingency Fund looks big but may even be insufficient, either for one year of rainfall and damage as for a drought year. Only God knows the exact amount that we will need.

However, the Government's commitment is to regulate strictly the use of the Contingency Fund to adequately consider the situations of extreme necessity, caused by climate change.

Excellency the President of the National Parliament
Distinguished Members
Ladies and Gentlemen
People of Timor-Leste

It's the beginning of a decade from the economic point of view this will be a historical decade for Timor-Leste. The successful consolidation of Timor-Leste and the transition to a medium-income country, depends primarily on following factors:

First - to continue to maintain national stability and trust for such absolutely, not only for our people but also in our Defense Force and Security, which will remain united and motivated for the good of our country.

Second - to improve service delivery, especially to our society's most disadvantaged sectors, streamlining our social care and improving our systems of survey and monitoring of beneficiaries and payments procedures.

Third - to continue our institutional reforms, from improving systems and processes for administration and financial management, to improved coordination and communication between departments and offices of the State, ensuring greater cooperation, transparency and good governance of institutions.

Fourth - continue to promote greater civic education, clarifying that our society is increasingly demanding that rights must be associated with duties, and that the dynamics of building a state also depend on the change of thinking and innovation of ideas.

Fifth - to promote the capacitation of the private sector, who want to partner with Government and that in time will assume the role, now fully allocated to the State, as the economic driving force for sustainable development.

Sixth - effective implementation of development strategy programs, infrastructure and human capital development in order to diversify the economy, creating surpluses from other production sectors and reducing our dependence on the oil sector.

Finally, ladies and gentlemen, all these efforts will be wasted if not we can maintain **harmony and political maturity**, if not respect the **value of dialogue** and the **right to difference of opinion which must be constructive**.

This is a responsibility that must be exercised here in this Great House, between state officials and members of National Parliament, among the parties of AMP and the opposition parties, among the new generation and old generation. This is an example that can and should spread to all of Timor-Leste society.

If in the period from 2000 to 2010 we discovered the true concept of Independence and its inherent challenges, this new decade, from 2011 to 2020, marks a new beginning for Timor-Leste, where we will work towards the consolidation of political stability and social growth and real development in the long term.

If in years which were very difficult, **the world called our resistance a "Maubere miracle" I invite us all to work together to build a "new economic miracle in the region"!**

All socio-economic indicators have recently been instigating this “Sea change” for our people and our nation. Instead of a failed state, as many have prophesied for Timor-Leste, we came, rather, to make part of the list of 10 fastest growing economies in the world!

Of course, these indicators only make sense if they are experienced in day-to-day life of the Timorese people, but they are irrefutable proof that the efforts we have undertaken bear fruit. And when the fruit takes time to be collected in the case of Timor-Leste, a fertile land where people suffered much, from these fruits can and should begin to be harvested as soon as possible.

So opportunities are being created for the entire population to participate in nation building. The people of Timor-Leste, with your participation, made the road to progress last year. Participate actively, positively and with hope!

This is no time for pessimism. **It is time for hope and change.** When we believe, as we did ten years ago, the nation moves forward and grows.

And our people know what, when our faith is strong, it will win.

Kay Rala Xanana Gusmão

January 12, 2011