PUN PARLIAMENTARY GROUP STATEMENT

2010 STATE BUDGET (RECTIFICATION BUDGET)

Excellency, President of the National Parliament, Mr Fernando Lasama

Excellency Prime Minister, Kay Rala Xanana Gusmao

Honorable Members of Parliament,

Members of Government

People of East Timor,

The National parliament is presented a Rectification Budget that increases the state budget to $834,981 to spend against total petroleum and domestic receipts of $905 million. The Government has requested an additional withdrawal of the petroleum fund of $309m taking the total withdrawal if approved by NP to $811. Only $94 million of domestic revenues will be available to support this budget. Is the budget fiscally responsible? Can government execute $834 m in such a short time frame when first quarters execution only amounted to $79 million and maximum execution capacity for the AMP $610 million? Based on the governments governance track record we do not believe this is a request that is realistic and fiscally responsible, well justified, and supported by a sound implementation plan and execution track record.

We also note that despite repeatedly asking for withdrawals above the ESI, the government’s low execution capacity has resulted in non withdrawal of some of the approved petroleum funds. For example, in 2008 Government did not withdraw $290.8 million and in 2009 $77 million. The cash flow projections Committee C prepared also show that it is not necessary to withdraw another $309 million in order to introduce $52 million new necessary measures that the Committee has listed.

Further all Ministries have yet to instill implementation procedures that prevent waste, fraud and abuse. In fact there is little accountability and financial control
resulting in various ministries and state institutions creating debts without budgetary provisions. That is why, transferring all capital development projects totaling $31 million to one ministry – Ministry of State Administration for chefe sucos and administrators to contract and execute lacks legal basis and risky in terms of good governance. It would be more appropriate to leave the capital budgets in each ministry and provide assistance to improve budget execution that is effective and efficient. Unless government invests in this area it would be difficult to expect ministries to be capable of executing large public investment programs that are complex and large in monetary value when a National Development Plan is approved by NP.

Prime Minister, it is now evident that you intend to write a budget every 6 months without an effective plan for poverty reduction. Your focus since 2007 has been in “buying peace and stability” through distribution of funds. The problem is our limited petroleum funds cannot be equally distributed to every individual in the country to reduce poverty much less create adequate infrastructure to support the people to get out of poverty. In effect you have only reduced poverty of a small number of elites through the referendum package. Unfortunately social programs like the old age and veteran’s pension remains difficult for government to implement and has caused a lot of frustration from entitled beneficiaries that are very poor.

Since 2008 Government has boasted high levels of economic growth without raising productivity sufficiently to create sufficient jobs for the youth and without showing a real improvement in people’s standard of living.

Prime Ministers, if economic growth is the increase in the economy’s productive capacity, its our potential GDP over the long term, which can only be measured in years or decades then we need to ask why our balance of payments figure remains negative in 2008 ($ 747m) and increased in 2009 to (841m). This is an indication that the 12% growth is not real substantive growth that has increased real productivity in the country. Our negative balance of payments figure shows that the growth is superficial and we have not created local industries that employ sufficiently to absorb the unemployment and replace imports from other countries.

In actual fact, the growth is government generated expenditure only. Private sector flock towards the construction sector because of government contracts that are simply given without criteria’s based on merit, financial and technical capacity to complete the job to an acceptable durable standard. Government investment projects are not producing value for money and long term return for the people.

What is needed for the people is not just giving out cash but good quality education throughout the country, jobs, housing, water and sanitation, basic infrastructure and self sufficiency in food production for all the people. For that to occur, Prime Minister, your Government needs to be “money wise” and avoid fiscal stress. For the sake of our sovereignty and this and future generation’s wellbeing, it is
important that the AMP government is awakened to the “revenue constraints” of this country – the truth is we only have $5.360 billion in the bank which is not a lot when one considers what needs to be done in the country to take the people out of poverty. If we continue on this spending spree of close to $1 billion yearly and the priority is centered only on peace and stability through handing out money without expecting anything in return then we may eliminate the petroleum fund without leaving behind anything for future generations and capacity to raise sufficient non-petroleum domestic revenues to meet the states obligations.

For this reason, it is important that the Minister of Finance produces a medium term fiscal scenario to help government as whole determine a yearly fiscal envelope that is sustainable - that is how much money government will require to implement its policies on a yearly basis for the next five years. Through the Medium Term Fiscal Framework, National Parliament will be able to see just how much money will be needed in future years to fund the budget if certain policies are adopted.

It is imperative that the budget is restructured and Ministries goods and services budgets reviewed to challenge their organizations to work better. This current practice of approving increments six monthly for ministries without assessing the performance and results of each department will not yield results for the people and value for money in the area of service delivery and public assets for the country.

Prime Minister, your government has a window of opportunity to get things done to a reasonable level this year. Focus on doing it right first and produce a viable National Development Plan for Parliament to approve. What you do not take from the petroleum fund will be left in the accounts to carry out development throughout the country in future years. You will also protect the ESI return from dropping between 2011 and 2025 by $9 or $10m. Timor Leste needs this money and return.

Thank you.

24 June 2010

Fernanda Borges