

**Message from His Excellency President of the Republic Dr. Francisco Guterres Lú Olo
on the Promulgation of Law No. 2 / V
General State Budget for 2018**

**Presidential Palace Nicolau Lobato
Dili, 27 September 2018**

Members of Parliament
Members of the VIII Government
Buiberes and Mauberres
Dear People of Timor-Leste

I have just promulgated the General State Budget Law for 2018, in accordance with the powers assigned to me by Article 85(a) of the Constitution of the RDTL. I received from the President of the National Parliament, on 11 September, the Decree on the Law of the General State Budget for 2018. Under the articles 85 (a) and (c) and 88 (1) of the Constitution of the Republic, within thirty days of receipt of any diploma from the National Parliament, the President of the Republic shall promulgate or exercise the right of veto. Thus I promulgated it two weeks before the term established by the Constitution of the Republic.

The analysis and promulgation of this Law of the General State Budget is a function of the President of the Republic that can be exercised both inside and outside the country. Because there are already modern means of communication, this function can be performed during an official or work trip and at any place by which it becomes unnecessary to resort to arguments that do not take into account this reality. The enactment of the State Budget Law occurs in a context in which the national economy is going through a very difficult phase.

This promulgation puts an end to the duodecimal (twelfths) transitional budget regime, which has been applied to date, on a temporary and exceptional basis, with reference to last year's General State Budget. The preparation of this year's General State Budget was made in accordance with the Budget and Financial Management Law and in conjunction with the Petroleum Fund Law, taking into account, in particular, the authorization of budget revenue from the Petroleum Fund. I can thus affirm that this General State Budget followed the process and norms established by the Constitution of the Republic as well as the Rules of the National Parliament currently in force. These are the rules that bind the Government and the National Parliament on the resolution of budgetary matters.

The General State Budget, totaling one billion and two hundred and seventy-seven million and four hundred thousand American dollars (\$1,277.4 million) covers all expenses and revenues for the whole year, that is, from 1 January to 31 December 2018. This Budget includes the General State Budget and the Social Security Budget.

I have enacted the General State Budget Law of 2018 for the following reasons:

1. From the analysis made, I concluded that there is no basis for a request for preventive oversight of its constitutionality and legality.
2. The 2018 General State Budget is intended to pay corporate debts so that such companies can create new jobs and increase its economic performance at a domestic level.
3. The 2018 General State Budget will allow the State to enter into the normal budgetary execution process, thus being able to fulfil its priority obligations, especially those related to vulnerable citizens groups, Veterans, Subsidy to Mothers, settlement of debts contracted with hospitals from other countries and with the companies supplying fuel for the generators.

I have promulgated based on the above reasons but I still believe that the General State Budget will have to face several current challenges because:

1. Our budget execution capacity is small and we have very little time left to execute it (a period of only three months). Any Budget must be executed at 100% for the law to be fulfilled. We are aware, however, that from 2012 to 2017 the average rate of budget implementation has not exceeded 79% and never reached 100%.
2. The 2018 General State Budget has allocated much higher amounts for the infrastructure sector while those for education and health are low. We continue to note that a high amount is allocated to the Tasi Mane project, although we are not yet sure what will happen to Greater Sunrise.
3. The 2018 General State Budget is very high. If the budget execution rate for the last three months is the same as that of the first eight months of this year under duodecimal regime, the overall amount of the 2018 General State Budget should be only one billion and one hundred million US \$ (1,100 million) .

If this overall amount were not exceeded, contrary to what we have been doing in recent years, transfers from the Petroleum Fund above the Estimated Sustainable Income would not be so high and the Fund's income would have a longer duration. We need to get used to spending more prudently. Let us therefore give away the spending practice of previous years. The Petroleum Fund is the only sovereign fund we have so we must ensure that it not only benefits the current generation but also future generations. It is our duty to ensure the necessary financial capacity for the State to meet the challenges of the future.

As President of the Republic, I would like to request the following:

1. That the Government acts rigorously in the execution of public spending, especially in this very short period of time that remains
2. That the macroeconomic forecasts are made according to reality and in connection with the economic structure. No sums should be used to justify a high budget whose implementation at 100% is not possible.

3. If this budget is intended to settle debts that could not be paid because of budget constraints during the period of the duodecimal regime, I hope that, in the future, no debts that cannot be settled in due time will be incurred.
4. Because the National Parliament has already decided to set up a Parliamentary Inquiry Commission to monitor projects before payment, I call for this Commission to be established as soon as possible in order to ensure that payments are made properly, with transparency and accuracy.
5. That the Government and the National Parliament consider the introduction of legislative and regulatory improvements, with regard to the provisions of the Petroleum Fund Law and the Budget and Financial Management Law which relate to revenues for the financing of the State Budget , including those for the reimbursement of overcharged taxes.

In addition to the foregoing, the President of the Republic calls for:

1. The General State Budget for the next few years tends to be more balanced, that is, that the allocation of funds between human development and physical development is fairer and that expenditure does not gradually exceed revenues.
2. Investments from the General State Budget take into account the criterion of increasing social and economic returns.
3. The General State Budget for the coming years will increasingly be based on the principle of sustainability of the State and of society itself, so that a higher percentage of funding comes from non-oil sector revenues, which should grow continuously with a diversified and more productive economy.
4. In order for domestic revenues to reach a level that will gradually reduce dependence on OGE financing by the Petroleum Fund, the Government should accelerate the process of preparing and implementing the tax reform.

So we have to know how to prepare, execute and oversee and better manage the State Budget as a financial instrument that can finance economic growth and social development. It is also important to be aware that this is a process in which we need to continuously be more demanding and be persistent, from year to year, from month to month, every day.

Thus, we can begin to improve our well-being in a more effective way.

Thank you!

Díli, 27 September 2018