



DEMOCRATIC REPUBLIC OF TIMOR-LESTE

OFFICE OF THE PRIME MINISTER

ADDRESS BY

HIS EXCELLENCY THE PRIME MINISTER

KAY RALA XANANA GUSMÃO

**ON THE OCCASION OF THE OPENING SESSION OF
THE REGIONAL CONFERENCE ON THE EXTRACTIVE
INDUSTRIES TRANSPARENCY INITIATIVE (EITI)**

“Beyond EITI. The Transparency Model for Timor-Leste”

Dili Convention Centre

26 August 2011

Your Excellencies

Ladies and Gentlemen,

First, I would like to salute all those who have come from afar, flying over continents and oceans, to take part in this important Regional Conference. I hope all of you will have a pleasant stay. For those who are visiting Timor-Leste for the first time, may this be just the first of many visits.

Second, I must give a special salute to our dear friends from the Republic of South Sudan. Your presence here in Timor-Leste fills us with joy!

We celebrate with you the triumph of democracy and the determination of your People to be masters of their own destiny. The Independence you have now achieved is but the first step towards a new journey that is even more challenging.

Timor-Leste, which now hands over the mantle of being one of the world's youngest country to the Republic of South Sudan, knows very well the challenges and responsibilities that are inherent to building a State. To respond to the many aspirations of the people, who have put all their faith and hopes for better living conditions in independence, is not an easy task.

We Timorese and South Sudanese have many experiences to share and much to learn from each other.

We are also privileged to have again in Dili several representatives from fragile nations. Nations where the lives of their people are far from easy. We will continue to have honest discussions about how we can achieve our common goal of development and stability.

Ladies and Gentlemen,

Countries such as Timor-Leste, scarred by a history of struggle and suffering, know that any victory, no matter how small, is cause for celebration.

From one victory to the next, the people gain confidence to overcome the difficulties that are intrinsic to a fragile and mostly poor country. From one success to the next, there is renewed hope and determination to continue to work in pursuit of the shared goals of the Nation.

In view of this, the current status of Timor-Leste as a nation that is fully compliant with the international transparency criteria of EITI is undoubtedly a small victory and as the President said yesterday in his keynote address a cause for celebration!

We know that countries rich in natural resources often have economic performance that fails to meet expectations. These countries can also be more vulnerable to conflict – or to the resurgence of conflict – and to bad governance. It is also not unknown for economic ambition to corrupt the mindsets of leaders, even those that start off with good intentions.

As such, transparency is even more of an imperative in countries that are rich in natural resources and is absolutely essential in countries that, despite being rich in natural resources, have mostly poor populations. This is the case of Timor-Leste and other countries represented here.

Our nation, which will soon be celebrating 10 years of Independence, has reasons to be pleased with the way in which it has managed its natural wealth. Our Petroleum Fund, created in 2005, monitors and collects petroleum revenues, enabling maximum transparency in the management of these resources.

This Fund, that operation of which is managed by our Central Bank, is audited every year by internationally accredited auditors, and has its quarterly reports published online and made available to all citizens. Currently, the Petroleum Fund has a balance of \$8.3 billion, **and is ranked the third most transparent fund in the entire world.**

Additionally, this international recognition enabled us to be elected for **a second term as Members of the EITI International Board.**

Ladies and Gentlemen,

Last Tuesday, after a democratic debate, Parliament approved the first change to the Petroleum Fund Law.

These changes followed an extensive review and consultation process undertaken by the Government which included several years of studies and public hearings, with the participation of the Central Bank and our development partners, as well as extensive participation by civil society.

The changes seek to further improve good governance and the transparency of the Petroleum Fund, based on the Santiago principles of higher levels of transparency and accountability. They will also broaden and diversify the Fund's portfolio in order to increase its returns and protect its capital.

As such, we changed the investment policy so that it may not invest less than 50% of the Fund's assets in Treasury Bonds and not more than 50% of assets in equities. Under these revised investment parameters it will be possible to increase the Fund's investment returns and support the provision of the 3% Estimated Sustainable Income rate (approved by the 2005 law and still applicable) which helps fund the State General Budget. This change also allows the Fund to diversify its investments.

Currently, 90% of investments are in United States Treasury bonds, which provide a low return. Further, the capacity to diversify our investment to alternative asset classes allows us to reduce our risk.

Importantly, we are also now able to offer 10% of the Fund's value as collateral for borrowing money to be used solely for **the construction of strategic infrastructure for development the country**. This enables us to negotiate loans under more favourable conditions and with greater security.

In view of this, ladies and gentlemen, we are qualified as a country that is able to provide assistance to the Asia Pacific region as well as to, for instance, the Portuguese-speaking African nations, in the implementation of the international transparency criteria.

Our nation is deeply committed to increasing transparency. We know that without transparency and accountability we cannot achieve social and economic stability.

As such, transparency is one of the key objectives of the management reform of the Timorese State. We know that without implementing strong principles of good governance we cannot rely on the active participation of civil society and the private sector in the building of our economy and of our State.

We also know that if we are not responsible in the management of our resources we will not have the capacity to attract international companies to invest in our Country, we will not

ensure competitiveness and we will prevent the growth of our non-oil economy, which is essential for our future sustainable development.

Ladies and Gentlemen,

Timor-Leste wants to go far beyond what its mandated by the EITI principles. Starting from best practise in terms of resource management, the **Timor-Leste Transparency Model** is a comprehensive integrated approach in regard to good governance, inclusiveness, transparency and civil responsibility. Under this model the State uses a multi-layered approach to managing resources and revenues, ensuring accountability and verification.

The challenge I propose to you today is for us to openly discuss our vision of how we can transform the wealth extracted from our land into actual benefits for our people. We must also find ways to further strengthen the principles set in the EITI, reflecting new ways of ensuring an honest chain of accountability from the point of extraction to the point of investment.

The **Timor-Leste Transparency Model** assumes the existence of a strong Government that does not tolerate schemes and situations of favouritism. It also assumes that State officers and other civil servants are truly interested in making good use of the financial resources that belong to the people.

Ladies and Gentlemen,

It is in this way that for the last four years the Government of Timor-Leste has been strengthening the institutional capacity of public administration, seeking to defend the best interests of the State, to improve public service delivery and to promote good governance.

We have also started reforms in the area of public finance management, with measurable decentralisation, and we have established the **Civil Service Commission to ensure merit in employment and promote a culture of good governance.** The establishment of the Civil Service Commission was made with awareness that the civil service is currently the major component of our economy and acts as its driving force.

We also established the **Anti-Corruption Commission** with strong powers to fight corruption and we have started the process for building a **Superior Audit Agency**, our

Chamber of Accounts, which will promote transparency in public revenues and be responsible for the presentation of accounts.

In July last year we became the third country in the world to be given fully compliant status with the Extractive Industries Transparency Initiative. In October last year we were recognised in the first ever **Revenue Watch** index as a Government with Comprehensive Revenue Transparency.

In order to ensure maximum transparency and public participation, we also conducted public **debates on Public Administration and Public Financial Management as a preparation for the General State Budget**. This extensive debate was discussed openly and was broadcast on television for the Timorese public to watch. I believe not many countries undertake such an open process.

Earlier this year, we have launched the **Transparency Portal**, which provides real time data on State expenditure that can be consulted by our people through a website.

This Portal represents much more than the development of a mechanism for promoting transparency, accountability and control regarding the public accounts of the State. It represents the **true transformation of our State**, particularly our public administration, through one of the most progressive systems in the world, enabling any person to have real time and interactive access to the procedure of the State General Budget of Timor-Leste and to its fiscal execution.

Lastly, we will be launching today the **Procurement Portal**, which will in time provide a record of all announced projects, allowing competitive tenders at a global level, providing information on all payments that are made and the timeliness of delivery and monitoring contract outcomes.

I will, however, let my Minister of Finance have the pleasure of presenting this project to you in greater detail.

Ladies and Gentlemen,

We are humble enough to recognise that we still have to work hard in order to make transparency and accountability commonplace in Timor-Leste. However, all the steps that

we have already taken are strong indications of our commitment to this mission, and this is why we are discussing our transparency model with you today.

I would also like to emphasise that the common denominator to all these reforms is the need to involve civil society and every citizen in these processes and systems. They are the ultimate verifying body, since they are the most interested parties in seeing the results of good management.

Like many countries in attendance here today, the history of Timor-Leste is a story of poverty for an entire people. Now that we are living in times of tranquillity and peace – the fruits of our independence – the blessings of our wealth must not be exclusive to a few, but rather the right of all.

This is even truer, and even more intolerable, when companies, frequently based in wealthy countries, exploit assets through taking advantage of the frailty and inexperience of the poor nations that own these resources.

This is another reason why the timing is right for us to discuss in this “Beyond EITI” how we can contribute to make extractive industries more accountable and transparent, so as to benefit our people.

Ladies and Gentlemen,

We have walked a long road since my dear friend Tony Blair started the EITI in Johannesburg, back in 2002. It is now with a mixture of satisfaction and pride that this conference, that looks to go beyond what has already been achieved by the EITI, takes place in Dili.

Dr. Sri Mulyani Indrawati we appreciate your observation that in only a decade since independence we have developed a world-class revenue management system and achieved compliance to the EITI. This hard work is an achievement of all Timorese and an example of what we can achieve together.

Finally, and before I finish, I would like my last words to go to the EITI compliant and candidate countries.

To advocate the principles of transparency and accountability in most of these countries, and I am talking about those that are very poor and post-conflict, some of which are our colleagues in the G7+ group, is an act of true courage!

Only we truly know the challenges and the difficulties we have to meet every day in pursuing the goals of fighting corruption and reducing poverty.

Only we know the countless obstacles we face in the difficult task of changing the mindsets of our People, who are scarred by conflict, while dealing with the pressures to which we are subjected when so many greedy eyes turn to look at our resource wealth.

Transparency and accountability are, unquestionably, the only way to avoid the curse that can befall countries that manage their resources poorly. This international meeting proves that we are conscious and committed to this mission.

We are not going to, ladies and gentlemen, fail in this mission. Timor-Leste is not going to be a failed State! I encourage you to join your voice to ours in this affirmation.

We believe that the conclusions made in this Conference may contribute to the success of many countries in regard to the best management of natural resources and for the success of our development.

Thank you very much.

Kay Rala Xanana Gusmão

26 August 2011