



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

**SPEECH
BY HIS EXCELLENCY THE PRIME MINISTER
DR RUI MARIA DE ARAÚJO
PRESENTING THE
STATE GENERAL BUDGET 2017
TO PARLIAMENT**

National Parliament, Dili
23 November 2016

Your Excellency
The Speaker of Parliament
Your Excellencies
The Deputy Speakers of Parliament
Your Excellencies
The Members of Parliament

Fellow Government Members

Ladies and Gentlemen

People of Timor-Leste,

It is a great honour and satisfaction for me to come before this Great House on behalf of the Sixth Constitutional Government in order to present the State General Budget (SGB) for 2017. This budget, which is the last one I have the privilege of presenting, continues implementing our political commitment up until the end of our mandate in August 2017.

The Government is also privileged to present in the present year the budget for social security which, in accordance with Law no. 12/2016, must be submitted to Parliament together with the State General Budget, although it is the subject of a separate debate.

Before I go any further I would like to congratulate this Great House for its initiative to hold a seminar on 9-10 November, in which the Government participated, with the purpose of debating the “2017 budget overview”.

Government activities are ruled by transparency and rigour, since the State budget is a budget for everyone. As such, the Government cannot but support initiatives that contribute to making Parliament further promote transparency and scrutiny concerning the State public accounts. The Government would also like to see the civil society and other institutions conveying their opinions, so as to make the debate over the next few days even more rewarding.

The Government is ready to contribute to a dynamic discussion on the SGB 2017, centred around the policies and programmes that reflect its options and that have contributed to improve the living situation of our people.

Mr Speaker,

From this general perspective we could say that the public investment made by the State through the SGB is a very effective tool for combating poverty and misery; it is an important tool that seeks to transform Timor-Leste into the country we all dream it will become, as is underlined in the vision contained in the Strategic Development Plan (SDP). It is also a decisive instrument for creating the necessary conditions so that social and economic development can be realistic, inclusive and sustainable. In view of this, the public

investment we are doing through the SGB, using domestic revenues and Petroleum Fund revenues, will benefit the current and future generations of Timorese People throughout the national territory.

As such, it is due to the Government's front loading policy, i.e. *"a tax policy seeking to invest within the country an amount exceeding the estimated sustainable revenue of the Petroleum Fund in order to set the conditions for diversifying the non-petroleum economy"*, that public investments done by the State through the SGB from 2007 to 2014 have enabled economic development and have increased by 8.6% a year the non-petroleum Gross Domestic Product (GDP), i.e. the GDP not resulting from the petroleum and gas revenues. Additionally, over the same period investment by the private sector increased 17.3% and household consumption increased 9.8%.

This data shows that the front loading policy is yielding rather positive results and creating conditions that should enable more progressive economic and social development in the future.

Due to the importance of having public investment within the country, drafting the SGB is an exercise that requires great responsibility, transparency, rigour and realism. Consequently the Government has drafted the SGB for 2017 based on the set national priorities, namely education, health, agriculture and core infrastructure, including drinkable water, sanitation, road construction and maintenance, irrigation, bridges, ports and airports, while also strengthening the other sectors that contribute directly or indirectly to our country's social and economic development.

When drafting the SGB 2017, the Government also considered the following factors:

1. Fiscal sustainability within the perspective of domestic revenues, petroleum and gas revenues, Petroleum Fund revenues or profit, donor commitments and the possibility of obtaining concessional loans from international banks and financial agencies.
2. Budget execution capacity and quality by State agencies, as well as the market's capacity to absorb the investment from the SGB execution in order to boost the Timorese economy.
3. Continuing to implement the second stage of the Strategic Development Plan over the 2016-2020 period, focusing on efforts to develop infrastructures, consolidate the development of human resources and encouraging the development of the non-petroleum economy.
4. Implementing the commitments signed by Timor-Leste concerning the Sustainable Development Goals (SDGs), already ratified by Parliament and harmonised with the stages of the Strategic Development Plan, focusing in the short and medium terms, starting in 2017 with SDG 2 (end hunger, achieve food security and improved nutrition and promote sustainable agriculture), SDG 3 (ensure healthy lives and

promote well-being for all at all ages), SDG 4 (ensure inclusive and equitable quality education), SDG (gender equality), SDG 6 (drinkable water and sanitation) and SDG 9 (improve infrastructures).

5. The new electoral cycle that will take place in 2017.
6. Global economy perspectives, which predict that emerging and development markets, as is the case of the Timor-Leste market, will grow around 4.6% in 2017; that global inflation will be 2.8% and that oil will cost around US\$50 per barrel in 2017.

Mr Speaker, Messrs Deputy Speakers, Illustrious Members of Parliament, People of Timor-Leste

In view of the above, the Sixth Constitutional Government comes before this Great House to present the State General Budget 2017 as follows:

- 1) Total revenues: *one billion three hundred and twelve point six million* (US\$1,312.6 million), namely *two hundred and six million point two million* (US\$206.2 million) from domestic revenues and *one billion one hundred and six point three million* (US\$1,106.3 million) from petroleum and gas revenues.
- 2) Total expenditure (including loans): *one billion three and hundred eighty-six point eight million* (US\$1,386.8 million), divided by the following categories and figures:
 - Salaries and Wages: \$208.8 million
 - Goods and Services (including HCDF): \$395.8 million
 - Public Transfers: 421.3 million
 - Minor Capital: 11.9 million
 - Capital Development, including IF and loans: 349.0 million.

The expenditure proposed in the SGB 2017 will be funded as follows:

- Domestic revenues: US\$206.2 million.
- Estimated Sustainable Revenue, i.e. the profit from the Petroleum Fund in 2017: US\$481.6 million.
- Withdrawals above the Petroleum Fund's Estimated Sustainable Revenue: US\$597.1 million.
- Loans from International Agencies: US\$101.8 million.

This expenditure category may be divided from an economic perspective into two major classes: (1) *Recurring expenditure*, which is the expenditure sustaining the apparatus of the State, namely salaries and wages, goods and services and minor capital; and (2) *Capital expenditure*, which is the expenditure used for investments seeking to create economic and social capital and not for ensuring the operation of the apparatus of the State. This latter class includes public transfers and development capital.

The draft SGB 2017 contains *recurring expenditure* of US\$616.5 million and *capital expenditure* (excluding loans) of US\$668.5 million. If we cross this with the funding sources I have just mentioned we can see that domestic revenues and the Petroleum Fund's Estimate Sustainable Revenue for 2017 add up to US\$687.8 million. This figure alone is enough to fund recurring expenditure and still leaves US\$71.3 million for funding capital expenditure. This means that the figure from the money deposited by the Petroleum Fund, i.e. the amount withdrawn above the Petroleum Fund's Estimate Sustainable Revenue, is not meant to cover recurring expenditure or to sustain the apparatus of the State, but rather to cover capital expenditure that will have a direct impact on economic diversification by creating jobs and that in the medium and long terms will yield social, economic, fiscal and financial returns.

The best way to reduce our dependency from petroleum and gas revenues is to diversify the economy, which is not possible without investing in human capital and in infrastructures, since these elements are transversal to every sector, benefit the people and create conditions for attracting further national and foreign investment to Timor-Leste.

Presently the way in which to continue investing in the human capital and infrastructures of Timor-Leste should be a combination between *"the policy seeking to invest in the country an amount exceeding the Petroleum Fund's Estimate Sustainable Revenue, so as to prepare the conditions to diversify the non-petroleum economy"* and the concessional loan policy, i.e. loans with low interest when compared with the interest generated by the money deposited in the Petroleum Fund.

Mr Speaker, Messrs Deputy Speakers, Illustrious Members of Parliament, People of Timor-Leste

Looking at the revenues of the SGB 2017 we see that:

1. Domestic revenue has increased an average of 31% from 2013 to 2016, although the withholding tax (revenues from taxes charged directly to companies and consultants that sign contracts with the State) represents an average of 17% of domestic revenues. This means that while domestic revenues have increased, 17% of those revenues are basically transfers from the category of expenditure to the category of revenues.
2. Although progress has been made in the collection of domestic revenue, and while the projection indicates that that domestic revenue will continue the present average increase until 2021, (30%) of the public expenditure of Timor-Leste through the SGB will continue to depend mostly from the Petroleum Fund. It is estimated that an average of *one to one point seven billion dollars* will be withdrawn from the fund every year from 2017 to 2021, leaving the Fund with around *twelve billion dollars* in 2021.

I am stating this in order to show that the criticisms conveyed against the fact that Timor-Leste will cease depending from the Petroleum Fund in the medium term are cheap,

unrealistic and utopic populism – a mere daydream. The front loading policy is a responsible and realistic policy that invests in areas and projects that can yield social, economic, fiscal and financial returns, after striving to minimise the risks usually associated with public investments, namely inefficiency, waste and corruption. This is the effort that the Sixth Constitutional Government is making and will continue to make in 2017.

On the other hand, if we look at expenditure in 2017 we see that:

1. Total expenditure in 2017 decreases around 30.6% against the 2016 rectification budget. There are three reasons for this reduction: **firstly** the Sixth Constitutional Government has started revising the public expenditure policy in order to stabilise expenditure levels and to control the excessive increase of expenditure in the public sector, so as to be consistent with the fiscal sustainability policy; **secondly** the Sixth Constitutional Government wants to increase the quality of expenditure, while reducing inefficiency and eliminating superfluous and wasteful expenses; and **thirdly** the amount allocated to projects related with infrastructure, goods and services and public transfers has been reduced against the 2016 rectification budget.
2. The category of Salaries and Wages increases 14.8% against the 2016 rectification budget because the Government decided to adjust the salaries of the General Career Regime with inflation. The last salary adjustment for the General Career Regime took place in 2008, while inflation, i.e. loss in purchasing power over that period, was around 50%. This adjustment also affected 47% of General Career Regime civil servants with an increase of 12-26%.
3. The category of Goods and Services (excluding HCDF) decreases US\$46.4 million, i.e. an 11.2% reduction against the 2016 Rectification Budget. This reduction does not lower the quantity of key services to be provided to the people by the Public Administration. Instead, it increases efficiency and seeks to increase quality in expenditure, particularly by reducing superfluous expenses and waste related with catering, printing, office materials, fuel, vehicle maintenance, local travels and travels abroad. The expenses within this category, which are rather high (over US\$5 million) and have direct and significant impact in the social and economic development of Timor-Leste, are (a) fuel, operation and maintenance of the Hera and Betano power plants (US\$54.9 million); (b) school meals and subsidies to public schools, implemented by municipal authorities and administrations (US\$17.6 million); (c) general elections in 2017 (US\$15 million); (d) legal services seeking to safeguard the maritime sovereignty of Timor-Leste (US\$12.3 million); (e) drinkable water and sanitation in urban and rural areas (US\$9.6 million); (f) printing books and other school materials for public schools (US\$8.5 million); (g) medicine and food for inpatients (US\$7.7 million). The remaining Goods and Services, although not so expensive and related directly with expenses for sustaining the apparatus of the State, also influence the social and economic development of Timor-Leste, albeit indirectly.

For instance, the budget for Goods and Services allocated for supporting fiscal reform, supporting the recurring expenditure of SERVE and Trade Invest or allocated as a counterpart fund for co-funding physical projects or some private investment will yield positive effects in terms of the quantity and quality of private internal and external investment in Timor-Leste, as well as boost our efforts to diversify the non-petroleum economy in the best possible way.

Another example is the expenditure allocated for Goods and Services in the Ministries of Education, Health and Social Security. While a large part of it is spent on sustaining the respective recurring expenses, it will indirectly improve the social situation of the people. This is an effect from the implementation of the policies and programmes that are part of the tasks of those ministries. Ultimately everything will contribute to the development of the economy by way of developing human capital and its capacity to produce goods and services for the market, thereby increasing household purchasing power.

If, on the other hand, we consider the expenditure with Goods and Services allocated to the ministries, namely the Ministry of State Administration and the municipalities, the Ministry of the Interior and PNTL, the Ministry of Defence and the F-FDTL, the Ministry of Justice and the Ministry of Foreign Affairs and Cooperation, there are those who say that these expenses only sustain the apparatus of the State, that they are wasteful, that they do not yield returns, etc. Actually these expenses are not wasteful at all, since these sectors contribute to ensure law and order across the land, the rule of law and justice and cooperation with partners all over the world. All of this helps creating an enabling environment for social and economic development in Timor-Leste.

4. The category of Public Transfers decreased 11.5% against the 2016 rectification budget. This category is not included in the economic classification of *Recurring Expenditure* – although from a public accounting perspective it can be considered as recurring expenditure, since it will be repeated in the following fiscal year and since the State will have to continue providing for expenses in this category in the budgets for the following years – as the amounts allocated therein seek not to sustain the apparatus of the State but rather to sustain programmes inserted in the classification of economic investment or social investment, which include management expenses.

The expenses within this category, which are rather high (over US\$5 million) and have direct and significant impact in the social and economic development of Timor-Leste, are US\$172.1 million for RAEOA/ZEESM; (b) US\$153.3 million for the social transfers programme, namely pensions for veterans and martyrs, pensions for the elderly and victims of natural disasters, the Bolsa da Mãe programme and expenses related with medical treatment of veterans; (c) US\$16 million for mineral resource management; (d) US\$11 million for the social solidarity budget concerning the State's 6% contribution as employer of permanent staff; (e) US\$8.2 million for providing hospital care abroad and in Timor-Leste, as well as concerning

cooperation with the Cuban Medical Brigade; (f) US\$7.7 million for the municipalities in order to support basic sanitation; (g) US\$6.5 million for the Episcopalian Conference in order to support the social programme in the area of education and health provided directly by the Episcopalian Conference bodies; (h) US\$6 million for subsidies to political parties seeking to support the democratic process in Timor-Leste, and (i) US\$5 million for capitalising the Central Bank of Timor-Leste, thereby contributing to the development of the banking sector in Timor-Leste.

The remaining Public Transfers, although of a smaller amount, will contribute directly to social and economic investment in the country, such as the US\$4 million allocated to the credit guarantee system for micro, small and medium companies; the US\$4.4 million allocated for supporting civil society; and the US\$3.3 million allocated to the rural employment programme.

5. The category of Minor Capital is used for acquiring movable assets such as motor vehicles, machinery, furniture and other office equipment. This category had its budget reduced by 37% against the 2016 rectification budget. Although this category is included in the class of recurring expenditure, the use of these goods and services contributes to the creation of conditions to provide quality services, thereby also contributing indirectly to the country's social and economic development. The expenses within this category, which are significant (over US\$11 million), include (a) \$3 million to Parliament for acquiring vehicles for the members elected in 2017; (b) US\$1.4 million for acquiring equipment for the National Health Laboratory; (c) US\$1.3 million for acquiring a CT Scan for National Hospital Guido Valadares; and (d) US\$1 million for acquiring prepaid meters for EDTL.
6. The budget for the Capital Development category is distributed as follows: US\$222.6 million to the Infrastructure Fund; US\$10.7 million to PDIM (Municipal Integrated Development Programme); and US\$13 million to the capital development project of the Ministries.

According to the Strategic Development Plan, investments in key economic infrastructures, namely electricity, roads, bridges, drinkable water, airports and irrigation systems, are important elements for achieving sustainable economic growth and social transformation in Timor-Leste.

As such, in 2011 the Government created the Infrastructure Fund, containing budget for funding large infrastructure projects costing over US\$1 million. Since 2011 the budget for this Fund covers twenty-two programmes, totalling *one billion two hundred and fifty million dollars*. After the electrification programme in Timor-Leste conveyed electrical power to around 75% of the national territory, budget allocation to the Infrastructure Fund continues to be focused mostly around priority investments, namely in national roads, ports, airports and irrigation systems.

The Infrastructure Fund in 2017 will be allocated as follows: 38.6% to the road programme; 22.1% to the development programme concerning the Tasi Mane Project; and 4.3% to the road maintenance and rehabilitation programme. The remaining 35% will be used to fund the infrastructure programme in the areas of agriculture, drinkable water and sanitation, education, health, youth and sports, tourism, electricity, etc.

7. The State General Budget includes funding for the Human Capital Development Fund, which supports expenses with human capital training through scholarships and capacity building. The amount allocated to this Fund in 2017 is US\$27.2 million, distributed by four programmes: vocational training (US\$7.4 million); technical training (US\$2.5 million); scholarships (US\$15 million) and other types of training (US\$2.3 million). This budget is integrated within the budget category of Goods and Services, although in economic terms it should not be classified as budget sustaining the apparatus of the State. While part of this budget will be used for capacity building State officers, the amount allocated to this Fund may be considered as an investment in human capital, which will yield social and economic returns in the short, medium and long terms.

According to the Government's estimates, expenditure under the SGB 2017 will have the following macroeconomic impacts: (a) influence economic growth by around 4%. Although this growth is smaller than in 2016 (5.4%), it represents a moderate, inclusive and sustainable growth that is conducive to the economic, inclusive and sustainable development of Timor-Leste; (b) no impact on inflation. Estimated inflation in 2017 is smaller than the 4% foreseen in the SDP due to the interaction of factors such as supply (which will not be reduced) and demand (which can be reduced if expenditure in the SGB is also reduced), as well as favourable external factors such as the depreciation of the US dollar against Timor-Leste's other commercial partners (such as Indonesia); the price of agricultural commodities lowering prices in the international market; (c) although it is difficult to accurately estimate the impact of the SGB 2017 on the unemployment rate, we can state that a conservative estimate indicates that the amount allocated to Goods and Services, Minor Capital, Public Transfers and Capital Development can generate around 40 thousand jobs over the following year. This will have a positive impact on the unemployment rate, reducing the number of people with vulnerable jobs and increasing the workforce participation rate.

Mr Speaker, Messrs Deputy Speakers, Illustrious Members of Parliament, People of Timor-Leste

This extensive description of revenues and expenditure in 2017 shows once again that our domestic revenues alone are not enough to meet the expenditure we require for sustaining the apparatus of the State and particularly for making the public investments we need to diversify our non-petroleum economy.

This is the reality today and in the next ten to twenty years. Indeed, we have been using money deposited in the Petroleum Fund – around US\$3 billion – for making public

investments in our economy since 2009. This is in addition to the interest from the Petroleum Fund, aka the Estimated Sustainable Revenue.

People of Timor-Leste, kindly allow me to provide you with an example to illustrate what I am saying:

The Serakey family lives in Dili. Out of the entire household, only the head of the family is employed, earning a salary of US\$250 per month. The Serakey family has 5 children, all of whom are attending school, from pre-school to higher education. At the same time the Serakey family is supporting 4 cousins, nephews and nieces, even going so far as to pay their school fees.

The Serakey family does not own any land. It used a backyard that did not belong to it to build a simple and temporary house, even though the owner of the backyard – the Berelaka family – demanded the Serakey family to leave. Meanwhile, an inheritance from Serakey's parents enabled the family to open a bank account with \$250 thousand, earning 3% interest per year.

The grandparents and the Serakey family itself decided to spend only the interest from this deposit and to avoid using the deposited money, so as to ensure that future generations of the family will also benefit from the money. However, the monthly amount from the interest of the inheritance is only US\$625. Even adding the US\$250 from the salary of the head of the family, the overall amount is not enough to cover the daily living costs of the family and to pay for the school fees of the family's children, cousins, nephews and nieces, let alone to purchase a plot of land and to build a house.

If it were up to us, what would we do? Would we continue using only the interest and remain in the Berelaka backyard living in a temporary house? Or would we use the interest and some of the deposited money in order to buy a plot of land and build a house, so as to improve the well-being of the family? Alternatively we could also withdraw money to buy a microlet or to open some other business, thereby diversifying the family's sources of income.

Different people could provide different answers, however this example illustrates the reality faced by the State of Timor-Leste. To some, the Serakey should not touch the deposited money. Instead they should "tighten their belt" and use only the interest and the salary. Subsequently, when the children became of age and started working, the family could start to think about purchasing a plot of land and building a house. This is what we can call the "belt tightening" policy.

To others, the Serakey family should withdraw more than just the interest, so as to purchase a plot of land, build a house and invest in some business, thereby diversifying the family's sources of income. In other words, "withdrawing more than just the interest, not to purchase two beds but rather to improve the well-being of the family." This is the front loading policy that the Fifth and Sixth Governments have implemented, and that will continue in 2017.

Mr Speaker, Messrs Deputy Speakers, Illustrious Members of Parliament, People of Timor-Leste

The Sixth Constitutional Government believes that the SGB 2017, as was presented, will contribute to the sustainability of the economic and social development of Timor-Leste, even though it withdraws an amount exceeding the Estimated Sustainable Revenue.

The reforms achieved by the Sixth Constitutional Government over the past two years will maintain the existing conditions for diversifying our economy and reducing our dependency from the Petroleum Fund.

Firstly, the current Economic Reform and Growth has revised the organic structures, the policies and the legislation with direct impact on private investment, including a revision of the way in which Trade Investis structured and operates and of the way SERVE operates. It also approved a number of laws, some of which have already been submitted to Parliament, namely the Law on Private Investment, the Law on Commercial Societies, the Law on Land and Property and the Mining Code, just to name a few.

Secondly, the current Fiscal Reform is focusing on the perspective of revenue and expenditure. Concerning revenue, the Government is working to revise the Tax Law, studying the introduction of Value Added Tax (VAT) while trying to reform the structure and the operation of the tax administration bodies. The Tax Law and the VAT Law are still being drafted, however the Government has already revised the Customs Code and approved the new organic statute for customs authorities and tax authorities, which should start being implemented in 2017.

Concerning expenditure, the Government has already started to implement the planning, monitoring and evaluation mechanism in line with the planning, budgeting and budget execution process. This will include the budgeting of programmes over ten ministries in 2017, to be followed by the preparation for revising the legal procurement framework. Autonomous bodies and services have been managing their own budgets since 2016 and this will be extended to municipalities starting in 2017, so as to give more responsibility to the managers of agencies with administrative and financial autonomy.

Thirdly, the Public Administration Reform focuses more on the systems and procedures within public administration, also taking into account that personnel management mechanisms are to be reformed in a way that rewards merit, so as to motivate staff and consequently contribute to the delivery of efficient and effective services and to the social and economic development of Timor-Leste. Steps have already been taken in this direction. The Government approved the Decree-Law on competency standards for Leadership and Management positions in the public service; approved the Decree-Law on commendations in the public service, which have already started to be bestowed in 2016; and made an adjustment to the salaries of civil servants under the General Career Regime.

Fourthly, the Justice and Legislative Reform seeks to harmonise and standardise around four hundred Timorese legislative documents, attempting to correct the incoherencies and inconsistencies that have a boomerang effect on our social and economic development process.

In addition to these reforms, which ensure that the public investment made through the SGB achieves its goal, the State has a legal and institutional framework that supervises the SGB implementation mechanism, thus minimising inefficiency and incorrect uses of the SGB. Under the applicable law, State Agencies, Autonomous Bodies and Autonomous Services are politically, financially and criminally responsible for executing their own budgets.

Parliament itself plays an important role in overseeing the implementation of the SGB. The Inspectorate-General of the State, the Chamber of Accounts and the Anti-Corruption Commission are tasked with conducting investigations and audits, as well as verifying eventual irregularities.

In order to strengthen good governance the Government took the initiative, in partnership with civil society, to create the Social Audit for receiving feedback from the beneficiaries concerning the delivery of services and the implementation of programmes and projects by the Government. All these checks and balances help to ensure good governance and that the money withdrawn from the Petroleum Fund is used in accordance with the set goals.

The economic sustainability of Timor-Leste also entails restoring our sovereignty over our Seas. We all know that the wealth of maritime resources contributes strongly to our development, however we can only know the entirety of our maritime wealth when we set our maritime boundaries. As such, the Sixth Constitutional Government, through the commitment of its Chief Negotiator and Minister of Planning and Strategic Investment, Maun Bo'ot Kay Rala Xanana Gusmão, began the process for negotiating maritime boundaries with our two neighbours: Australia and Indonesia. The outcomes of the restoration of maritime sovereignty will provide even greater certainties, particularly in relation to the wealth that we can take into account in the process towards economic diversification and sustainable development in Timor-Leste.

We all know that we still have a long way ahead of us to achieve economic diversification and sustainable inclusive development. We also know that we will be facing many challenges along that path. Still, a series of reports issued a few months ago show that our country's social and economic development process is on the right track. For instance:

1. In the present year the World Economic Forum conducted a Review on the Impact of Sustainable Economic Development, putting Timor-Leste in the 7th place in the list of the countries that had greater success in converting economic growth into well-being for the people between 2006 and 2014.
2. Recently the International Monetary Fund stated that the Timorese economy is growing at a satisfactory rate, while mentioning the need and the capacity to diversify the economy. The IMF considers the progress made by the customs and tax reform as being rather positive, since it is a way to collect more domestic revenues.

3. The Poverty Report issued by the Directorate-General of Statistics in September of the present year states that the percentage of Timorese citizens living in poverty dropped from 50.4% in 2007 to 41.8% in 2014.
4. In its September 2016 issue, Lancet – a medical scientific magazine that enjoys good reputation throughout the world – stated that Timor-Leste, followed by Bhutan and Colombia, was the country out of 188 countries that has made the most progress concerning the 33 health targets of the Sustainable Development Goals since 2000. This improvement was a result of the interventions by the Timorese Government in the areas of universal health care, access to drinkable water and sanitation and peace and stability.
5. Last October the World Bank issued its quarterly report, stating that investments in infrastructures and other reforms are starting to yield results and suggesting the use of resources for diversifying the economy and ensuring fiscal sustainability.

While the opinions saying we are on the right track make us optimistic, Timor-Leste still has to deal with issues concerning public investment risks, inefficiency, waste and corruption. Furthermore, we have two specific challenges in the commercial and banking areas that must be managed so that we may achieve sustainable social and economic development.

Firstly, the Central Bank's Economic Bulletin September 2016 issue states that Timor-Leste's balance of payments features a large deficit when we exclude petroleum and gas. Everyone knows that Timor-Leste imports many goods and services. Over the last five years, i.e. since 2011, the deficit in terms of goods and services reached one billion four hundred million dollars each year, the equivalent to the current account deficit of US\$770 million, i.e. 58% of the non-petroleum GDP over that five-year period. This means that Timor-Leste **spent more than it produced**. Our effort to diversify the economy must reverse this equation, meaning that we **have to start producing more than we spend**. Although this is not an easy challenge to overcome we have had previous success in the area of agribusiness, if we take into account the production of coffee and horticultural produce.

Secondly, the Central Bank's Economic Bulletin September 2016 issue also states that the total deposits in the Timorese banking system continue to increase, having reached US\$818 million at the end of September 2016. Although 95.5% of these total deposits are abroad, the commercial bank of Timor-Leste loaned a total of US\$184.7 million up to September 2016, with an average interest of 14.5%. The great challenge that the State must overcome in this area is creating conditions for the deposits housed by the commercial bank to be able to re-enter the economy as loans to the private sector. For this purpose we have established a credit guarantee for micro, small and medium companies in 2017. We also expect the current Economic Reform and Growth to open new paths for these deposits to be transformed into private investments in our economy.

Mr Speaker, Messrs Deputy Speakers, Illustrious Members of Parliament, People of Timor-Leste

Before concluding this presentation of the SGB 2017 I would like to underline the Government's commitment to continue striving to remain on this path that, although it requires a few adjustments, will enable us to meet the State's goal of bringing prosperity to our people.

I also want to seize this opportunity to congratulate all Timorese citizens, particularly women and young people, who have contributed with dedication and commitment so that Timor-Leste may have peace and stability, social and economic development may continue at a good pace and individuals and families may enjoy better living conditions, as is acknowledged by the international community.

Furthermore, I want to congratulate all Timorese women for what they have achieved in the recent suco elections. The increase in the number of women in community leadership positions further completes and strengthens the role of women in political offices, which should make every citizen proud. The Government is committed to continue working so that the implementation of the programmes and projects contained in the SGB 2017 may contribute greatly to the elimination of discrimination against women and to the increase of women participation in public offices.

Lastly, Mr Speaker, Messrs Deputy Speakers and Illustrious Members of Parliament, on behalf of the Sixth Constitutional Government I would like once again to thank you for the opportunity to have an open dialogue and a honest and constructive debate on the SGB 2017. The Government is aware of the challenges being faced by the People, the Nation and the State, and believes that the programmes and projects contained in this SGB, together with your collaboration, will enable us to overcome these challenges.

Let us then move onward with self-confidence, for it is by working together that we build our Nation from the ground up and that we improve the living situation of our people!!!

Thank you very much for your time.

23 November 2016
Dr Rui Maria de Araújo