Unofficial translation from Portuguese by La'o Hamutuk.

PRIME
MINISTER
V GOVERNO CONSTITUCIONAL

No: 1438/GPM/X/2014

Díli 3 October 2014

His Excellency

Mr. Vicente Guterres

Speaker of Parliament

Excellency

Together we have the honor to transmit to Your Excellency, under the provisions of paragraph 1(c) of Article 97 of the Constitution, for consideration and approval of the National Parliament, the Draft Law Amending Law No. 2/2014, of 5 February as well as its Explanatory Memorandum, approved at a meeting of the Council of Ministers on 30 September 2014.

Please accept, Mr. President of the National Parliament, my best regards.

/s/

Kay Rala Xanana Gusmão

Prime Minister

Annex: Draft Law, Explanatory Memorandum and electronic media.

Cc: ***Minister of Finance***

Secretary of State for Parliamentary Affairs

Unofficial translation from Portuguese by La'o Hamutuk.

V CONSTITUTIONAL GOVERNMENT

Draft Law no. 15/III(3rd)

of ... of ...

First Amendment to Law no. 2/2014, of 5 February,

Law of the State Budget for 2014

Article 8.5 of Law No. 2/2014, of 5 February, approving the State Budget for 2014, prescribes that: "If, by the end of the third quarter, budget execution reaches 75%, the Government may seek to transfer from the Petroleum Fund more than the Estimated Sustainable Income, previously informing the National Parliament and ensuring a reserve of $200 million in the Treasury Account."

According to predictions by the Government based on the information from each Ministry and State Secretariat, the cash budget execution value at the end of September is below 75%. This means that the Government has no margin for withdrawals after the legally prescribed date, since the budget should be measured based on cash execution, not considering the obligations until the end of the year, in accordance with Article 4.1 of Government Decree No. 1/2014 of 12 February on Execution of the State Budget for 2014.

Even conservative estimates show that the amount available in the Treasury Account will not exceed, probably $75 million, and this amount does not represent a safety reserve which allows dealing with any unforeseen occurrence, which could cause a situation of illiquidity.

Therefore, the need arises to carry out rectification of Article 8.5 of the Law on the State Budget for 2014 in order to enable the withdrawal from the Petroleum Fund above the Estimated Sustainable Income whenever 75% execution is reached, and not just at the end of the third quarter, protecting the continuity of implementing Government activities while at the same time ensuring a liquidity reserve.

The Government presents to the National Parliament, under Article 95.1(c) of Article 97 and article 145.1 of the Constitution, with a request of priority and urgency, the following proposed law:

Unofficial translation from Portuguese by La'o Hamutuk.

Article 1.

Amendment to the State Budget for 2014

Article 8 of the General State Budget for 2014, approved by Law No. 2/2014, of February 5, is replaced by the following change:

"Article 8.

Additional rules of budget execution

1. [...]
2. [...]
3. [...]
4. [...]
5. When budget execution reaches 75%, the Government may seek to transfer from the Petroleum Fund an amount above the Estimated Sustainable Income, after informing the National Parliament and assuring a reserve of $200 million in the Treasury Account.
6. [...]
7. [...]"

Article 2.

Entry into force

This law shall enter into force on the day following that of its publication in the Jornal de República.

Approved on 30 September 2014.

The Prime Minister,

/s/

Kay Rala Xanana Gusmão

Unofficial translation from Portuguese by La'o Hamutuk.

V CONSTITUTIONAL GOVERNMENT

Explanatory Memorandum

First Amendment to Law no. 2/2014, of February 5, approving the State Budget of the Democratic Republic of Timor-Leste for 2014

Introduction

Under Article 97.1(c) and Article 115.1(a) of the Constitution of the Democratic Republic of Timor-Leste, and Article 34.1 of Law no. 13/2009 of 21 October on Budget and Management, Finance, the Government proposes to present to the National Parliament this Draft Law on the First Amendment to the Law of the State Budget for 2014.

Basis of the need for change

Article 8.5 of Law No. 2/2014, of February 5, approving the State Budget for 2014, reads as follows: "If, by the end of the third quarter, budget execution reaches 75%, the Government may seek to transfer from the Petroleum Fund above the Estimated Sustainable Income, previously informing the National Parliament and ensuring a reserve of $200 million in the Treasury Account."

According to the predictions made by the Government based on the information provided by each Ministry and State Secretariat, the level of budget execution in cash at the end of September is below 75%. This means that the Government has no margin for withdrawals after the legally prescribed date, since the budget should be measured based on cash execution, not considering the obligations until the end of the year, in accordance with Article 4.1 of Government Decree no. 1/2014 of 12 February on Execution of the State Budget for 2014.

At this point, even though budget execution is more conservative, the amount available in the Treasury Account at the end of the financial year shall not exceed, probably $75 million. Now, this amount does not represent the safety reserve required to cover any unforeseen occurrence, which may cause a situation of illiquidity.

For this reason, there is a need to proceed to rectify Article 8.5 of the Law of the State Budget for 2014 with the aim of safeguarding the continuity of the implementation of Government activities at the same time it ensures a liquidity reserve, thus suggesting the following wording for Article 8.5 of that statute: "When the budget execution reaches 75%, the Government may seek to transfer from the Petroleum Fund above the Estimated Sustainable Income, after informing the National Parliament and ensuring a reserve of $200 million in the Treasury Account."

Approved by the Council of Ministers on September 30, 2014.

The Prime Minister,
/s/
Kay Rala Xanana Gusmão