



**PRIME  
MINISTER**

**SPEECH BY  
HIS EXCELLENCY THE PRIME MINISTER  
KAY RALA XANANA GUSMÃO  
PRESENTING THE 2015 DRAFT BUDGET LAW**

National Parliament, Dili  
1 December 2014



Palácio do Governo,  
Avenida Presidente Nicolau Lobato,  
Dili, Timor-Leste

Your Excellency  
President of the National Parliament  
Your Excellencies  
Vice Presidents of the National Parliament  
Your Excellencies  
Honourable Members of Parliament

Fellow Government Members  
Ladies and gentlemen,

It is once again a privilege to address Your Excellency the Speaker of Parliament and all the Honourable Members of Parliament in this Great House of Democracy to present the 2015 State General Budget.

Fulfilling the State's objectives, embedded in the Constitution of the Republic, this Government continues to be committed to transforming Timor-Leste into an upper-middle income country, with a prosperous, healthy and educated population. The Strategic Development Plan and the Government Program outline the path we need to take in order to achieve these goals.

The budget presented here today sets the necessary appropriations for funding the policies designed to transform Timor-Leste in secure steps. These policies, which are cross-cutting and integrated, have been developed in view of the inherent challenges to our new nation, the needs of our People and the obstacles that are specific to the current stage of our development.

The development, ladies and gentlemen, that we have achieved during these twelve years of independence would not have been possible without the State's collective effort from the beginning to consolidate the democratic exercise and without the sound foundations we have built to secure peace and stability. All of this can be felt and experienced in every community of Timor-Leste.

In short, today as before, the challenges faced by our country must continue to be faced with a consensual approach and in a collective effort to overcome all difficulties. The democratic debates and the participation by State agencies and Civil Society looking for common solutions – in other words, the sense of State and the sense of citizenship – are key factors in the transformation we wish to see in Timor-Leste.

In fulfilment of its executive competency, the Government considers that this transformation – from poverty to true development of Timor-Leste– must be inclusive, balanced and sustainable.

As such, when considering the 2015 State General Budget we cannot lose sight of four fundamental goals:

Firstly, that tax policy is sustainable in the medium and long term.

Secondly, that there is high quality sustainable economic growth that benefits all Timorese, from our urban to our rural areas.

Thirdly, that we invest in high quality infrastructure and qualified human resources to underpin economic growth, service delivery and the development of all productive sectors of the Nation.

Fourthly, that we protect all the Timorese, particularly the vulnerable and deserving who do not always directly benefit from economic growth.

For these reasons, and once again, in presenting the 2015 State General Budget we do so with the conviction that it represents a solution to the desires that make Timor-Leste a resilient Nation, in an act of genuine responsibility and democracy.

For this reason, the management of the petroleum revenues and making use of the Petroleum Fund requires responsibility and transparency. Nevertheless, it also requires courage and astuteness, since these are the resources that, properly invested, will enable us to continue the process of building our Nation and improving human development in our country.

It is the prudent investment of these resources, with responsibility and transparency, that enables us to feed our common dream of having our children go to school and being properly fed, of having our young people educated, qualified and employed and of having our elderly citizens receive the proper care after the sacrifices they have made for the homeland.

Consequently, ladies and gentlemen, the management and protection of our natural resources is a matter that concerns every Timorese. It is a matter of dignity and national sovereignty!

Your Excellencies,

As we enter into 2015, we cannot help but to reflect on both the national and international events of this year 2014, which impact on the decision making of the Timorese State.

We all know that the international context is currently troubled. Timor-Leste is sufficiently removed from the global centres of power to be able to observe global events without political or economic constraints.

We see that the international commitment to development and democracy is dictated by the world's most developed countries. These countries impose their inviolable and universal standards, often with complete disregard for the circumstances and difficulties experienced by younger countries, poorer countries and countries living in deplorable situations of war and permanent conflict.

We cannot ignore that there are 2.2 billion people who are, or are at risk of, living in situations of extreme poverty, fragility and conflict!

We cannot ignore that these nations will not achieve a single Millennium Development Goal by 2015!

We cannot ignore that throughout the world there are places of war. I would like to mention the nightmares being lived in Iraq, Afghanistan, Libya, Syria, the Ukraine, Israel, Palestine, South Sudan and the Central African Republic! In today's globalised world, where access to knowledge and the art of diplomacy are key instruments of the 21<sup>st</sup> century, we find ourselves living in fear and mistrust, with strong feelings of insecurity about the future of humankind.

The big centres of decision making do not yet realise, or do not want to know, the real causes of humankind's problems, which are the exclusion, the impoverishment and the marginalisation of groups, and instead try to solve a social conflict with war, where trillions of dollars are spent, benefiting the manufacturers of arms and the interests of their own countries.

We also cannot ignore that environmental threats continue to rise, putting at risk the legitimate aspirations of development, I would even say of subsistence, of some countries! The most developed countries in the world only promise action plans, which are hardly ever realised – I had the opportunity to follow the debates in the last General Assembly of the United Nations in the so-called Climate Change Summit and I believe we all followed the declarations of good-will on the same subject in the G20 Summit in Brisbane, just last month.

We see, ladies and gentlemen, inequality increasing in the world because of wealth being concentrated in the hands of a few, because economic self-interest, greed and the corruption prevailed over a sense of humanity. It is not new that in the whole European Union corruption reaches 120 billion Euros per year. In the G20 Summit in Brisbane, world leaders declared war on tax evasion and money laundering which annually was calculated at 1.3 trillion Euros in Europe and 1.7 trillion dollars in the United States of America. The Bank of America itself revealed some months ago a fraud of 16 billion dollars, an amount equal to the money in our Petroleum Fund.

I have had the opportunity to denounce in different international forums, including at the United Nations General Assembly, the unjust ways the United Nations puts a country like Timor-Leste, or a small pacific country, or countries in Africa or even in Asia, in the same bag as the developed countries such as those from the G7, from America and Europe, to Japan, Australia and China.

I believe that standards are imposed in an inconsistent and unrealistic manner that is out of context to countries own realities and consequently of their State institutions. Indeed, the more developed societies are allowed to justify any type of human rights violation with the cliché of "internal security" of their countries. On the other hand, in young democracies still in a consolidation phase the defence of their national interests and their sovereignty is considered a violation of the rule of Law!

However, smaller countries also have the right to react to acts of aggression against the State and to the rights of their people!

Upon detecting unacceptable irregularities and conduct of clear violation of international law during the negotiations on the Timor Sea Treaty, which concern the sharing of off-shore petroleum between our country and our neighbour Australia, we proposed, at the end of 2012, that both countries should talk to each other in order to

resolve the disputes and the injustice caused to Timor-Leste. This proposal was rejected by Canberra, leaving the Timorese Government with no alternative but to submit the matter to the Permanent Court of Arbitration in The Hague, seeking to end the clear advantage of Australia over the interests of the martyred Timorese people, in relation to an asset that belong to us.

At the insistence of Canberra, we agreed to suspend for 6 months the arbitration case in The Hague. And now, we are undertaking work with the primary objective of protecting the legitimate interests of Timor-Leste and its people.

Also, the actions of the petroleum multinationals, in trying to seize the natural resources of the Timorese people, while paying less tax than what they were required to pay as well as making illicit deductions, led to dozens of cases being filed with the courts, as once again it is about restitution to the Timorese of what is rightfully theirs.

Timor-Leste is determined to impose its collective political will, which is reflected in the democratic values that we share and that are enshrined in the Constitution of the Republic. Ladies and gentlemen, this is why our People sacrificed so much. We did not fight – and suffer and die – just to have an independent flag, but to be able to exercise and enjoy what is rightfully ours!

Defending our sovereignty also implies consolidating the autonomy and the efficient, professional and accountable functioning of all State Agencies without exception. Indeed, sovereignty must be at the core of the activity of every State body, as everyone who works for those bodies are paid to defend the interests of the nation and of the people, with an honest sense of State.

If one of those bodies is weak, then the entire State establishment is affected. As such, this requires immediate action so as to protect the common good. Consequently it is vital to ensure that any weaknesses detected in the operation of the State as a whole are corrected by making use of the interdependence of powers. Indeed, this is a duty of the bodies of sovereignty.

There may be many who do not understand this and who do not understand the higher values of sovereignty that we must protect. There are still many who have not understood the challenges faced by a young country such as ours, which was built from scratch or from less than scratch.

The particularities of our Nation, the sacrifices made by our People, and the future of our Country, sometimes require firm positions that may be “misunderstood” by the so-called modern and centuries-old democracies. This is a matter of principles and resources that are a part of our reality, our culture and our identity, and which are a part of our selfless struggle for Independence and Sovereignty.

For us Timorese, what others call arrogance is merely having the humility to correct and to reform that which does not work for us – that which does not protect the higher interests of the Nation!

Your Excellencies  
Ladies and gentlemen,

It is undeniable that over the last few years we have witnessed a considerable and generalised improvement in living standards in Timor-Leste.

Together with the reforms that led to peace and stability in the country, the Government also committed to reforming the management of the State and the financial system, as well as to implementing economic policies that led to very high economic growth rates.

Our non-petroleum GDP grew on average 12.5% a year from 2007 to 2011. In 2012 the growth of the non-petroleum GDP slowed to 7.8%, however, this growth was not motivated by Government expenditure, which is an indicator of a first stage in the transition towards a better quality, sustainable and low-inflation economic growth, led primarily by the private sector.

Timor-Leste has enjoyed very strong performance according to international standards, particularly when compared with the emerging economies of Asia. We estimate that we will grow 5.6-7.1% between 2013 and 2015. This growth rate is consistent with our focus on the sustainability of government expenditure and on inflation, which will not exceed the 4-6% goal set in our Strategic Development Plan.

Since 2007, the Government's strategy has been to let the private sector drive the economy. Indeed, during these last few years we have repeated that it has been necessary at this early stage for the State to nurture growth by way of public expenditure, since the private sector was still fledgling and not yet ready to assume its leading role as driver of the economy.

Now that the conditions are being created, there is room for a new period in the history of Timor-Leste, in which the private sector and not the government is expected to drive economic growth, positioning the country within the regional and global arenas.

The high investment rate foreseen by the private sector is based on sound investment proposals by multinational companies. This is testimony to the success of previous government policies.

There would not be major production companies interested in investing in Timor-Leste today if the Government had not made public investments, namely in the expansion and recovery of the national road network, in the Tasi Mane project and in the integrated investment in the southern coast, in the construction of ports, namely in Tibar and Suai, in the improvement of airport facilities, and particularly in the improvement of the generation, transmission and distribution of electricity.

According to a recent study by the consultancy firm PricewaterhouseCoopers together with the World Bank, Timor-Leste is the most fiscally competitive country among the CPLP member States and 55<sup>th</sup> in a ranking of 189 surveyed countries. Indeed, our strategy for attracting foreign investment, which is essential to economic diversification, is based on presenting Timor-Leste as a competitive and attractive country for doing business.

The recent Investment Agreement signed with Heineken Asia Pacific Pte. Ltd., valued at over \$40 million, is an example of this.

As we can see from the recent Doing Business 2015 report by the World Bank, Timor-Leste is, and I quote, “the economy that improved the ease of starting a business the most”, and “did so by creating a one-stop shop”. As such, we can say that our work is producing the results we expected, and SERVE – the one-stop shop – is further evidence of that.

This conducive environment we are creating for the establishment of businesses in our country and the investments we are making in the construction of infrastructure are essential for creating employment, reducing dependence on the petroleum sector and affirming Timor-Leste as a country on the path to modernity and progress.

It was also under this strategy that in 2014 we created the Specialised Investment Agency designated as “Timor-Leste Invest”. Its main goal is to promote private investment and exports in the country. The operation of this agency and the implementation of the ongoing policies for increasing agricultural, industrial and service production will surely boost the country’s economic, social and human development.

One thing that is vital for the integrated development of the country and for reducing development asymmetries between the capital and the other districts is to develop policies, such as the decentralisation policy, that promote a fairer distribution of resources and the creation of proper living conditions for all the people. Programs such as IDDP and NSDP are two examples of the practical implementation of these policies and have enabled the improvement of access to water, sanitation, health, education and culture and the training of local leaders. This is essential for inclusive development.

Because we believe in our country’s potential, we have started a bold project for developing the Special Administrative Region of Oecusse Ambeno, led by His Excellency Dr. Mari Alkatiri, and for creating the Special Zone of Social Market Economy, whose legal framework has already been drafted and whose operation has already begun. In 2015 it will be possible to start implementing the development plan for this region, through a transfer of around **\$9.9 million** for the SZSME programme.

I would like to recall that preparations are already under way for the celebration of the 500<sup>th</sup> anniversary of the arrival of the Portuguese in Oecusse. These celebrations will feature the participation of senior international representatives and will be a strong boost for the development of this region.

Additionally, the evolution of the integrated triangular development initiative of the three States in our sub-region – Timor-Leste, the Northern Territory of Australia and some of the closest Provinces of Indonesia – confirms the promising development of some important sectors such as tourism, energy, agriculture and research and development, as well as ensure the strengthening of the social, friendship and cultural ties with our closest neighbours. We estimate that we will invest **\$1.0 million** in order to continue this initiative in 2015.

We can also take pride in the improvement of the social indicators. This is another result of the execution of the policies and programs of the Government, the sector plans and the projects of civil society and development partners. We have all been working together towards the development of the country.

We can see these improvements easily by checking the records of school enrolments, child nutrition, infant mortality, usage of power and household consumption.

The percentage of children who attend school in Timor-Leste increased considerably, rising from 66% in 2007 to 92% in 2013.

Currently we have attributed over 3,300 scholarships, with most of the beneficiaries conducting their studies and trainings in Timor-Leste. The agencies with the most scholarship holders are the ministries of health and education, UNTL and INAP. We believe that this investment will yield returns for the State in the very near future, since the availability of skilled human resources that can work in a demanding and competitive labour market is absolutely vital for our country development strategy.

The approval in 2014 of the base national curriculum for the first and second cycles of basic education, of the base national curriculum for early childhood education and our early childhood education policies will enable us to improve education and to prepare our children for the future challenges that school offers.

The mortality of infants and children under 5 years in Timor-Leste is also at a historical low, after a reduction of around 50% from 2001 to 2009. Indeed, the Timor-Leste Report on the 2014 Millennium Development Goals states that Timor-Leste has achieved the goal in the reduction of the mortality of infants and children under 5 years.

In 2014, Timor-Leste was honoured by the World Health Organization due to the results achieved in the implementation of the National Malaria Control Program. The drastic reduction in the number of registered cases of malaria and deaths related with malaria is the consequence of an efficient prevention policy and the improvement of the process of diagnosis and treatment. The achievement of the Millennium Development Goal for malaria is an indication that we put our people at the centre of our priorities and actions.

Child malnutrition also dropped significantly. In 2001, approximately half (46%) of all children under five years had below normal weight. Since then we have made considerable progress, with the percentage of children with below average weight falling to 38% in 2013. The Government is strongly committed to continuing to reduce this percentage by increasing agricultural productivity, encouraging citizens to change their diets and delivering school meal programs.

Because we cannot be satisfied with the nutrition indicators in our country, the Government has joined the CPLP's "Together Against Hunger" campaign and the United Nation's "Zero Hunger Challenge" and drafted a National Action Plan for Eradicating Hunger and Malnutrition in Timor-Leste. The goal is to improve food security and to reduce hunger in the country over ten years, i.e. by 2025.

The approval of the Base Policy for Tourism, which is a strategic sector of the national economy, now has an essential instrument for its development. The creation of a training centre in tourism and hospitality and of four information centres, which is planned for 2015, is already part of the operation of this policy in the tourism sector.



Additionally, access to electricity by Timorese households improved from 22% in 2007 to 53% in 2013.

Household consumption in terms of goods and services also increased 36% between 2008 and 2012.

Speaking of households, I must highlight here the fundamental role played by women in the construction of our country. Both within their families and their communities, women are increasingly acknowledged for their contribution and transformative ability, thereby making an exemplary contribution to the human and economic development of Timor-Leste. The Government continues committed to reforming agencies, policies and decision-making processes in order to ensure true gender equality. Parliament is a good example of this, with 38.5% of parliamentary seats currently being held by women.

The Government is also concerned with environmental sustainability, considering that 90% of our people use wood as a source of energy for cooking which is damaging our forests. In addition to the investment in alternative energies that we have been making for the last few years, we believe that the expansion of the national electric grid will drastically reduce the use of wood and the consequent deforestation.

2014 was an important year for Timor-Leste, as the country assumed the rotating presidency of the CPLP for the first time, at the last summit of Heads of State and Government, which took place in Dili, in July of this year.

The preparation for this event required much commitment, work and even patience by many Timorese. Nevertheless, I believe that the benefits from this collective effort can be seen in our daily lives. For instance, the construction of the CPLP Bridge, which is a very important infrastructure that is contributing to make travel within the city easier and safer; the recovery of gardens and other public places, which are now promoting wellbeing and socialisation; the recovery of roads and the construction of sanitation infrastructures which is essential for improving living standards in the capital.

Of course, we also want to make a political contribution to the CPLP. Our ambitious agenda includes the strengthening and growth of this institution, through promoting expansion into new sectors of cooperation, such as economic cooperation, as well as support and monitoring to countries that are currently vulnerable, such as Guinea-Bissau, or in a stage of integration, such as Equatorial Guinea. Therefore, the Government proposed the appointment of Dr José Ramos-Horta as Special Representative of the CPLP for these two countries. This Government proposal, which has already been submitted to His Excellency the President of the Republic for approval, shows our full commitment towards the objectives and the mission of the CPLP.

I must underline that the Timorese presidency is strongly committed to boost economic and entrepreneurial cooperation, so as to nurture the development of business projects strengthening the national private sectors, the promotion of partnerships and the transfer of technologies and knowledge, in order to support the respective economies and regional economic integration. In 2015, the Timorese presidency of the CPLP will have a funding of around **\$1.5 million**.

Timor-Leste fulfilled its obligations as a member of the UN helping countries in conflict or in a post-conflict situation and with fragile state institutions, particularly in ensuring the inclusion of its programs in the ' Post-2015 Development Agenda of the United Nations'. We have successfully participated in the 'g7+' group and will continue to support it with a Secretariat based in Dili.

Many countries require the opportunity for dialogue to reconcile differences, in order to establish peace as an indispensable pre-requisite for designing development programs that benefit all their citizens.

Therefore, at the initiative of the President of the Republic, Taur Matan Ruak, a Centre for Dialogue, Reconciliation and Peace will be established in Dili. With no ambition to protagonisms, Timor-Leste will try to contribute with the little it can for peace in the world.

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

The 2015 State General Budget will continue the path that enabled us to achieve the progress I have already mentioned here today, which is acknowledged internationally. We must maintain consistency regarding priority investments in areas of physical, human and social development, while ensuring the necessary prudence for enabling fiscal sustainability. In order to do this we are proposing to reduce current expenses in this budget, which is why we are only proposing the required minimum increase.

In the medium and long term, the infrastructure being created will make an irreversible contribution towards economic growth, enabling the increase of domestic revenues and the reduction of expenses over time. For this reason we can say that the PF withdrawals between 2015 and 2017 are a temporary but essential condition for ensuring the major investments required for continuing to build vital infrastructures in the country. It is estimated that these withdrawals will start decreasing in 2018.

The **2015 State General Budget is \$1,570 million**. This represents a marginal increase over the 2014 budget, so as to ensure fiscal sustainability and to guarantee that demand in the economy is consistent with low inflation.

Inflation in the third quarter of 2014 was only 0.5%, which means that average prices were only very slightly above those we had in the same period of the previous year. We are estimating that inflation will not exceed the target of 4%-6%, at least by the end of 2015. In fact, there is a chance that it will be below 4%.

Lower inflation means that it is more likely that the purchasing power of citizens will increase and that poverty will decrease. This will also lead to lower increases in the costs borne by companies, which will allow us to increase the international competitiveness of Timorese companies.

Household consumption is also expected to continue growing strongly. This means many household will be able to increase the amount of goods they purchase and consume. Assuming this increase in consumption is widely shared it will also reduce poverty.

Overall the 2015 budget is consistent with strong, sustainable and high quality economic growth going forward, being divided as follows:

- **\$184.1 million in Salaries and Wages**
- **\$504.7 million in Goods and Services** (including the HCDF)
- **\$340.3 million in Public Transfers**
- **\$36.7 million in Minor Capital**
- **\$504.3 million in Capital Development** (including the Infrastructure Fund and loans)

The total investment for the **Infrastructure Fund is \$434 million** including loans and \$364 million excluding loans.

The total budget appropriation for the **Human Capital Development Fund is \$32.1 million**, including \$2.1 million from the balance carried over from 2014, in accordance with the law. This program will continue in 2015, so as to develop our human capital and build the capacity of our young people through vocational and technical training and scholarships for higher education. However, it should be said that we are conducting the necessary assessments for ensuring that the investment by the State yields the maximum return.

In 2015 the State General Budget will be funded by **\$170.4 million from estimated non-petroleum revenues**. These revenues should continue increasing in 2015 and in the medium term. Nevertheless, the growth rate should be slightly below the one recorded in the previous years. Indeed, local rice is now in greater supply, which has resulted in a reduction in the sales of rice.

The **tax deficit of \$1,399.6 million** will be funded by \$1,327.5 million from the Petroleum Fund, namely **\$638.5 million corresponding to the Estimated Sustainable Income and \$689 million above the Estimated Sustainable Income**. It will also be funded by **\$70 million from public loans** and **\$2.1 million in cash**. This excess withdrawal is consequently moderate and consistent with the investment policy set in the Strategic Development Plan and being implemented by the Government.

Your Excellencies  
Ladies and gentlemen,

Our nation is in a very sound financial position. At the end of the third quarter of 2014 the balance of the Petroleum Fund was \$16.6 billion. It is estimated that this balance will increase to \$18.9 billion by the end of 2019.

The current balance of the Petroleum Fund is over 10 times larger than the overall amount that the Government intends to spend in 2015. It is therefore clear that the State will continue to have a sound financial basis in the short or medium term.

The Petroleum Fund created in 2005 was an important investment strategy that enabled transparency and the good management of the petroleum resources of Timor-Leste. The Petroleum revenues are kept in the Petroleum Fund and do not flow directly into the State Budget which has helped to prevent macroeconomic instability, since withdrawals from the Fund are based on what is sustainable in the long term rather than on short term changes in petroleum revenues.

By not using these revenues in a discretionary manner, we prevent steep increases and reductions in the prices of goods, as well as volatility in public expenses, demand and inflation, which enabled us to avoid the resource curse. We have opted to invest in basic infrastructure and in sectors such as education and health, supporting the country's economic development.

By amending the Petroleum Fund Law in 2011, following a lengthy, strict and participative process, we allowed an allocation of up to 50% in public equities, at least 50% in fixed income instruments and up to 5% in alternative instruments. This strategy of diversifying the Petroleum Fund proved to be a sound one and it has provided strong returns.

The Government is also committed to long term fiscal sustainability through its frontloading policy. This policy outlines that in the short term there will be excess withdrawals so that in the longer term there will be economic growth, increased domestic revenue and declining expenditure.

Regarding the budget execution rate, on 29 November the Government recorded an expenditure execution of \$1,077 million in cash and \$228 million in commitments. It is likely that most of these commitments will result in cash execution before the close of the financial year.

This means that at the close of the financial year it is very likely that we will have a budget execution rate of around 87%. This is a strong execution rate, particularly since the 2014 budget only started to be legally executable in the third month of the year, i.e. in March. The first two months operated under the duodecimal regime. This is an indication that the budget drafting and execution processes continue to improve.

We are confident that the introduction of the new verification and monitoring instruments of the Government Plan and of the Strategic Development Plan, set by the Development Policy Coordination Mechanism and operated through the SDP matrixes, will also ensure the proper adequacy between what is planned and what is effectively achieved, so that we may continue ensuring high budget execution rates and results that have actual impacts on the population.

As you know, this instrument also enables integrated planning, by cross cutting development sectors in a manner that is articulated, more effective and efficient, so as to favour greater coordination between ministries.

This coordination effort will enable better results for the four strategic sectors set in the SDP. Within this context, the 2015 State General Budget reflects the key sectors targeted by the Government and responds to the four key goals that I have mentioned.

### **The 2015 budget follows a sustainable fiscal policy**

Firstly, the total amount of the budget is \$1,570 million. This is less than 5% higher than the 2014 budget and shows that **the Government has constrained growth in overall spending**. In addition, the 2015 budget is 13% smaller than the 2012 budget. This shows that over the past few years **the Government has followed a conservative fiscal policy, cutting and not increasing the size of the budget**.

Secondly, the Government has identified and **eliminated wasteful expenditure and constrained growth in recurrent expenditure**. Specifically, recurrent expenditure in the 2015 budget at \$1,029 million is less than 4% higher than in the 2014 budget.

Thirdly, over the medium term forecasted spending clearly shows the frontloading pattern. Public expenditure increases is forecasted in 2016 to construct core infrastructure, but then it is foreseen that it will begin to fall and, predictably, **excess withdrawals will also start decreasing**.

Fourthly, **domestic revenue has grown strongly in recent years** and this growth is forecasted to continue over the medium term. The amount of domestic revenue forecasted to be collected in 2015 is \$170 million, which is 62% higher than the amount we collected in 2011. By 2019 domestic revenue is forecasted to grow to well over \$200 million and be more than double the amount it was in 2011.

In relation to domestic revenues, it is necessary to properly analyse the reality and understand the development cycle that originates them. The revenues derive from private sector activity as it is the taxes paid by companies and workers that contribute to the increase of domestic revenue. Therefore, it is necessary to ensure the creation of quality infrastructure and capable and productive human resources in order to attract investors and strengthen the business fabric of the country.

### **The 2015 budget takes every Timorese citizen into account**

The distribution of **electricity** throughout the country has led to the substantial improvement of the living standards of the Timorese throughout the country, in addition to making a clear contribution towards economic development. It is essential to continue funding the electrification project by acquiring fuel and maintaining the electrical generators. As such, we will invest **\$115.6 million** for this purpose.

We will continue investing in the nutrition of our children and young through our **school meals** program, which seeks to improve the health and school performance of children. We will allocate around **\$17.8 million** to the Ministry of Education in order to fund the school meals program in public schools and to attribute scholarships.

Still in the area of education, we will allocate **\$6.2 million** to continue supporting Salesian education facilities and the school meals program in private schools. The **UNTL** will be allocated **\$4 million** in public transfers for scholarships in international

partner organisations, thus ensuring that Timorese students have access to world renowned universities.

We will also be making an important investment seeking to **make available medication and food to patients**, by allocating around **\$15.3 million** to the Ministry of Health in order to improve the quality of the health services provided. Furthermore, we will be allocating **\$1.2 million** for acquiring medical equipment, including laboratory and X-ray facilities for the health services.

The Ministry of Health will also be allocated **\$8.3 million** in public transfers to continue enabling medical treatment abroad for emergency situations that cannot be handled in Timor-Leste, as well as to invest in a new **cardiovascular clinic** and in activities for supporting public health and the continuation of the **SISKA** programme.

I also want to mention a vital program that is ongoing and that affects a great many Timorese, which is the **Ita Nia Rai programme and the cadastral registration** of the Ministry of Justice. With an allocation of around **\$14.5 million** we will work on land property rights in Timor-Leste, which in turn will contribute to increase security and economic growth in the communities.

Still in the sector of justice, we will be investing **\$20 million** to improve **legal services**, so as to benefit Timorese citizens. The additional investment of **\$1 million** in the Ministry of Justice to support the processing of **biometric passports** will also facilitate the travelling abroad by Timorese citizens.

We will also continue the program of **importing rice and selling local produce**, with an allocation of **\$8.5 million** to the Ministry of Commerce, Industry and Environment, in order to support the national rice market, to contribute to the school meals programs and to enable basic access to food for the entire population, including in emergency situations.

The **acquisition and distribution of seeds** in order for the Ministry of Agriculture and Fisheries to continue supporting the development of agriculture and improving national security will continue to be a priority for the Government, with an allocation of **\$3.7 million**. This Ministry will also continue supporting **farmer groups** with an allocation of **\$1.4 million**, so as to promote local produce.

The promotion of democracy throughout the country, rural development and the strengthening of local communities are vital factors for correcting social inequalities in Timor-Leste. This budget will allocate **\$20 million** in public transfers, through the Office of the Prime Minister, in order to provide **emergency support** and to **rehabilitate schools and health posts** throughout the territory.

Still in the vital area of rural development, we will allocate **\$17.8 million** to the Ministry of State Administration in order to continue supporting **NSDP**, **\$1.6 million** in goods and services so that the NEC may implement the electoral program for **Heads of Suco** and **\$1.5 million** for the **election of community leaders**.

The Ministry of Trade, Industry and Environment will continue supporting **cooperatives, trade and industry groups and environmental protection groups**

with an allocation of **\$4.8 million**. We have also included **\$1.5 million** to SEAPRI for our important bamboo centre and for supporting the **private sector in the areas of agriculture and tourism** as a strategy of economic diversification and industrial development.

We will also invest **\$10.5 million** in the **rural employment** program, which targets young people, and **\$6.5 million** in supporting arts and sport through the Secretary of State for Youth and Sport.

We will allocate **\$1.7 million** in minor capital to purchase fire trucks and other special vehicles for several government agencies, in order to increase the **safety** of the population.

As we are committed to knowing our population better, so that in turn we can serve it better, we will fund the **2015 Census**, which will provide important information on the living standards in Timor-Leste. We will allocate **\$7.5 million** in this Census and in the payment of membership fees.

Being aware of the importance of the **Berlin-Nakroma ferry**, which requires investment in fuel and maintenance, we will continue to fund this service with around **\$1.3 million**. Also in view of this vital need, the Timorese State will allocate **\$12 million** to the Ministry of Transport and Communication in order to purchase a new **ferry** to serve the people.

And because our precious natural resources belong to every Timorese, I must mention the fact that we continue to have a strong commitment towards this sector, so that we may benefit the most from our **sovereign wealth**. As such, we will continue funding the Ministry of Petroleum and Mineral Resources, the ANP, the Timor GAP and the IPG, with **\$11.5 million** in public transfers.

### **The 2015 budget invests in quality infrastructure**

The 2015 budget outlines \$364 million of Government financed expenditure to improve infrastructure in Timor-Leste. Developing infrastructure continues to be a priority for the Government as it underpins economic growth and service delivery.

Better infrastructure is necessary to underpin economic growth as companies require access to reliable water and electricity to increase production. Companies also require access to transport infrastructure to get their goods to consumers.

Infrastructure also underpins the delivery of public services. Better roads, for example, allow children to travel to school and patients to more easily visit hospitals. Infrastructure is also vital for developing complementary economic sectors such as tourism and agriculture. Without quality roads it is not possible to transport goods to the markets or to attract tourists.

Roads are in a poor condition in Timor-Leste and this discourages investment. The Government is implementing a substantial **road rehabilitation** program over the next four years, with an investment of **\$59.8 million** in 2015.

Through the Infrastructure Fund we will also be investing **\$9.8 million** in the construction of **bridges**, **\$19 million** in **airports** and **\$8.9 million** in the development of **ports**.

Regarding the **Oecusse development program**, the Government believes this program will encourage industry to move to Oecusse and support that region's social and economic development. The Infrastructure Fund should invest **\$62.5 million** in this development program.

Regarding electricity, more work is necessary in the future to further improve **electricity** distribution and transmission and improve the efficiency of delivery. Planned work includes a central control system, street lighting and a jetty at Hera, with an allocation of **\$58.1 million** under the Infrastructure Fund.

Regarding **Tasi Mane**, the Government is committed to developing the petroleum industry on the South Coast and related industries, proposing for this an investment of **\$37.6 million** for this Project.

We are estimating to invest **\$8 million** in **education** infrastructure and **\$4 million** in **health** infrastructure.

The Government also allocated **\$34.4 million** to the CFTL to support the **District Integrated Development Program**, thereby continuing to implement local projects concerning small infrastructure works that boost the development of the private sector and substantially improve the living situation in the communities.

The investment of **\$3 million** in the Ministry of Public Works regarding minor capital will provide for **water equipment and the installation of electricity** throughout the territory. This Ministry will also be allocated **\$1.5 million** to support the **installation of solar panels** in communities without access to electricity, promoting the use of renewable energies while continuing to ensure the expansion of the electricity grid to all communities, even the most remote ones.

In general, these infrastructure expenditures will contribute to long term economic growth and improve the delivery of important services such as health and education.

### **The 2015 budget protects the vulnerable and deserving**

The Government wants all citizens to benefit equally from the economic growth and has developed many programs to protect the vulnerable and deserving in society. These programs ensure that the benefits of economic development are widely shared and do not just benefit a small number of people.

Through the 2015 budget the Government is significantly expanding the public transfer programs. In this case, the budget of the Ministry of Social Solidarity has increased from \$147.1 to \$197.2 million from 2014 to 2015.

This budget includes **\$130.4 million** for the **payment of veterans' pensions**. These veterans bravely served their country during the struggle for independence and it is important that they share in the increased prosperity of our country.



We are also estimating to invest **\$1.8 million** in goods and services for the Ministry of Social Solidarity to invest in entertainment and contributions for **Veterans**, so as to honour the sacrifices they made for the independence of Timor-Leste.

In view of the vital role played by the **Civil Society and Non-Governmental Organisations**, the Government will allocate **\$14 million** so that these organisations that work closely with the communities can support Timorese citizens in need.

The Government has also appropriated **\$34.9 million** for the payment of **pensions to the old and disabled**. This is an important program that supports those who are too old or infirm to work and that reduces poverty in a significant manner. The **Bolsa de Mãe** program will also continue to be a priority, so as to support the most vulnerable groups in our society.

The Government will also allocate **\$2.7 million** to support orphans, homeless people and disabled people, as well as **\$1.2 million** to support Red Cross and HIV/AIDS programs seeking to protect the persons who are most vulnerable and who need medical assistance and special care from the State.

Your Excellency

President of the National Parliament

Your Excellencies

Vice Presidents of the National Parliament

Your Excellencies

Distinguished Members of Parliament

It is undeniable that the path we have walked so far proves that we are addressing the central goal of national development.

A country where people live in peace and safety, despite only being independent for the last twelve years, gives us the conditions we are nurturing in order to become a developed country. This transformation entails challenges that cannot be overcome in a single generation.

However, we can create the necessary conditions so that we may continue moving in the right direction.

In order for our path towards sustainable development to take less time we need to have an educated, healthy and professionally active population, a professional and efficient public administration, a strong and capable private sector and a country equipped with basic infrastructure.

Investing in the country's non-petroleum economy is the main ingredient for this success. And I can say, ladies and gentlemen, that our non-petroleum economy is growing. It is growing because economic diversification in our country is starting to become a reality and because we are ensuring that this growth is sustainable.

Our commitment, your commitment, is to the People of Timor-Leste!

Together, in this debate that is now about to start, we can work constructively in order to overcome challenges and to do what we vowed to do when we were sworn-in: to defend the national interests, to protect the Timorese people and to honour the sacrifices made by those who dreamed of a free, sovereign and independent Timor-Leste.

Thank you very much.

Kay Rala Xanana Gusmão  
Dili, 1 December 2014