



Summary of discussion and approval of the 2018 State Budget at the National Parliament

14 September 2018 National Parliament

The National Parliament held its first general discussion and vote on the 2018 State Budget for three days between 27-29 August 2018. The specific discussion took place over six days between 31 August-7 September 2018. The 2018 State Budget was approved via final overall vote with a total of US\$1,279.6 million with 42 votes in favor, 9 against and 14 abstentions.

The members of Parliament who voted against and abstained were from the Fretilin Bench, whilst the opposition benches of the Democratic Party (PD) and the Democratic Development Unity Party (PUDD) voted in favour.

The State Budget was divided into three categories

The first category covers the period of execution from January to June 2018, which was executed by the VII Constitutional Government, via duodecimal regime, with a total expenditure of US\$402,100 million.

The second category relates to the execution period from July to August 2018, where the VIII Constitutional Government continued to guarantee execution of public expenditure via the duodecimal regime with a total budget of almost US\$30 million each month.

The third category was from September to December 2018, with expenditure forecast until the end of 2018, with a total budget of US\$ 715,500 million.

The 2018 State Budget, including loans, with allocations is as follows:

1. Salaries and wages: US\$200,312 million;
2. Goods and services: US\$421,666 million;
3. Public Transfers: US\$261,925 million;
4. Minor Capital: US\$3,659 million;
5. Capital and Development: US\$392,037 million (including infrastructure fund and loans).

Discussion and approval via specific discussion

Specific discussion is a phase of the discussion process of the State Budget each year according to the Parliament's rules of procedure. This is also a procedure used to discuss other draft laws. It was used to address each and every article of the law on the State Budget which was proposed by the Government to the Parliament for discussion and approval.

During the specific discussion and approval JSMP noted that there were 99 proposals. These proposals ranged from requests for increasing allocations and proposals to eliminate allocations when members of Parliament considered it unnecessary to execute certain funds in the short term.

These 99 proposals comprised 46 proposals from the opposition benches, 13 proposals from the AMP benches and 34 proposals as joint proposals from the opposition and AMP benches. There were 6 new proposals presented during the discussion itself.

From these proposals, 20 were not passed, 26 proposals were withdrawn, 38 proposals were passed and 11 proposals that had previously been passed during the specific vote were later amended.

The proposals that were withdrawn came from the opposition benches. These proposals were withdrawn for two reasons. The first reason was when there was a clear explanation or justification from the Government, and the second reason was the Government gave more consideration to the proposals from the AMP benches. The Prime Minister explained that the Government had to give more priority to the proposals of the AMP benches because otherwise the Government might collapse.

From amongst the proposals of the opposition, proposal No. 87 related to professional services, especially contracts for national and international advisors. These were put forward by the FRETILIN and PD benches. The 2018 State Budget allocated US\$1,786 million for professional services. The parties making the proposals explained that in the 2016 State Budget the Government allocated US\$3,526 million and in the 2017 State Budget US\$1,650 million was allocated. The National Parliament was not given any information or reports about how the funds were used for providing these professional services.

Based on the aforementioned reasons, the parties made a proposal to reduce the original amount of US\$1,786 million to US\$786 thousand. This means the National Parliament managed to save US\$ 1 million. This proposal passed with 37 votes in favour, 3 against and 23 abstentions.

From these proposals, the highest allocations were the proposal to capitalize TL Cement Ltd totalling US\$50 million. The other proposals covered debts of the Office of President of the Republic, Ministry of Finance, allocations to the Government, Ministry of Justice, Ministry of Education, Youth and Sport, Ministry of Foreign Affairs and Cooperation, Ministry of Transport and Communications, Ministry of Planning and Strategic Investments, Office of the Ombudsman for Human Rights and Justice (PDHJ), the Anti-Corruption Commission (KAK) and National Laboratory.

Specifically in the area of Justice, the National Parliament approved funds totalling US\$13,840 million for the Ministry of Justice with 49 votes in favour, 0 against, and 15 abstentions. These funds will provide US\$4,700 million for salaries and wages,

US\$9,089 million for goods and services and remuneration (retroactive payments) for public defenders.

Member of Parliament Carmelita Moniz put forward two proposals that passed totalling more than one million for Technical Assistance for the National Cadastral System (SNC) Project. These funds will also be used for the construction of offices for the Public Prosecutor in Ermera and Bobonaro Municipalities.

The Minister of Justice appreciated the desire of MPs to approve the budget proposal for the Ministry of Justice to develop the justice sector. The Acting Minister of Finance reiterated that the source of funding for this proposal will come from the KITAN fund because there is a remaining balance of US\$4 million.

The proposals to eliminate budget allocations were as follows:

- Proposal to eliminate the reimbursement of KITAN exploration taxes totalling US\$64.500 million;
- Proposal to eliminate pluriannual funding (multi-annual budget) from PSIK totalling US\$5 million;
- Reserve fund at the Ministry of Finance;
- As well as the Human Capital Development Fund (FDCH) allocation for the capacity-building of public servants.

The aforementioned proposals were aimed at supporting the proposals for increases to the budgets of the Office of President of the Republic, Ministry of Finance, Ministry of Justice, Ministry of Education and autonomous institutions.

Concerns and criticism from the Opposition Benches

During the general discussion and the specific discussion, MPs from the opposition expressed their concern that the Draft Law on the 2018 State Budget presented by the Prime Minister did not adhere to the procedures set out in the Law on Financial Management. The opposition parties pointed out that the Law on Financial Management was not only violated by the Government but also by members of the National Parliament.

The opposition stated that there was no balance between income and expenditure, because the income is much smaller than the expenditure. From an economic perspective the 2018 State Budget is not realistic but populist because some budget lines are unnecessary or irrelevant.

The opposition parties were concerned because expenditure from January to August 2018 was just 29% of the total 2018 State Budget, and most of the money or 71% is to be spent in just four months.

Other concerns were conveyed over the proportionality of the VIII Government allocations in the State Budget which are not equitable and contradict the priorities set out in its Program.

The opposition parties, and Fretilin in particular, were very disappointed with the budget allocations for the sectors of education, agriculture and health. These sectors are crucial and key sectors but the Government only allocated limited funds. US\$121,1 million was allocated to these areas/sectors or just 9.4%. The Government only allocated 5.9% to education and the question was asked how this could improve the quality of education.

The opposition also identified illegal payments relating to the school feeding program based on an audit from the Audit Court in 2017 totalling US\$28,000. Therefore, the opposition requested for the Prime Minister to carefully examine these issues, to ensure transparency of execution in the future. In addition, the opposition also questioned the project to construct school buildings because each year the government allocates funds but there are still no results.

Also, the PD Bench expressed its concern and dissatisfaction with funds allocated for 142 projects totalling US\$244.1 million that were completed during the mandate of the VI Government.

PD rejected these projects after receiving a letter from the Director of the Major Projects Secretariat, on 3 August 2017. This letter stated that these 142 projects have not yet reached the budget planning phase and have not yet been approved by Parliament and have been categorised as new Projects.

The Director of the Major Projects Secretariat acknowledged that the Infrastructure Funds Board (*Conselho da Administração dos Fundos de Infraestrutura*, CAFI) gave approval to carry out these projects, but has not yet entered contracts with entrepreneurs. Even though approval has been given by the CAFI, no contracts have been made in accordance with the Law of the Infrastructure Fund, Law on Financial Management and the Law on the State Budget. For this reason PD requested for the Prime Minister to provide clarification on the concerns raised by PD. These issues and concerns included:

1. Was US\$323.6 million allocated to the development category to pay for 142 projects?
2. If the VIII Government proposes to fund these projects, then what projects will be funded and what is the amount of money forecast?
3. In fact the National Parliament has not yet rectified the 2017 State Budget to include 142 projects, and therefore which law allowed the VI Government to permit entrepreneurs to carry out projects in the field, and how is it possible that the VIII Government is now asking the National Parliament to approve the budget to pay for these projects?
4. If the VIII Government is going to pay for 142 projects, what does the Prime Minister think about the legality and constitutionality of the 142 projects? Is the Prime Minister going to pay for them without considering the legality of the matter?
5. What about the commitment of the Prime Minister to promote good governance, to combat collusion and corruption, to uphold the integrity of leaders and increase public confidence?

In addition, the Fretilin Bench was also concerned with the case involving the Former Finance of Minister Emilia Pires. MPs demanded for the VIII Government, and the Ministry of Foreign Affairs in particular, to cooperate with the Portuguese Government to bring back the defendant Emilia Pires to face justice in Timor-Leste.

In response to this concern, the Minister of Justice stated that the case involving Emilia Pires is not within his competence but rather the competence of the courts.

The Minister for Foreign Affairs and Cooperation stated that the case involving Emilia Pires needs to be checked because Emilia Pires currently holds a Portuguese passport.

Political statement and request for the creation of a Parliamentary Commission of Inquiry

The opposition benches felt that this is a big budget and they doubt the capacity of the Government to execute these funds properly and correctly, especially in regards to payment of debts. Therefore they requested for the National Parliament to create a Parliamentary Commission of Inquiry (KIP) to monitor the payment of debts for the 142 projects that the government plans to fund.

The Government benches continued to encourage the Government to be disciplined with its budget execution. MPs recommended for the Government to learn from the experience of budget execution in the Special Administrative Region Of Oekusi-Ambeno (RAEOA) and Oekusi Ambeno and Atauro Special Zones for Social Market Economy (ZEEMS) whereby the Audit Court reported that there were many irregularities and projects with single source procurement. Therefore the MPs requested that this be avoided to ensure that members of Government execute the budget properly.

JSMP Observations

JSMP observed that the debate on the 2018 State Budget went well from the first general discussion and specific discussion to the final vote. Even though some MPs were undisciplined during the discussion and voting process and there were some disagreements between MPs from the opposition benches and the Government benches.

The opposition benches participated actively in the debates and discussions including proposing 47 amendments from a total of 99 proposals. Even though many of these proposals were withdrawn because they did not have the support of a majority of members of the National Parliament and also because the responses or justification given by the Government were sufficient to get those making the proposals to then withdraw them. In addition, MPs from the opposition also expressed their regret about the proposals that were not passed during voting.

In response to these concerns the Prime Minister stated that the Government will maintain its support for the proposals submitted by the AMP MPs because otherwise there would pose a major risk for the Government that has been supported by the AMP to date.

JSMP observed that the proposal 2018 State Budget is aimed at normalising the budget process and discontinuing the duodecimal budget process. The main priority of the 2018 State Budget is to pay debts and to facilitate the machinery of the State for several months because there are no new projects in the 2018 State Budget proposed by the VIII Government.

However, JSMP believes that in the national interest and in order to promote the participation of the opposition benches, the government and MPs from the Government benches need to be open to considering proposals from the opposition. This means that they need to appreciate some of the proposals of the opposition parties to contribute towards improving and strengthening the work of the government and the State in general. Consideration of these proposals will also contribute to establishing a political climate that is safe and conducive in the National Parliament now and in the future.

JSMP also noted that the proposals and concerns made by the opposition benches are also relevant and important for government consideration to ensure proportional governance, with respect for the norms established in the Law on Financial Management and the Law on the State Budget and other laws linked to the use of the State Budget to ensure a credible Government in the future.

JSMP believes that if everybody participates, especially the political parties in the National Parliament, this will have a good effect on the people and the nation of Timor-Leste.

For more information, please contact:

Luis de Oliveira Sampaio
Executive Director of JSMP
Email: luis@jsmp.tl
www.jsmp.tl
Phone: 3323883 | 77295795