

La'ó Hamutuk

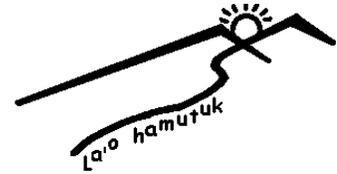
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Press Release

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Timor-Leste is facing a temporary financial emergency, but we should not seek a hasty solution which may lead us down the wrong path

In 2017, the Seventh Constitutional Government failed to secure a working Parliamentary majority, and therefore could not get the 2018 State Budget approved. Consequently, the government is applying the “duodecimal” system based on article 31 in the Budget and Financial Management Law no.13/2009 as a means to finance the state each month.

La'ó Hamutuk is a civil society organization that monitors the governance and sustainability of state finances. We just made a submission to National Parliament to provide our input on proposed law revisions, which would have a direct impact on the State's financial management. The following is a summary of La'ó Hamutuk's submission:

The duodecimal system does not allow the State to transfer money from the Petroleum Fund to the State Treasury, according to articles 7 and 8 of Petroleum Fund Law no. 9/2005. At the beginning of 2018 La'ó Hamutuk estimated that the \$290 million in the State Treasury was enough to finance state activities for approximately six months. In May, the 7th Government directed the Central Bank to transfer \$70 million so that the state would not run out of money during the 2018 Parliamentary Elections. This was an unprecedented request and no further transfers have been made since then.

The duodecimal system will remain in place until the Government and Parliament enact the General State Budget Law for 2018, which will be approved in coming months. At the moment, the State Treasury balance has fallen to only \$20 million, which cannot support more than one week of state activities.

Although the Eighth Government and Fifth Parliament only came into office last month, National Parliament is already considering a revision to the Petroleum Fund Law and the Budget and Financial Management Law. This proposal goes too far too fast, and is beyond the State's immediate needs. The proposed revisions would authorize new loans and fail to specify the amount of money which can be transferred from the Petroleum Fund.

In addition, the proposed revisions have not been published or received any public consultation. When we visited Parliament on 9 July, many Parliamentarians were unaware of this proposal.

Although there was no formal consultation process, La'ó Hamutuk analyzed this draft law and wrote a submission to the National Parliament (attached). The submission explains our concerns that the revisions to these two laws are being done too quickly and that there is a simpler way to address the temporary cash-flow emergency.

The existing Petroleum Fund Law and Budget and Financial Management Law are sufficient to resolve the temporary cash-flow problem; Parliament can simply authorize a specific transfer from the Petroleum Fund to support the duodecimal system until the 2018 State Budget comes into effect. This does not require revising the Laws, and perhaps can be solved with a Parliamentary Resolution. If a revision needs to be made to the Budget and Financial Management Law, it should be done carefully, over a sufficient amount of time, with public consultations and after discussion with civil society, academics and others.

The Petroleum Fund Law and the Budget and Financial Management Law protect the principal resources that belong to the people of Timor-Leste. Leaders should not make fundamental changes to these laws to make it easier to take money out of the Petroleum Fund. Parliament should never write a blank check to Government, with an amount to be filled in later – this is a serious violation of Parliamentary authority.

Keep in mind that the Petroleum Fund will not last forever and could be exhausted within ten years. La'ó Hamutuk urges Parliamentarians to put aside partisan interests and stop playing political games which interfere with their responsibility to create and protect fundamental laws which protect the people's resources.

Everyone in Timor-Leste is proud of our transparent and effective system to manage petroleum revenues and state finances. Changes to this system should only be done after much consideration, transparently, and listening to input from various entities. The National Parliament's Commission C should hold a public hearing.

Through this submission, La'ó Hamutuk hopes to help public officials to respond to the needs of the people. As we always have, we will continue to bring important information to the public, to Parliamentarians, and others to help our leaders manage the state better.

More information and documents can be found on our webpage
<http://www.laohamutuk.org/econ/OGE18/lawrev/18RevPF-BFM.htm>