

2011 TIMOR-LESTE & DEVELOPMENT PARTNERS MEETING (TLDPM)

**DILI INTERNATIONAL CONVENTION CENTER
DILI, TIMOR-LESTE
12-13 JULY 2011**

TLDPM PROCEEDINGS

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SUMMARY RECORD

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Preface

2011 marks another exciting year in the history of Timor-Leste. After years of conflict and instability the country has emerged in the past decade as one of the fastest growing economies in the world, with institutions that have helped to maintain prolonged political stability throughout the country in the last 3 years. Because of continuing success and growth, the Government sees 2011 as the ideal time to plan for the medium and long-term future of the country through the implementation of the Timor-Leste *Strategic Development Plan*. As Timor-Leste matures, it is resolute in its efforts to determine its own development path and welcomes the contributions of the international community. Consequently, the Government views the TLDPM as the prime forum in which the Government and Partners can meet to discuss how parties can work together to achieve the Country's vision.

This document provides a summary of statements made by representatives of the government of Timor-Leste, multi-lateral agencies, UN agencies and civil society throughout the Timor-Leste Development Partners Meeting (TLDPM) in July 2011. A more comprehensive compilation of speeches, statements and other documents can be found at:

The Conveners of the 2011 TLDPM would like to take the opportunity to thank all participating members, including the Government of Timor-leste, Development Partner Representatives, Heads of Delegations, UN Agencies, World Bank Representatives, civil society representatives, private sector and all those who committed their time and efforts to make the TLDPM a resounding success.

July 2011

TLDPM Secretariat

Ministry of Finance



DAY ONE – 12 JULY 2011

Opening

The 2011 TLDPM was held on 12-13 July 2011 at Dili Convention Center (DCC - Mercado Lama) and attended by dignitaries including President of RDTL HE Dr. Jose Ramos Horta, Prime Minister of RDTL HE Kay Rala Xanana Gusmão, Government Ministers, Members of Parliament, District Administrators, Development Partners from various countries, UNMIT SRSG Ameerah Haq, DSRG-Resident Coordinator Finn Reske-Nielsen, Civil Society Representatives, Private Sector Representatives, The Catholic Church and other Religions representatives.

Dr. Helder da Costa, the Coordinator of the event, acted as the moderator during the whole process of the 2011 TLDPM.

Minister of Foreign Affairs, HE Zacarias Albano da Costa as the Co-Chair of the event welcomed all dignitaries for their attendance to the event. The Minister highlighted issues surrounding Timor-Leste's achievements over the past 9 years, as well as challenges and programs to be dealt with in the next 20 years in the National Strategic Development Plan of

2011-2030 frameworks in various development sectors. He particularly emphasized the importance of human capital investment, infrastructure development, governance systems, the justice sector and the upcoming 2012 elections that consist of determinant factors for Timor-Leste nation building in the coming years.

President of RDTL, HE Dr. Jose Ramos Horta warmly thanked the participants for their participation in the event and talked about the various achievements and challenges facing Timor-Leste as a young nation. Despite emerging from a post-conflict situation and having had occasional episodes of instability that have obscured its achievements, he highlighted how the nation has made remarkable progress in many areas in a short time period. For instance, in terms of the Human Development Index Timor-Leste has moved from 0.375 in the early years of independence to 0.428 in 2005 and to 0.502 in 2010. This puts the country ranking at 120th, which is the medium category. Timor-Leste also increased its Life Expectancy to 62.1 years. Other successes are: the GNP increase of 228 % and according to forecasts of “The Economist” Timor-Leste is among the nine fastest growing economies in the world in 2011. School enrolment improved to 90% and illiteracy will be eliminated by 2015. Health sector improvements included decreases in infant and child mortality rates and decreases of incidences of malaria and dengue. Furthermore, when Timor-Leste has encountered political upheaval our political institutions have been strong enough to sustain themselves and emerge stronger than before.

In the area of transparency, Timor-Leste has made impressive headway. It has successfully established oversight institutions like the Anti Corruption Commission (CAC), Provedor dos Direitos Humanos (PDHJ) and enhanced the functional capability of the General Prosecutor. Additionally, in the area of Petroleum Fund Management Timor-Leste has some of the most rigorous standards in Asia and globally is third overall. In the security sector, the President stated the country's appreciation to the UN and development partners for their role in providing training assistance to the PNTL to better prevent organized crime like money laundering, smuggling, drug and human trafficking and promoting safer communities.

The President also recognized that the challenges ahead remain daunting, including poverty reduction, which despite decreasing from 49% to 41% in 2009/2010, still remains high. He said Timor-Leste wants to reduce its heavy reliance on petroleum revenues by striving to attract foreign investment and diversification of the economy. He acknowledged that Timor-Leste is one of the youngest populations in the world. Therefore, he appealed to participants to seek innovative ways and creative solutions and resourceful strategies, stimulate youth inclusion and employment” to work out the inherent impacts. The proliferation of commerce and local industry in the last two years is a step in the right direction.

Key priorities - The President emphasized said that to reduce poverty further investment is needed to improve the availability and quality of health services, teaching and physical environment in the schools. He also commented on the importance of the Church role, given its

solid experience over centuries in the country, as well as the role of parents in the schooling system. Another key priority, as outlined in the SDP, is the water and sanitation to be provided to every family. This is seen as essential to providing a quality standard of life for the Timorese people.

Regarding quality of spending and procurement, the President underlined that matching quick implementation of projects with high quality of budget spending remains challenging due to shortage of technical skills and trained human resources. However, Timor-Leste is still determined to improve the quality of investment and spending, taking into consideration that reorganization and oversight procedures are being put in place.

The role of UN, World Bank and development partners: President thanked all partners for the invaluable support and the technical expertise in various areas such as: public security, crime prevention, electoral procedures, children's welfare, women's welfare, public health, food security, job creation and many others.

Minister of Finance Emilia Pires as the co-chair expressed her gratitude to the participants for coming to the Meeting and stressed the motto of the meeting "Moving from Fragility to Development." Minister Pires expected that in the future development assistance would achieve a measurable return for the People of Timor-Leste. Furthermore, she emphasized that the meeting would enable the partners to redefine the goals of aid delivery and to learn from experiences in order to ensure efficiency and effectiveness of the development programs.

Minister Pires underlined that the experience of chairing the g7+ and the international dialogue since its inception with the Paris Declaration, and the subsequent conferences such as Accra Agenda for Action (AAA) in 2008, Dili International Dialogue in April 2010 and the most recent Ministerial meeting in Monrovia, Liberia on June 2011, have inspired Timor-Leste to be more confident and determined in its development path in the coming years.

Minister Pires informed that Prime Minister would launch the Strategic Development Plan (SDP) in this forum, but reiterated that "operationalization" of the Plan so as to benefit the country remains challenging. To this end, she explained that unlike the previous TLDPM meetings, in this Meeting 6 round tables such as Petroleum, Agriculture, Tourism, Banking, Finance and Investment, Infrastructure and Social Capital, are expected to advise how to maximize efforts, outline reliable recommendations for solutions and draw upon the new standards, models and best internationally acceptable practices.

Launching of the SDP by PM Kay Rala Xanana Gusmao

In launching the National Strategic Development Plan (SDP) Prime Minister Gusmão enthusiastically welcomed all dignitaries attending the Meeting. He said that Timor-Leste has come a long way until launching this SDP. In 1999 the first Donor Meeting was held in Japan,

where the donors were committed to support the nascent country. Since then, Timor-Leste has worked to establish its national institutions while at the same time striving to overcome the cyclical violence since 2002. Now the country is confident in pursuing its right development path with the launching of this Strategic Development Plan (SDP). The SDP is the result of the efforts from not only the government, but also of the indispensable contribution of the People, including public consultation in 65 sub-districts. As the prime Minister reiterated, it was the People who the government has worked with to come to this stage. With their support the Government and the National Parliament are able to launch this SDP, which is a Development Framework for the next 20 years.

The PM underlined that that SDP takes root from the First NDP established in May 2002. Despite outlining 5-year national development plans, it is also multifaceted. PM said that the launch of the SDP constitutes an ideal moment to review the strategic direction of the NDP and to ensure that the plan meets the future development needs in accordance with the dynamic of the society and global changes.

The 2010 Census provides statistical reference and information on demographic, social and economic aspects, in order to substantiate real progress. Furthermore, it helps to define the necessary policies and programs based on facts and not wrong assumptions.

The philosophy of the SDP is not a method of ideas and vision, but how it could respond to the multidimensional issues of development. Furthermore it tackles the issue of how the ideals are translated into the provision of better living conditions to the population within a feasible and tangible period of time.

Vision- The SDP aims to guide the integrated growth in the areas of employment, services, knowledge and capacity building, security and stability in an inclusive and integrated effort. Timor-Leste strives to step up from low-income country to upper middle-income country in the next 20 years, through enhancement of four determinant pillars: political will, economic potential, national integration and Dynamism.

The SDP also covers three key areas: social capital, infrastructure and economic development, so as to achieve the MDGs, while taking into context the unique history culture and heritage of TL. To do this, consolidated efforts are essential to best benefit the youth, enabling them to receive the best quality of education, in the lead up to produce qualified workers. He said, “only continuous economic growth can support social and human development” in terms of jobs creation, service delivery, social equity on national wealth distribution, etc. Other key areas such as maternal and child health care, pensions for elderly veterans and vulnerable groups, and cultural and natural preservation are envisioned to enhance the quality of human capital.

Infrastructure- According to the PM, infrastructure such as roads, bridges, seaports, airports, and telecommunications needs special attention from all of us. By 2015 the quality of most

national roads will be improved and all rural roads will be rehabilitated to a minimum standard; in this regard, a new mechanism of public-private sector partnership will be established to ensure that the state can finance infrastructure projects in the future.

By 2015, access to safe drinking water, sanitation and access to reliable electricity 24 hours a day, as well as a modern telecommunication network in the country and to the rest of the world will have to be ensured.

Petroleum- Guarantee that petroleum funds will benefit the people and ensure that a Timorese petroleum company is established. Petroleum is fundamental not only for the economy of the country, but also important for how it can uphold the future of the country so as to benefit the people. The revision of PF law is under discussion and will be submitted to the National Parliament soon.

Agriculture, which is one of the economic pillars, is expected to increase the production to achieve food security by 2020.

Tourism is another economic pillar to be developed in the future given that Timor-Leste has beautiful natural resources, but is still underdeveloped. Regarding this, new policies will be set up on how to engage the private sector in the development process. Timor-Leste continues to have an outward-looking approach and joining ASEAN will give it access to greater potential markets.

Politics and Democracy – ensure that the citizens live in a state of democratic values, as well as maintain external relationships in the area of cultural and economic relationships.

ADN is already established- it is an economic and investment agency with the role of planning and monitoring the strategic programs. It will transition into an EPIA Agency to monitor and coordinate the implementation of the SDP, together with the National Procurement Commission.

The Prime Minister pointed out that he is aware that the SDP is an ambitious plan, but also confident that the Plan is being launched in the most opportune time. “We will develop partnerships based on recognition of our respective roles toward realizing our dreams to provide the best for our people that really deserve our best efforts and we hope that in 10 years people can see something different in their lives.”

“We hope that the development partners will provide their support along this journey and align with the TL priorities as envisioned by the people- prepared by people and led by people. We are confident that we can win”, said the PM Xanana Gusmao.

President of Asian Development Bank- Mr. Haruhito Kuroda, A Vision for Asia in 2030- Investing in Timor-Leste’s Future

Mr. Kuroda congratulated the Timor-Leste Prime Minister for the launching of the SDP- 2011-2030-, which is a set of visions to liberate people from poverty. He illustrated the regional context within which the SDP will be implemented, sharing a vision for Asia in what he called the “Asian Century”, and how Timor-Leste can best position itself in the context of Asian Century.

A vision for Asia’s future- Two centuries ago, Asia accounted for almost 60% of world economic output. The industrial revolution then triggered a long decline in Asia’s share of the world economy, to a low level of about 15% in 1950. The revolution in technology, information and communication has since helped shift the global center of economic gravity back towards Asia.



At the ADB annual meeting last May, a study entitled “Asia 2050” was discussed, which predicts that if the recent growth momentum is sustained, Asia could account for over 50% of global output, trade and investment by 2050. Countries like China, India, Indonesia could join the group of high-income economies by 2050, -- whilst other Asian countries that are now poor should be able to achieve at least middle-income status. Over the period to 2050, Asia could be the world’s fastest growing region. This will need to be earned through pragmatic policy making, private sector dynamism, and good governance. Massive investment will be needed in human and physical capital.

The SDP is a vehicle for Timor-Leste global integration and evidence of how the country can join the Asian Century over the mid and long term. To do this, petroleum is the key to success, but reorienting policy to the domestic demands is necessary to best use the existing resources.

There are several major chances for Timor-Leste to become part of the regional market. Coffee needs to be leveled into the global standards, but other new sources also have to be found to sustain the economic growth.

Timor-Leste recent economies success has been home grown, as the boom in world oil prices sustained it. In the longer term it hopes to integrate with other Asian economies. Such integration will help generate private sector led economic growth that is needed to sustain development.

Opportunities to integrate with other Asian economies will be available over the coming decades. Important changes are occurring in key economies that will benefit Timor-Leste: Rebalancing of economic activity: more advanced Asian economies need to reorient toward domestic and regional demand, with a reduced dependence on exports. The emergence of a stronger middle class in Asia, which has the potential to provide a basis demand. This will create space in the regional markets for the still emerging economies of Asia including Timor-Leste. Timor-Leste's organic coffee, tourism, and other exports that develop over time, will have a ready market within the region.

There is an emerging gap between Asian countries with ageing population and falling labor supply. Regional business networks will need to seek new sources of labor. Improved communication and technology will help Timor-Leste join the expanding regional trade in services.

In this context ASEAN membership is an important step to achieve these goals. In order for Timor-Leste to realize all these dreams and be part of Asian century, human capital is the real key to success. There are 3 areas that are critical for success:

Physical infrastructure such as roads, seaports and airports are essential to supporting the regional production networks and to ensuring financial information is delivered. Therefore, there is an urgent need for high quality infrastructure and whenever possible, in order to ensure best value, creating competition in the provision of infrastructure services.

Labor market – human capital improvement is essential for an export-oriented economy. Consequently, the government must identify how Timor-Leste can benefit from expanding of Asian economic activities.

Regionalism – political and economic direct investment will help Timor-Leste in joining in the Asia Century. In particular, joining ASEAN presents a great opportunity for Timor-Leste to integrate into the region.

Mr. Ferid Belhaj, Country Director World Bank, “the Timor-Leste’s emergence from fragility”

Mr. Belhaj congratulated Timor-Leste for launching the SDP and lauded it as an important step for the future of the country. He also highlighted the country's willingness to take a leadership role as the leader of international dialogue, the g7+ states and as a regional leader in the EITI Initiative for extractive industries.

The World Bank welcomes the SDP to increase investment in education, health, housing and food security, as well as infrastructure and private sector development, which will be necessary to move Timor-Leste towards its vision. The World Bank is fully committed to supporting the government of Timor-Leste to realize the goals set out in the SDP and meeting.

Timor-Leste has made impressive progress enabling it moving from fragility to development with optimism and make tremendous progress in the areas of health and education. Furthermore, the country is getting ready to be considered for IBRD loans, as in other mid-income countries.

Although challenges that lay ahead include unemployment, especially among youth, and human resources in the rural areas, it is believed that the SDP will answer these over the long term. The question that now remains is how Timor-Leste can best articulate the programs towards the achievements of the vision set in the SDP.

With SDP the World Bank will set up a new strategic partnership, with the signing of an agreement of \$20 Million in grant assistance for a climate-resilient road construction project. Timor-Leste became a pioneer of the Extractive Industries Transparency Initiative (EITI) in Asia by effectively and transparently managing its petroleum resources and officially became compliant in 2010. Successive governments have focused on translating the petroleum wealth into economic growth, human development outcomes and security.

Professor Jeffery Sachs- Director Columbia University Earth Institute- Timor-Leste's Development Trajectory" –

Prof. Sachs said that the SDP is a marvelous achievement for Timor-Leste and that the country is fortunate to have major exports of hydrocarbon to fuel the future growth of the country. However, he argued that growth rates would exceed 6-7 percent because of profits from hydrocarbon. Timor-Leste would be the fastest growing country in the region, ahead of China. A decade of success lay ahead. Nevertheless, Professor Sachs advised not to measure the development achievements by statistical numbers alone, but instead with quality of life. The triple bottom line of sustainable development included: Economic progress (GNI per capita); social progress; environmental sustainability

How the sustainable development will be reflected in the SDP is the most important question to ask.

He recommended taking the opportunity to invest, not just in state obligations (U.S. or Portugal), but also more importantly in the “People”. He advocated the following investments:

Human capital- Education with focus on early age (0-6), health with focus on nutrition and transition from school to employment. Every child needs to complete secondary school in the country.” Don’t lose investment in children, otherwise you will pay the consequences” The next generation- the young people are the forefront of the country’s future. He said that Columbia University wants to offer assistance to Timor-Leste in this matter.

Infrastructure – Ensure the country has high quality roads, bridges seaports and airports. Furthermore, make sure to have in place high quality –telecommunication systems, connecting health posts and schools (e.g. by video conferences) in the country, as well as ensuring access to electricity for every family should be the top priority to deal with immediately. Other key sectors are: tourism and agriculture, a green revolution was needed in Timor-Leste.

Resources are required in planning capacity and the SDP is a great start; implementation with procurement as the key to execute plans and the budget; decision making according to the national vision, and regional integration. In governance, honesty is the fundamental point- you must have strong national leadership. National values and ethos are essential for development.

The UNMIT Special Representative of the Secretary General (SRSG) - Ms. Ameerah Haq-

Ms. Haq praised the Timor-Leste government for the great achievement of the launching of the SDP. She said the UN role is evolving and despite the peacekeeping mission coming to a close, the UN is always ready to support the government of Timor-Leste whenever necessary.

The SDP is a clear indication of the Timor-Leste’s remarkable accomplishments. Ms. Haq further explained the downsizing of the mission, the joint transition planning and handing over of security roles from the UNPOL to PNTL, since 2009. She said UNMIT has provided capacity building to PNTL as an institution and individuals and will also provide assistance to the institution during 2012 elections, to ensure that the elections meet the requirements and needs of the people according to democratic values.

It has to be ensured that the democratic culture is implemented not in the streets, but in the democratic institutions. The elections will have to ensure to put in place effective and accountable governance.

She said that Justice institutions are now stronger., KAK and Provedor, with their respective functional roles, demonstrate a tangible evidence of transparency and accountability. Furthermore, the National Parliament undertaking its oversight and legislation role, are excellent examples of good governance and checks and balances between a states sovereign institutions.

Concerning Human Rights, she stated that in October 2011 there would be the first Universal Periodic Review of HR before the Geneva Human Rights Commission. She pointed out that Timor-Leste is on the path to unlocking its human resources potential in line with the MDG Goals and the SDP will provide the concerted push needed to achieve this goal. Furthermore, Timor-Leste stands to gain considerably as Indonesia is fully supporting the country's membership in the ASEAN regional group. The SRSG also congratulated the leadership of TL in the g7+, and international dialogue, which clearly demonstrates the Timor-Leste's strong leadership capacity in the international forum.

She also appreciated Timor-Leste's engagement in the UN agencies such as: WHO, UN Women and the CEDAW Women's Convention as a considerable achievement.

The UN supports the government in achieving its goals and UNMIT Agencies will closely work with the Timor-Leste government in this matter. "We are confident that the future is bright and we are proud to be part of Timor-Leste efforts and in support of the aspirations of people of TL", said the SRSG.



ROUND TABLE DISCUSSIONS

Round Table 1: Petroleum

The RT was moderated by SEFOPE, HE Bendito Freitas. SERN, HE Alfredo Pires made a presentation Discussants included

Mr. Gualdino da Silva, President of ANP;
Mr. Luis Constantino – Country Manager of World Bank Timor-Leste;
Representative from NORAD/Norway.

The SERN presentation covered management of petroleum wealth and human resources as a long-term investment and starting engine for Timor-Leste's long-term development. To be successful, Timor-Leste must do the following:

Continue to promote good governance practices – promote transparency and accountability to avoid misuse of the revenue derived from the petroleum sector. In July 2010 Timor-Leste was the first country in Asia and third in the world that achieved the status of Extractive Industry Transparency Initiative (EITI) compliant. The Government plans to hold a regional EITI conference in Dili in August 2011.

Competent Human resources - this is the big challenge that TL is currently facing, however, TL needs to start developing its petroleum sector. Human resource is a long-term investment and to date the Government has provided 200 scholarships to Timorese students to study petroleum related subjects in Norway, Indonesia, India and Australia. In country, the Government planned to cooperate with national universities to develop courses on basic geology and to establish an Institute of Petroleum and Geology.

Direct participation in the petroleum sector - the Tasi Mane Project (South Coast Project) is the project, which will maximize the benefits of the petroleum sector to Timor-Leste. The Government has conducted thorough and in-depth studies analyzing the technology, commerciality, legal and environmental aspect related to this project. The South Coast (Tasi Mane) development project aimed at integrating Timor-Leste with Southeast Asian infrastructure corridors. The Tasi Mane project will consist of a) Supply base; b) freeway between Suai and Betano; and c) Petro chemical and LNG plant. These projects will be done on stages.

SERN also informed that the Parliament has approved the establishment of Timor-Leste National Oil Company, which will soon be promulgated by the President.

Gualdino da Silva – President of ANP - The Autoridade Nacional do Petroleu (ANP) was established in 2008 to regulate and coordinate two jurisdictions – the Joint Petroleum Development Area (JPDA), which is governed by the Timor Sea Treaty, and the Timor-Leste Exclusive Area (TLEA), which is governed by SERN.

Since its establishment, the ANP has been focusing on establishing regulations to meet the international standards and human resource development through training and secondment. The ANP allocated 30% of its annual budget for developing its staff competencies.

The ANP is one of the institutions in TL, which is mainly staffed by Timorese nationals and with a small number of foreign staff.

The ANP strategy is to achieve the implementation of the SDP through the attainment its own mission:

To maximize revenue and economic benefit and maximize the participation of Timor-Leste in petroleum sector

Align all legal framework towards maximizing benefits and participation.

Luis Constantino – Country Manager of World Bank Timor-Leste

The WB Representative congratulated the Government on the recently launched Timor-Leste Strategic Development Plan and expressed the WB's intention to continue supporting the SDP's implementation.

The World Bank commented on:

Revenue transparency - Timor-Leste's leadership in transparency under the EITI Initiative is recognized around the world and encouraged highest standards and oversight in establishing the National Oil Company and developing the downstream oil sector.

Human resource development by providing scholarships- The government should start selecting candidates in the early days as it will take some times before the students can contribute to the development of the oil sector as it is a complex area.

Tasi Mane project – there is a clear vision in the SDP on how to achieve the project and the WB was ready to support it. The WB emphasized that the Government should continue to improve the institutional quality, manage expectations, risk and prepare contingency plans.

Quality of spending – ensure the value for money and to consider whether a project is financially and economically viable and to consider the impact to the people

The WB is ready to support the Government plan through public investment (PPP) and finance management, as well as in project selection.

Representative from Norway

Norway/NORAD outlined principles and the extensive history of ongoing cooperation with Timor-Leste in managing oil wealth prudently, since 2002. Although the Norway embassy section in Dili has been closed, Norway will continue to support Timor-Leste.

The NORAD was extended in 2007 – program phase II, with more emphasis on capacity building through professional training and scholarship and ensuring that each NORAD's adviser should have a Timor-Leste counterpart.

The Mid-term review conducted in May-June 2011 concluded that despite some basic capability, the ANP still faces a lack of competent potential candidates and lack of working experience.

For MoF – the petroleum tax adviser has successfully negotiated to allow Timor-Leste to maintain oil company reports in the country for audit purposes. However, the current high dependence on advisers and lack of competencies in MoF, resulted in unsustainable transfers of capacity and competency to national counterparts. Therefore, Timor-Leste needs to improve the quality of the human resource through training and scholarship.

NORAD assistance to the State Secretariat for the Environment (SEMA) just started in the last two years, as the program is about to be ended. Norway will consider whether or not to extend its assistance in the near future

Joãozito Vienna – Executive Director of Luta Hamutuk

He began the intervention saying that it is in the interest of all parties to develop the petroleum sector.

As a member of the Working Group of Timor-Leste - EITI, he suggested that the implementation of EITI principle in Timor-Leste should not be limited to the petroleum sector only, but also apply to all extractive sectors (eg. Mining, Forestry, etc). He also suggested that Timor-Leste should have a decree law on EITI. The spirit of transparency should also be applicable to the banking sector, the ANP and future NOC.

LH also commented on the Petroleum Fund Investment, where LH agrees with the diversification principles. However, it suggested it should be done in bonds universe and then gradually increase the exposure to equity markets.

LH stated that the domestic investment should be focused on investments that can provide economic and social returns. Consumption is not investment.

LH supported the Tasi Mane Project, however said it should be done with a good coordination framework between ministries like the MAFF and MJ. The Project also should take into account social impacts and participation from all relevant parties. This ensures good communication and socialization to the people in the development areas, in order to avoid conflicts and to improve local companies' capacity in their involvement in the petroleum management.

Discussion:

– Rede Feto questioned the gender ratio of ANP and SERN staff and scholarship.

Lao Hamutuk argued that SDP seems to be more focusing on developing petroleum sector, which contradicts the government's objectives to diversify Timor-Leste's economy. The cost of the Tasi Mane project (approx. \$200m) is much higher than Ministry of Agriculture Forestry and Fisheries (MAFF) annual budget to develop the agriculture sector, while the supply base is not a non-oil development.

LH reiterated that Timor-Leste has limited petroleum resources, which according to LH calculation could only reach the maximum of \$50 billion. LH also questioned how many jobs the Tasi Mane project can create?

Alberto Araujo – TL Chamber of Commerce: questioned how the private sector can be involved in the development of the supply base and how to ensure the transparency in terms of ANP management of its own budget, as it is not reported in the Government State Budget. He also asked how many staff (HR) the ANP needs in order to best manage the institution.

The European Union Delegation Ambassador– The EU supports the SDP and looks forward to coordinating with the government on how to implement the SDP. The EC is willing to assist in Timor-Leste's cooperation with Pacific states and prospects for deep-sea mining

SERN explained how it applies the Government policy on gender equality, i.e. the minimum required is 30% of female staff. As evidence, more than 50% of SERN scholarship recipients are women.

SERN's estimation of TL petroleum wealth is approximately \$40 billion, so it is even less than LH's estimation. SERN believes it is already a huge amount of capital for Timor-Leste. Tasi Mane project requires a large amount of money, but it will not come from the Government's budget only. The Government's duty is to ensure that regarding infrastructure development, the government will just make the initial investment to attract foreign investment and participation of the private sector. Tasi Mane project goes hand in hand with agriculture (eg. livestock business).

SERN also stated that looking at the current Timor-Leste private sector conditions it will be difficult to meet the oil companies' requirement, nevertheless the government is working hard towards improving the capacity of the Timor-Leste companies to comply with these requirements. Timor-Leste companies need to develop strategic networks and learn how to operate the supply base.

On the HR issues, the Government is aware of the HR shortages, however it is confident that through a joint venture strategy, Timor-Leste can improve HR capacity. Timor-Leste now has

the expertise that needs to have more working experience. Proper discussion, cooperation and networking will increase TL's learning curve.

The Government is currently drafting the law on other mining industries and conducting geological mapping exercises. However, the mining of other minerals onshore will be exploited when it is needed. The Government welcomes the EC to assist in implementing the SDP.

ANP responded that 30% of ANP staff are women, of whom two are at the management level. ANP also has female engineers and geologists, although traditionally more men than women pursued this career. ANP stated that budget derives from two sources: SERN-TLEA and JPDA e.g. contract service fees. The ANP published its annual report, which was audited by international independent auditor and available in ANP's website. The ANP is also sitting in the Timor-Leste EITI Working Group with the role of linking with the Government and oil companies. ANP added that Timor-Leste is in the initial stages of high success rate and the area is prospective, as indicated by expressed interests of oil companies. ANP reiterated that petroleum revenue is just the starting engine of the development of the economy and the development of TL.

RT1 recommended selection of talented persons at an early age to improve human resources development through better coordination between donors and within the Government.



Round Table 2: Agriculture and Rural Development

- The RT 2 was moderated by Secretary of State for Livestock, HE Valentino Varela with presenter Minister of Agriculture, HE Mariano Asanami Sabino, and Discussants:
- Mr. Candido da Conceicao, senior Economic Growth Officer, USAID,
- Mr. Purushottam Mudbhary, Coordinator Economic, Social and Policy Assistance Group, FAO Regional Office for Asia and Pacific,
- Mr. Ed. Rees, Country Director, Peace Dividend Trust
- Mr. Abel Ximenes, Representative of CCI- Private Sector
- Pedro Campo from the EC delegation in Timor-Leste

Minister of Agriculture and Fisheries Mariano Sabino informed that the MAF has focused its work on the following programs :

Agriculture Development has achieved great results because of introduction of new methods including tractors; there has been a reduction to 70% from 85% from people who are involved in subsistence Agriculture. Rice is still a dominant food in Timor-Leste, with the major production areas in Baucau, Maliana and Oecussi (based on Census 2010). However, production is still low, with only 32 thousand ton in 2009 and the country needing a total of 132 thousand ton. Consequently, it is far from sufficient. There is a need to expand to other products and sectors. Under the current plan, the government will continue to support the agriculture sector until the target of sufficiency of food is achieved by 2020.

Livestock and veterinary: Timor-Leste already exported 300 buffalos to Indonesia, and is currently working on the expansion of the program to other livestock. Fisheries and Aquaculture would be developed over a 300km beach area.

In Forestry Resources, tree plantations are also important programs for MAF. Currently there are around 15 to 19 potential areas to be protected in the future.

Minister Mariano said that improvements in productivity and quality of agriculture would require increased participation of local communities in decision-making on the local economy and agriculture. The objective of the Government's efforts is to improve infrastructure and human resources, to help farmers increase productivity and connect with buyers, which could be achieved with the Donor's help.

USAID/ Candido da Conceicao- informed that the USAID has introduced agribusiness projects to "develop private sector" through a green house project in Aileu district. Through some support from Conoco Philips – USAID with cooperation with local NGOs and agriculture groups in the district, have produced a green house with produce, including tomatoes. USAID also helps to find a market or supermarket where we can buy these products to ensure the sustainability of the programs. Consequently, it is very important to ensure that production is matching with the market's needs. Many communities in the area are very enthusiastic in learning, but continued assistance will be required until they can take the lead for the whole process.

Mr. Purushottam Mudbhary, Coordinator Economic, Social & Policy Assistance Group, FAO Regional Office for Asia and the Pacific stated that agriculture was important for lifting people out of poverty as the key to economic development. He informed that FAO has provided a significant amount of support to the government, particularly to the Ministry of Agriculture through social safety net programs.

Also, since growth has been mainly influenced by public spending, there is a need to speed up and focus on areas where more poor people live.

Moreover, because public spending has been uneven sectorally and geographically, and food surpluses at the national level do not guarantee enough food supply for people in rural areas, increased budgets in agriculture and fisheries would solve these imbalances.

In addition, he said that access to market should be improved on the basis of development of basic infrastructure, such as road and telecommunication.

Mr. Ed. Rees, Country Director, Peace Dividend Trust

The comments focused on the PDT's work to collect and share information through the Internet and also posting information regarding producers and buyers in the agriculture and livestock sector. This information includes job opportunities, renting, selling of product and more. PDT also helps local community members to have contact with each other within districts. He also noted that the work of connecting sellers and buyers from different parts of the country could have a positive impact on peace and stability. Finally, Rees stated that PDT provides information to international actors who want to import goods from Timor-Leste, to bolster the country's access to international markets for its goods.

Mr. Abel Ximenes, Representative of CCI- Private Sector stressed the importance of improved education and technical training to increase productivity and profits in the agriculture sector. He advocated for the establishment of a state-supported agricultural bank to allow farmers to access much-needed credit.

The **EC Delegation** congratulated the Government on the SDP and explained the EC's work in collaboration with the Ministry of Agriculture and Fisheries on extension services in the districts. The Government employs 400 extension officers, with the EC's support. The EC's new programme for the sector (RDP 4) are worth \$10 million and will be launched in July or August 2011. It will fund 1) agricultural secondary schools, 2) improving management and training of extensions service staff, and 3) extension campaigns for 8 commodities.

In the general discussion, **Fernando Vieira, President of Micro Enterprise Union** argued that the Government has paid very little attention to small enterprises; despite the fact they are ready to work and support the government programs.

Ines Martins, NGO Lao Hamutuk asked the Minister on how to diversify food and stated that the Green Revolution in many countries failed. She asked why USAID initiated a new and separate program?

Minister Mariano Sabino explained that the Ministry of Agriculture continues to promote the development of tree plantations through integrated agriculture where the entire community can take advantage of these trees. For example, selling its products as well as using them for food consumption purposes. MAF also has introduced a food diversification to various local communities in the whole districts using the local products. Another agriculture product that has been introduced includes “Kazu” and “Kami”.

Regarding the Green Revolution, he further said that the MAF has a pro poor policy, including creating employment and improving the environment conditions. The country should try and learn from others experience on why they fail, so as to better prevent failures in the future. USAID stated that their program is not separate from Ministry of Agriculture; his part has been working in close collaboration with agriculture extensions of the Ministry of Agriculture in the districts.

Arsenio, NGO Hasatil talked about the introduction of new technology and said that the greenhouse program developed by USAID will only create a strong dependency on imported seeds from outside. Those seeds may also contaminate the environment. USAID explained it was trying to bring communities out of subsistence agriculture, and would also consider the introduction of new and more local products. USAID always has environmental feasibility studies prior to the implementation of any projects. Therefore, the issue of environment has been carefully taken into account by his agency.

The Minister of Agriculture stated that farm lands should not be used for any infrastructure projects because the land should only be managed, not produced. Therefore, there is a strong need to set up a law to ensure potential land for agriculture is maintained.

Mathias Brawn, German Development Cooperation (GIZ)- suggested more focus on private sector work in rural areas as compared to the national level. Mr. Abel suggested creating an Agriculture Bank to support small agriculture, particularly in the rural areas. **Fernanda Borges, Member of Parliament** commented on government supervision and coordination for many different programs in this sector. MAF gave assurances that all programs are implemented to support the government’s priorities and Programs.

Regarding training to youth, MAF mentioned the issue of sustainability, i.e. many youths after having attended training prefer waiting for government projects, rather than striving to do something outside of government projects at their own initiative. MAF agriculture extension workers are active in every district, which is an opportunity for youth employment.

FAO commented on creating the basis for sustainability, varieties of seeds, and the use of modern technology to increase community income. The Government should set up regulations and policies to prevent natural disasters that might affect small farmers, according to FAO. MAF promised greater attention to livestock data for implementing the SDP.

Recommendation from Round Table 2: Agricultural and Rural Development

There is a need for a larger investment in rural development programs and agriculture from both development partners and the government.

Transforming subsistence agriculture to market oriented agriculture (based on the need of the market)

Expand the focus into other potential sub sector such as: fisheries and livestock by the government, development partners and also private sectors.

Law on Property rights to ensure that potential land for agriculture is available / maintained.

Create an Agriculture Bank to provide farmers with access to credit.



Round Table 3: Tourism

The RT 3- Tourism was moderated by Ambassador of Timor-Leste for USA, Ms. Sofia Borges. Minister of Tourism, Commerce and Industry, HE Gil da Costa Alves made a presentation. Discussants included:

Ms. Catherine Goncalves, representative from Chamber of Commerce & Industry (CCI), the Director of ETDA Ms. Palmira Pires, and the Director of Portuguese Cooperation Maubara Project, Mr. Jose Carvalho.

H.E. Gil Alves, Minister of Tourism, Commerce & Industry (MTCI) stated that Tourism is a main pillar and that investment in this sector is essential to replacing the non-sustainable sectors. Infrastructure remains inadequate, while the service industry requires much more investment. Timor-Leste plans to benefit from its strategic location in Asia. Timor-Leste needs to create its core infrastructure and develop its human resources. Timor-Leste will develop tourism in key areas zones: eastern, central and western. Efforts will be increased to link up with the Indonesian side.

Ms. Kathleen Goncalves, CCI, emphasized that tourism is one of Timor-Leste's industries that is virtually untapped, with the greatest potential and is critical for TL's development. A key challenge is the underdeveloped infrastructure. By developing better airlines/ports, roads, bridges, sanitation, utilities, telecommunications etc. the tourism industry has vast potential. Investment in infrastructure encourages private investment that can take advantage of these services and grow the private sector. This can be achieved through stronger relationships between the public and private sector and better marketing.

Ms. Palmira Pires, Director, East Timor Development Agency (ETDA), stressed that a key demographic to focus on to promote development of the tourism sector is the TL's 20 to 24 year-olds now entering the job market. With a limited number of learning institutions catering to those interested in the tourism field, Timor-Leste's capacity needs to be expanded to meet the demand for training. ETDA has 14,000 unemployed youth registered with them, all of whom require training and are seeking employment. ETDA would like to develop a leadership training centre and a vocational centre to provide practical training in the hospitality sector, in order to improve local capacity.

Mr. Jose Carvalho, Director of Mos Bele Program, Portuguese Cooperation pointed out that tourism requires quality of service, of which development of human capital is strategic and vital to this. To achieve this, integrated strategy involving all related sectors is critical for tourism. He said that his Project has created 17 micro companies in Maubara that work on areas such as fish/ other foodstuffs/ handicrafts. These are sustainable, carbon-free businesses being run by the Timorese that cater to tourists. It is critical to keep the community engaged and provide "service, service, service!" to clients. Ultimately, he said, what the country needs is to create "more Maubara's" across the country but a Government policy on how this would be done is required.

RT 3 Summary

There is a need to move away from an oil dependent economy. This can be achieved through investment in infrastructure, development of solid legal frameworks for business, targeted marketing, building institutional rather than project capacity, include women and market Timor-Leste internationally.

Plenary discussions on the RT discussions (RT1, RT 2, RT3)

Luta Hamutuk asked how to enhance local people participation in the south coast, and to enhance integrated actions among the line ministries with the civil society in the projects implementation.

Fernanda Borges (MP) asked how to ensure monitoring in a way that the local people are involved in the implementation of the SDP; how the government will finance the SDP which is a multiyear financing programs; how to ensure the coordination between the development partners and the government in order to reduce poverty.

Joao Mariano Saldanha (MoFinance)- said that one missing point was: how to measure the production capacity as a priority; this will need a concrete action in order to increase production.

SERN responded that the involvement of the local people would depend on the results of research currently developed. Also, the national petroleum company is in the process of establishment. The study is also covering the environmental impact of the project. It is therefore necessary for the local people to contribute to these projects.

Minister of Finance Emilia Pires as co-chair explained that the key question is what this TLDPM needs to produce. She assured that SDP would certainly bring the people of TL towards the envisioned future. To realize it, it will be up to each of us, the development partners, the government, the civil society and private sector to best contribute for the successful implementation of SDP with their strong commitments and concrete actions. The Minister underlined that Timor-Leste has achieved impressive recognition through its involvement in a range of international dialogue since the Paris Declaration, Accra Agenda for Action (AAA), DID, Monrovia Road Map towards the Busan (South Korea) High-Level Meeting in December 2011.

Minister of Foreign Affairs Zacarias Albano da Costa, the co-chair thanked for the general acceptability and support to the SDP emphasizing that the collaboration and collectivity are necessary ingredients to pave the way for the country to reduce poverty.

He then closed the session for today.

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The Minister of Finance opened the Meeting. She explained that it was important to localize aid effectiveness commitments. A “0-draft” of the Dili Development Pact outcome document was distributed to all delegates. The TLDPM plenary session then moved to resume round table discussions.

Round Table 4 : Banking & Finance

The RT 4, Banking and Finance was moderated by Ambassador of Timor-Leste to China, Ms. Vicky Tchong and Joao Mariano Saldanha, MOFinance Senior Adviser. The presenter was Minister of Economy and Development HE Joao Goncalves. Discussants included Ms. Loa dos Reis, Director of Micro Finance, Mr. Abrao Vasconcelos, the Director of BPA.

Mr. Saldanha described the first decade of the SDP as development driven by the public sector and the second decade as development driven by the private sector. He described the SDP as “aspirations” and a “roadmap” and said that nobody can predict the future with certainty. **Ambassador Tchong** said the discussion was necessary to look at how to build a modern financial sector that supports a private sector, which can in turn support economic growth.

João Gonçalves, Minister of Economy and Development said that while efforts have been made, much remains to be done to attract investors. At the same time, it is important for TL to keep control of its resources and assets, through further legal reform. The SDP aims to develop proper financial systems, develop human resources, and improve policies, to allow better access to microfinance and credit. A National Development and Investment Bank will be created, financial services improved, and special economic zones established. There are already three draft laws in the National Parliament that are expected to improve the investment climate, including the land law and the civil code. Trade-Invest (an investment and export promotion agency) will be enhanced and the Government will continue support to the Chamber of Commerce and Industry (CCI).



Minister Goncalves added that the National Development and Investment Bank will be established to respond to an existing large demand from businesses for credit and financial services. A future Timor-Leste Development Corporation will support diversification of the economy. It will rely on public funds and be owned by the Government.

The Minister then spoke about microfinance, saying that farmers have difficulty accessing credit. The Microfinance Institute of Timor-Leste has already become a commercial bank. The Bank will establish its branches in all districts and will begin development of mobile banking services, including through mobile phones. For the special economic zones, the National Planning Framework will identify where regions of the country have comparative advantages. The zones will promote industry and the service sector, generate national income, increase opportunities for international businesses, and increase exports. He added that Timor-Leste can become a center for processing industries and that in this regard agreements have been reached with several countries.

Brian Robb, Chief Executive Officer, Australia New Zealand Bank (ANZ) voiced ANZ support to the SDP. Historically it has not been easy to do business in TL and its activities have been dominated by the deposit business. But ANZ has confidence in Timor-Leste, as evidenced by its \$5 million in investment. He said that he was pleased to note the BPA has developed strategies to improve governance in the sector. One challenge is development of human resources. ANZ has difficulty finding qualified staff and many failed the application test: “individuals who look good on paper don’t match expectations.” ANZ is supporting development of the staff it already has, including through overseas training.

Another challenge that ANZ faces is that TL is still primarily a cash culture. There is a resistance to using normal banking services and technology. Overcoming this will require public

education. Also, more generally, strategies are needed to overcome financial illiteracy. ANZ is supporting such a programme that will start in 2012. Security for loans is also a problem. Land cannot yet be used as security. There are also difficulties in enforcement and judgments in the case of default. No default case has ever been tested in a Timorese court. Hopefully, the civil code will improve some of these security related issues. Also, the lack of international accounting standards affects governance in the sector. ANZ approves the SDP's "demarcation" of microfinance and said that it is also supporting capacities in this sector.

To reach more people, systems for "branchless" banking have to be instituted, such as through mobile phones. However, this requires de-regulation of the telecoms industry, which ANZ is happy to see in the SDP. ANZ is also committed to supporting larger businesses, including in sectors such as power, oil, public-private partnerships, etc. Its involvement can bring a degree of independent scrutiny, which can increase a company's qualifications. A new ANZ headquarters will soon open at Timor Plaza and will include an increase in the range of services available, including connectivity to its branches throughout the region. Twenty-five more staff are being recruited.

Chris Bleakley, Senior Investment Policy, Officer, International Finance Corporation (IFC) stated that access to financial services is fundamental for private sector development. The SDP seems to envision a wide variety of options for accessing credit. This supply is necessary, but it is not enough. Other issues also need to be addressed. Branchless banking possibilities need to be developed to increase access, since it is not cost effective to build numerous bank branches throughout the country. In this regard, the SDP is correct to eliminate the current telecoms monopoly.

IFC also mentioned the problem of collateral. The land law should help address this, when approved. Also, the possibility of using "movable assets" for collateral needs to be developed, through establishment of Government registries. The civil code should make it easier to collect on debts, but the Government should also look at forms of alternative dispute resolution in such cases, as it can be less expensive and faster than court proceedings. There is also the issue of borrowers' capacity. Lenders need to know that borrowers are competent. Last year IFC did a survey where it found that 50 per cent of small/medium business owners did not keep any financial records and 50 per cent held bank accounts that mixed company and personal funds. IFC is working with CCI to provide training to overcome these kinds of problems. Generally, SDP is targeting most of the challenges and there should be improvement in the sector with good implementation.

Lola dos Reis, Managing Director, Moris Rasik (an NGO which manages microfinance/credit projects) stated that the SDP has all the ingredients necessary to transform Timor-Leste. The poor need access to banking services including credit, remittances, education, savings and insurance. 75 per cent of the population has no access to those services now. There are a lot of credit/financial services providers, but Moris Rasik asks the Government to recognize the role

of microfinance institutions. Increasing access to microfinance services also requires improving communications infrastructure.

Abrão de Vasconcelos, General Manager, Banking and Payments Authority (BPA) explained that BPA has the mandate to oversee the financial sector. The SDP provides clear visions and strategies for the sector and for broader economic development. Only 4 commercial banks are operating in Timor-Leste despite the fact that BPA has received many applications. This is a sign of BPA's prudence. The National Development Bank and Development Corporation are needed to increase development. There is a need to reinforce the integrity of financial systems to increase investment. BPA is committed to helping build a healthy financial sector. Challenges include improving governance in the sector and overcoming financial illiteracy/improving financial skills. As of 2015, financial literacy will be included in the national school curriculum.

In the general discussion,,the **BNU representative** said that BNU has 100 years of experience now in Timor-Leste and so has learned a lot of lessons. He said that a new business mentality is required to avoid problems as happened in the past. There are no real guarantees for loans here; everyday there are violations of practices, which are considered normal in the rest of the world. Timor-Leste needs legislation regarding security. However, companies also need to understand that loans are obligations, that there is a need for organizational accountability. They cannot continue to see creditors as enemies. He added that real security requires some sort of registry with the Government. He concluded by saying that these challenges are systematic. The **CCI** pointed out that BNU is having problems, perhaps due to its internal systems. **Mr. Saldanha (MoFinance)** stated that businesses have a responsibility to pay back loans. Regarding this, he added: "today we have a lot of problems," where just a small group of businesses which default can ruin things for all businesses. **CCI** raised a specific example, saying that she wants to build some houses to rent, but cannot borrow against the land because it is not registered. She asked ANZ, how soon can people borrow on land, why are interest rates so high, does ANZ have overdraft facilities, and can overseas assets be used as security for loans here. CCI inquired about Government plans to address this issue and underlined the need for the Government to provide training to borrowers.

The Minister of Economy and Development clarified that lenders should explain how the loans work. To support the microfinance sector, the Government is working with the UNDP, through the INFUSE project, to support microfinance efforts of two NGOs: Moris Rasik and Tuba Rai Metin. Agriculture extension agents also provide microfinance and credit information to rural populations. He also said that the recent decree law on undisputed property would allow distribution of certificates, which can be used as collateral.

ANZ said that lack of security is not the only problem with lending in Timor-Leste. Another problem is the ability of companies to manage payments, which means having the necessary cash flow. This, in turn, requires necessary accounting skills. ANZ would encourage efforts to

support training/knowledge of international accounting standards. It would also encourage efforts to get an international accounting company to establish an office in Timor-Leste. ANZ said that it had just now heard of the law on undisputed property and would need to take a look at it. However, again, he said that putting up security is not the only challenge. The ability to enforce contracts through the courts is also a challenge. He said it is possible to use overseas securities for lending here and ANZ has overdraft facilities. He concluded by saying interest rates are high because of the cost of maintaining capital here.

Mandiri Bank stated that the legislative framework needed to be improved. He suggested that the Government examine the possibility of programmes where it would share lending risks with private banks. He also mentioned enforcement of contracts as a challenge.

NGO Hak regretted that the TLPDM did not have sessions devoted to justice and security (in the sense of stability and safety). Hak also commented on the lack of popular understanding on repaying loans and supported the BPA transformation into a central bank. CCI commented on its training on accounting skills to CCI members. The private sector has not really advanced in the last five or six years, although it started to show some increasing maturity through the Referendum Package. CCI said other types of security besides land should be explored. State funds should be invested in banks here so that the money circulates here. Mr. aldanha concluded that the Government is aware of the need to strengthen legislative frameworks.

RT 4 Recommendations:

The government will continue create a friendly business environment for domestic and international investors through:

- reforming investment law, creating investment law and enforcing existing law;
- build basic infrastructure to support banking, finance and investment sector;
- create and maintain stability in Timor-Leste;
- change BPA as the government is now the principal actor in our financial sector in this SDP period;

All agreed that financial literacy and numeracy was essential for both individuals and businesses to develop human resources to support the development of this sector.

All supported de-regulation of telecommunication as a precondition to support the financial sector and in particular to reach those without banking service in the rural and remote areas.

The government must create a competitive telecommunication market to support banking infrastructure such as ATM, mobile banking, etc.

Banks must have more confidence in the security for loans, collateral or asset registry system.

Microfinance needs to be expanded, as experience indicates that rural development can be accelerated with access to micro credit; especially farmers also need savings, insurance, remittance and financial education as means to improve livelihoods.

Accountability from the banks and borrowers: make business counseling services more accessible- ANZ committed to providing “Money Minded Matters” to help business analyze financial capacity, ability and responsibility to make payment. BPA will provide regulations for borrower protection.

Round Table 5: Infrastructure

The RT 5, Infrastructure was moderated by Mr. Jose Abel, National Adviser for Major Projects, MoF. Minister of Infrastructure HE Pedro Lay made a presentation. Discussants included: Mr. Craig Sugden, ADB Representative; Mr. Takata, JICA Representative; Ms. Larisa CCI Representative; Mr. Nelson Belo, Fundasaun Mahein- Cvisil Society..

Minister of Infrastructure Pedro Lay presented on the current programs, strategies and projects comprising roads and bridges networks, water and sanitation facilities, electricity, seaports and airports and telecommunications. He recognized that 90% of roads are in poor conditions due to various factors, including the lack of human resources capacity to deal with them properly.

For improving roads and bridges, by 2020 all the national roads are set in international standards, and rural roads rehabilitated according to a uniform standard. In Water and Sanitation, currently only 66% of people have access to water and sanitation facilities. Regarding Electricity, the Minister explained that by 2015, the main power plant of 250 MW will operate and by 2020 solar power will be also provided. By 2030 all the households will have access to conventional power.

Dili Port has very low capacity. In the next 6 years the Tibar Port will be further developed to be the main seaport of the country. By 2015 the Suai Port will be ready to operate. Other ports will also be developed including Com, Atauro, Oecusi and Carabela. Currently 80,000 to 100,000 passengers are using the Nicolau Lobato International Airport which is still unable to accommodate heavy aircrafts, as the runway is limited. TL has a good airport in Baucau International, however it is still not functioning. By 2015, Dili international airport will be developed to meet the international standards. By 2020, the Baucau airport will be also developed and serve civil and military purposes. .



In Telecommunication, Timor-Leste is one of the least connected countries. The Government will make the best to provide access and Internet facilities of high speed in the sectors of education and health. This will be not only to facilitate them to meet the MDGs programs, but also to modernize the sectors.

Mr. Craig Sugden, Resident Representative, Asian Development Bank ADB stated that the SDP has clearly defined when and where the plan can be implemented. It also provides guidance to important actions and economic policy, as well as how the major projects will be implemented. ADB thought that some challenges may lie ahead in relation to: Generating ground results; ensuring assistance to the border community; clear targets on civil works; and the role of the private sector.

All these will require strong partnership and international support and inclusive partners with the relevant stakeholders. However, as is stated in the SDP, adopting government systems that allow for organizational collaboration will most effectively do this. Consequently the onus is on the development partners to align their programs to support government led projects. Furthermore, the ADB advocates for the increased inclusion of the private sector in infrastructure projects, requiring a concerted effort on the part of all parties to more closely align their strategies and build trust.

JICA Japan expressed full agreement with the Government's belief that infrastructure is the key to Timor-Leste's future economic success on multiple levels. In doing so, JICA emphasized the importance of quality and ownership of robust and competent implementation bodies as key to ensuring infrastructure resilience against natural disasters.

He said that the current conditions of the roads are deteriorating. To overcome this, JICA advocated for more focus on high quality projects and routine maintenance that extends the life cycle of infrastructure projects, thereby reducing costs in the long-term. Given the importance of the infrastructure as the foundation of the economy, he proposed: more investment for infrastructure; timely and rigorous rehabilitation/maintenance; apply high standards in repairing the roads and bridges and make them resilient against natural disasters; secure the recurrent budget to handle road maintenance whenever required; set up and tightly monitoring the implementation body, as the key for road maintenance.

To that effect, Japan will be promptly providing technical cooperation and capacity building to the government, i.e. the ministry of infrastructure. Additionally, JICA supports the development of a Project Management Unit within government systems, which will allow for not only quality infrastructure development, but also capacity development.

Deputy CCI Infrastructure Coordinator Ms. Larisa stated that CCI supports SDP planning to expand road systems throughout the country, which will allow for timely transportation and increased trade. Currently, poorly maintained roads have deeply affected business activities from Dili to districts and vice versa. For instance, it resulted in longer shipping times, higher cost of shipping and loss of product, which dramatically limits profitability. The development of infrastructure will give investors the confidence that they will be able to move goods throughout the country and still make a reasonable profit. Furthermore, the Chamber argues that with infrastructure that allows for trade, Timor-Leste will be a more attractive candidate for acceptance into ASEAN.

Mr. Nelson Belo, Director, Fundasaun Mahein stated that Civil Society advocated for the priority of access for all and saw the SDP as a vehicle through which these aspirations could be achieved. This includes access for the physically disabled and the poor in the districts outside of the capital. Disabled individuals suffer greatly as a result of inadequate access and a number of them (disabled and poor) have been unable to go to school. Furthermore, traffic in the urban areas needs to be addressed and requires an immediate response by the government. Additionally, the SDPs development of infrastructure outside the capital, including access to water and environmental preservation, will bring about more economic opportunities in the long term and contribute to solving economic disparities. This will require improved coordination among line ministries and local communities in all levels.

In the general discussion, **Lao Hamutuk NGO** queried the huge financing for electricity that seems to be beyond the national budget affordability and accountability. **Luta Hamutuk NGO** fully agreed with the SDP but posed several preconditions for the government to deal with including transparency of public transferances, good coordination among line ministries and quality of project design.

Habib Hab, World Bank Dili Office, suggested the reintegration of institutional framework and adoption of new paradigms; shifting from quantity to quality and the balance between demand and supply sides.

Minister of Infrastructure Pedro Lay recognized that 90% of roads have deteriorated mainly due to lack of human resources. However, he made assurances that by 2015 all the main road networks, primarily the national roads and some important rural roads, will be rehabilitated to the international standards. The European Commission will contribute construction/rehabilitation of 700 KM, including the road Dili-Aileu-Ainaro that the EC will finance \$20 M. Regarding telecommunication, the COM has approved a telecommunication policy and hopes that it will be implemented by 2015 when the Timor Telecom's contract expires. Pedro Lay also welcomed contribution from any development partner for the infrastructure upgrading. He also reiterated that the government still counts on German assistance on carry boats, specifically for the south coast corridor. This is in response to the German representatives question about the continuation of the Ferry Boat agreement.

ADB encouraged the development partners to provide more adequate information to the government in the lead up, to solidify coordinated efforts over the projects implementation. Lessons learned are that ADB has a solid history and network of construction experience and expertise, but acknowledged that certain difficulties need to be cleared up in the future.

Vice Minister of Finance Rui Hanjam appealed for comprehension as the country is still in the institutional building process, hence mistakes can happen unintentionally. However, he assured everyone that the government is committed to learning from the process.

Luta Hamutuk pointed out that the poor condition of infrastructure facilities like roads, bridges and water and sanitation have greatly affected children and women, as they are the most vulnerable groups. Luta Hamutuk also advocated local and national coordination concerning land provision for projects.

Fernanda Borges (MP) commented on institutionalizing monitoring and control over the SDP projects implementation, to ensure the accountability, durability and quality. She also advised the government to set up a communication plan with community members to ascertain the reliability and tangibility of the SDP to people at the grass roots levels. Finally, to implement the SDP, the government needs to take into account prioritization, sequencing and budget allocation over a long time period, given that the SDP is a multi-year plan.

Round Table 6: Social Sector (Health & Education)

The RT 6- Social Sector was moderated by Mafalena Hanjam, Vice Minister of health and Ms. Dinorah granqadeiro, FONGTIL NGO Forum Executive Director. Government presentations

were made by H.E. Joao Cancio Freitas, Minister of Education and by the , H.E. Nelson Martins, Minister of Health. Discussants included: Mr. Jun Kukita, UNICEF Country Director, Mr. Vincent Ashcroft, AusAID Country Director, H.E. Liborio Pereira, President of the Civil Service Commission, and the Rector of the National University of Timor-Leste (UNTL).

The President of the Republic, Dr. Ramos Horta participated in the Round Table discussion, along with Prof. Jeffrey Sachs (Earth Institute).

The **Minister of Health** made a presentation, outlining dramatic progress in health indicators in Timor-Leste over the past decades. The 2010 demographic/health studies showed reduced rates of child mortality and malaria. Challenges remained especially in malnutrition for small children and a rise in non-communicable diseases. The Minister explained the SDP objectives to improve access to primary health care (human resources, infrastructure/Internet connection, and services) at national and sub-national levels, as well as mental health. Timor-Leste needed 200 general doctors and between 30-50 specialists.

In his presentation, the **Minister of Education** explained the comprehensive education sector plan since 2010 and the use of the human capital development fund. The plan covered basic, secondary, and tertiary education, as well as sub-sectors, non-formal/continued education or policies on social inclusion. The plan's main focus was increasing the net enrollment rate and quality of basic education, boosting secondary school enrollment to allow all students to enter it at age 15, and reduce dropout rates, also with regard to cultural barriers for girls. Teacher quality was a major concern for the Ministry, which is being addressed through recurrent Portuguese language training. The Minister added that budget constraints limited schools renovation to some 50-60 out of 300 per year. Technical and vocational secondary schooling was a priority, since not many vocational schools were of good quality, according to the Minister. 3 regional polytechnics with specialization in strategic sectors would be established.



UNICEF welcomed the SDP and its comprehensive approach, including the social sector with water/ sanitation, basic health care and family planning, given the challenge of HIV/Aids. Nutrition, especially infant and young child feeding practices needed attention. The UN System supported a continuum of care to lessen disparities between districts, accelerating off-track MDGs and empowering communities in health awareness. The UN supported a Government decision to use mother tongues in the early years of schooling and suggested an Early Childhood Support Program with greater national funding. **AusAID** pledged full alignment with SDP priorities, and support to the modalities for practical implementation. AusAID also commented on the health services demand and data generation, human resources and technical/capital input in budgeting; focusing on employment in education strategies.

The UNTL Rector presented on UNTL expansion in view of projected rises in the student population and plans for a new campus in Hera for 30,000 students.

The **President of the Civil Service Commission** explained the career regime for public employees (2.5% of the entire population) and their impartial service, which required better salaries.

Main partners such as **AusAID** and **UN/UNICEF** supported general program alignment with the SDP, and welcomed the inclusion of MDGs, while undertaking to address off-track MDGs (child health/nutrition, maternal mortality, water/sanitation) with the Government. Generating reliable

data on health services demand was mentioned. **UNTL** commented on the need to expand tertiary education by 2030 and presented highlights from the UNTL Strategic Plan 2011-2020.

The President of the Republic Dr. Ramos Horta commented on the importance of a properly resourced school feeding program, and on increased Government funding for primary education. He mentioned possibilities for outsourcing the school feeding program. Other discussion points focused on oversight of health professionals/midwives training quality in higher education (**World Bank**), Tetum and Portuguese language in schools, boarding schools for students from remote areas and reintegration of returning scholars (**Brazil**), collaboration on preventive health care between MOH and MOE (**UNESCO**), scaling up budgets for health and education, including Internet connectivity for schools and health points (**Prof. Sachs, MOH and MOE**), and addressing root causes of malnutrition including dietary habits.

PLENARY SESSION

Presentations of Round Table 4, 5, 6) results and general discussion:

Lao Hamutuk NGO advised against borrowing money using the Petroleum Funds as collateral, as it will burden the future generations.

BNU will contribute to the development process, but suggested having more rigorous criteria on borrowing from the private sector.

CNJTL Youth Association President Leovogildo Hornay advocated improvement on school feeding and sanitation programs in the schools as indispensable and urgent. Also, proposed enhancement of Tetum language to a required standard level. In regards to infrastructure, he suggested the use of quality standards being applied in advanced countries like Japan, Europe and the USA.

CNRT General Secretary Dionisio Babo stated that the population groups aged 0-15 and 15-50 are large and constitute potential labor force. Therefore, focusing investment on these groups will probably result in high economic return for future generations. He talked about a housing program in Aldeias that is believed to resolve some of the problems in rural areas. The increasing concerns regarding land issues, in relation to infrastructure projects, requires immediate but wise and prudent solutions; the telecommunication monopoly is an inherent problem that must be resolved soon.

Minister of Education Joao Cândia Freitas clarified on the concerns regarding schools equipment that out of 1,500 schools only 1/3 have been provided with adequate equipment. While equipment for the vast majority of the other 2/3 are still insufficient, due to a lack of adequate funds in the budget. He recognized that many schools are still in very precarious

conditions and will take many years to rebuild, unless the government makes a radical policy-change. Those that have already been supplied are also subject to vandalism. Regarding the school feeding program, he said that the program also involves other ministries /agencies such as: MTCI, WFP, MAF and MS. Each has a competency and requires coordination in order to deliver an adequate outcome. Regarding the Tetum language, he said that some textbooks are now written in Tetum and others are in Portuguese.

Minister of Economy and Development João Gonçalves informed about the recent launch of the First National Commercial Bank. The government is now planning to open a new National Development Bank in the near future.

Final Plenary Discussion and Key Recommendations

Minister of Finance Emilia Pires appreciated the insights from the floor and hoped that the ideas and concepts from the participants can be converted into reality. She encouraged all to work together and be solid in supporting the government for the sake of the people. The Minister presented a revised text of the Dili Development Pact for adoption.

The **U.S. Ambassador** agreed with Professor Sachs earlier calls to not waste the opportunity to use all means and resources for investing in People. Furthermore, she agrees with the Prime Minister in emphasizing that there is no shortcut in the development process and can only be achieved with quality collaboration and hard work. She congratulated Timor-Leste for leading fragile states dialogue of those in the g7+ group, which is a great chance for TL to amplify its networking. She also said that next year's general elections and the pull out of the UN mission needs to be carefully observed. However, she also stated that the USA is confident that the strong leadership of TL will manage to cope with it and will best utilize their resources for the benefit of the people in the long run.

The UNMIT Deputy SRSG/Resident Coordinatore welcomed the SDP as a clear vision for a prosperous future. The UN fully endorses the emphasis on petroleum, agriculture, tourism and the social sectors. UNDP is also encouraged by the Plan's emphasis on the environment and social equity, as well as the Plan's inclusion of the MDGs, of which several appear to be on track for completion. The National Priorities Process has served as the Nation's comprehensive priority setting mechanism and the UN system stands ready to provide technical support to whatever process comes next. The joint GoTL-UNMIT transition process is advancing well, however without additional resources, much of the UN program will not be fully realized. The UN fully endorses the global aid effectiveness agenda and is committed to the increased use of county systems. The UN read with interest the discussion paper on revised and improved approaches to technical assistance and capacity building, and warmly welcomes the suggestion to hold meetings to discuss this further. The UN system reiterates full commitment to work in partnership to realize SDP and its vision.

Portugal stated how important the SDP is and that it is the mother of reforms here in Timor-Leste. The fact that it has been well prepared by the Government is clearly a sign that this is a Government on the path to reform. The SDP serves as a reference for further development in the country. They also express again the words of Portugal's Prime Minister that no matter what the situation in Portugal, the country's commitment to Timor-Leste is authentic and can be trusted and counted on in the future. Furthermore, the Dili Development Pact is a document that has been very carefully thought through and we look forward to engaging with it.

The EC Delegation declared its support to the Accra and Paris agendas on behalf of the EU. The EC very much welcomes the Dili Development Pact as a good starting point for discussion between recipient countries and development partners. The EC will continue to align with the priorities established by Timor-Leste in the SDP, which represented years of hard work. EU initiatives for joint programming and effective support were available. They also reinforce the political dimension of their cooperation and remain committed to the development of Timor-Leste. The EC also commented that they believed the mining sector, which is not included in the SDP, is one area that should be focused on in future. Overall, they remained committed to the development of Timor-Leste.

Japan expressed sincere gratitude to the Government of Timor-Leste and to every country for condolences friendship, solidarity and support to Japan in the wake of the March earthquake. This SDP aims at taking Timor-Leste into the ranks of upper middle-income countries by 2030 and Japan will fully support this SDP and the nation building efforts in Timor-Leste. The Japanese delegation also supported the PM's visits to 65 sub-districts in socializing and engaging the nation. It was noted that during these times the PM accepted all questions and answered them sincerely. The SDP will be instrumental in making the shift from development assistance to development investment. Japan is strongly impressed by the enthusiasm of GoTL about its economic development and fully supports it. In light of these efforts, Japan wants to contribute to fostering decentralization and equal opportunity for the people of Timor-Leste to participate in this SDP. It is encouraged by the fact that the GoTL National Development Agency is expected to play a major role in the implementation of the SDP. Japan is eager to support the NDA, including by dispatching Japanese advisers when necessary. To make the SDP a reality it is essential and vital for Timor-Leste to engage with a robust regional economy. Japan continues supporting Timor-Leste's ascension into ASEAN at earliest possible moment. Furthermore, the Japanese government supports the DDP.

The World Bank fully supports the SDP and welcomes the DDP. The Bank is aware that the real test of all parties will be in its implementation. Therefore the Bank will join to make all efforts to translate the SDP into actual achievement and results for children and citizens. Timor-Leste will continue to be a priority country within the Pacific for the World Bank. This will show in the upcoming Country Assistance Strategy that the World Bank and the Government will be developing together. Timor-Leste has come a long way and is on the right track and has the potential to become an example of sound, sustainable development.

Australia/AusAID stated that Foreign Minister Kevin Rudd met with the PM and other Ministers and spent time and recommitted Australia's role as a neighbor, friend and reliable development partner. Australia has recently completed a review of aid effectiveness, which resulted in Timor-Leste continuing as one of the country's main development partners. Furthermore, Australia committed to align 100% with the SDP. As the Government has said, there is now in Timor-Leste one plan and Australia will move forward with country systems usage. Where Australia has implementing partners working outside systems they will urge them to align behind the SDP.

FONGTIL reiterated that the SDP launch is a positive step and will provide guidelines to better allow civil society to engage with the Government. However, Civil Society was not adequately consulted in the SDP preparations. Government cannot do everything and were willing to help in this capacity. Furthermore, they hoped that the development plan would be translated into Tetum, as this is a very important for distribution.

CCI on behalf of the business community appreciated the invitation to take part in the meetings make contributions to the conversation regarding the SDP. CCI appreciated the establishment of CCI last year with support of Government and wanted to work with the GoTL in the future to reduce poverty, strengthen the private sector and develop the country. Furthermore, they supported the DDP and thought it was a positive document that showed a commitment to a common vision for the future. This would involve the businessmen and women of Timor-Leste welcoming investment and the opportunity to become investors in their own country. **CCI appealed to the Timorese to develop a new kind of patriotism and focus on the future development of the country. Together, the people could achieve its development goals for the future.**

BNU Bank extended their full support and was excited to celebrate their 100th anniversary in Timor-Leste next year. The Government could pave the way so the financial sector could play its role in the development of Timor-Leste.

Singapore congratulated Timor-Leste on the SDP and the clear roadmap it provided of landmarks over 5, 10 and 20 years. They felt that the 3 key sectors were well chosen and considered and supported the DDP draft, stating that it was well thought out. The delegation also supported the "Best Invest in Timor-Leste" campaign and the drive to promote the private sector to encourage future development. Lastly they restated Human Resource Capacity Building as an area they would support.

The CNJTL/Youth Council President recommended strengthening of institutions such as ACC, Provedor, General Inspectorate and Prosecutors Office in order to promote transparency in implementing the SDP.

The Minister of Finance summed up additional feedback, including aspects of social equity, gender equality and oversight institutions for inclusion in the DDP draft. The document was now one of the building blocks for peacebuilding and statebuilding, based on the results from the National Census, which offered practical tools, stated the Minister. The DDP guided commitments at local level and lessons learned would be shared at a meeting of fragile states from 18 to 19 October in Juba.

Before the closing of the TLDPM Meeting, the World Bank and the Government conducted an official signing ceremony in Plenary for a \$20m USD Road Resilience Project with IDA funds to rehabilitate the main road between Dili and Ainaro districts. Subsequently, participants adopted the Dili Development Pact by acclamation.

The **Minister of Foreign Affairs** presented brief final remarks and introduced the closing speech. In his closing statement, the **Prime Minister** stated he was content and moved with the meeting of partners who had contributed as stakeholders to Timor-Leste's prosperity. Expectations for progress were met and the World Bank/IDA agreement was a concrete example. Favourable reactions from partners to the SDP ushered in a new phase of development cooperation, which hold great opportunities for Timor-Leste. Recommendations from non-state actors were also taken on board. Implementation would require bold moves, according to the Prime Minister. He added that a key conference outcome was that Timor-Leste still had a lot to learn, and adjustments of some defined programs were possible, including with relevant data from the Agriculture Sector. The PM stressed the importance of coordination and regular dialogue. The national private sector was critical for kick-starting Timor-Leste's development; businessmen were called upon to contribute honestly and responsibly. Improved joint partnership was built on principles of: Timorese ownership; transparency in assistance (moving from aid to investment for development); expansion of the private sector with investments in core sectors. The PM paid tribute to the President of the Republic for his leadership and active participation in the TLDPM Meeting and Roundtables. This showed his great commitment to the advancing development in Timor-Leste.

Following the formal closure of the TLDPM Meeting, Delegation Heads proceeded to take a group photo on the outdoor stage of the Dili International Convention Center.