



DEMOCRATIC REPUBLIC OF
TIMOR-LESTE

Timor-Leste and Development Partners Meeting

April 3-4, 2006
Hotel Timor, Dili,
Timor-Leste



THE WORLD BANK

Development Partners compliment the Government of Timor-Leste on the program to fight poverty

The program of the Government of Timor-Leste for fighting poverty in the country was well received by the Donors, United Nations and World Bank, the co-organizer of the Timor-Leste and Development Partners Meeting titled “Combating Poverty as a National Cause”, held in Dili on April 3-4, 2006.

The way in which the Government of the Democratic Republic of Timor-Leste has been managing the destinies of the country was particularly commended. The international community representatives highlighted the achievements made towards the National Development Plan and the Millennium Development Goals, underlining the fact that the country’s leadership has successfully maintained peace and stability in Timor-Leste for the past few years.

The delegates were mostly impressed with the progress in the areas of health, education and access to piped water and electricity, which are vital for human development improvements. The institutionalization of the office of the *Provedor dos Direitos Humanos* was considered an important step in order to prevent and fight corruption. The approval by the National Parliament of the Law on Former Fighters was an important landmark in the recognition of the role played by the resistance veterans. The Timor-Leste Petroleum Fund, in force since last August, was also commended by the conference delegates. Created with the purpose of ensuring the generational equity of the resources from the exploration of the oil and natural gas resources of Timor-Leste, and based on the principles of careful management of public assets and transparency, the overall value of the fund is already above USD 510 million.

While the progress made in the last few years has been remarkable, the Government cannot lose sight of the fact that poverty and unemployment are on the rise, since the Timorese population and the labour force are growing 3 and 4 percent a year, respectively. The only way the poverty incidence rate in Timor-Leste can be reduced is with an economic growth of 7 percent a year. To achieve this, the Government is preparing a bold public investment (capital development) expenditure program to be included in the State Budget for FY 2006/07, totalling over USD 90 million. Knowing the weaknesses of the Timorese private sector, part of those expenses shall be executed by foreign companies, which will nevertheless be invited to employ a considerable percentage of national workers and to subcontract local companies.

On one hand, this plan seeks to provide Timor-Leste with some of the basic infrastructures it still lacks – such as schools, health centres, roads, water and power

supply, and basic sanitation; on the other hand, its main goal is to contribute to the reduction of the gap between the most needy populations at the districts and those who live in the capital – in order to fight the regional asymmetries that the country displays, the final draft of the State Budget, which will soon be approved by the Council of Ministers, dedicates 60 percent of the investment expenditure to the districts, where the poverty incidence rate is higher.

The Donors have assessed the Government's strategy for combating poverty and estimate that, if the plan is executed in full, over 10,000 jobs will be created. Underlining that this is the best way to fight poverty in the short term, the participants of this meeting, and namely the World Bank, pleaded the Government not to drop its focus on the private sector. Consequently, the Executive of Timor-Leste revealed that its agenda for next year includes corrections in the tax system, aiming to improve the development of the national private sector – an essential part of the future economic growth sustainability that provides long term reductions in poverty and unemployment. While the donors complimented the Government on the important steps taken with last year's promulgation of the Investment laws and the creation of the *Instituto de Apoio ao Desenvolvimento Empresarial* and TradeInvest Timor-Leste, it is also necessary to work on measures to make business registration easier and some regulations clearer.

In view of the National Parliament and Presidential elections to be held in 2007, the delegates highlighted the need for the Government to approve as soon as possible the framework that will rule the electoral procedure, with the Donors stating their willingness to maintain and increase technical assistance in that field.

The Donors also underlined the importance of continuing to strengthen the essential pillars of the State, namely the least advanced one – the justice sector. The training of judicial system actors remains pressing and is the top example of the need to maintain the technical assistance to Timor-Leste, which involves other areas too – in particular one that is essential for the good conclusion of the massive public investment project by the Government: budget execution. In order to ensure significant gains in this field, the Executive also revealed its intention to review the procurement rules being applied by the Ministry of Planning and Finance, so as to make them leaner, thereby contributing to greater efficiency in the implementation of government plans.

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