

Part 4.1 Justification for Transfers from the Petroleum Fund



**PRIME
MINISTER**

No: 1088 / GPM / VI / 2016
Dili, 27 June 2016

**His Excellency
Speaker of National Parliament
Mr. Adérito Dr. Hugo da Costa
Dili**

Subject: Justification for transfer higher than the Estimated Sustainable Income from the Petroleum Fund

Excellency,

Under submission for consideration and approval of the National Parliament, is the Draft Law making the First Amendment to the 2016 State Budget Law, and in compliance with the stipulated in the Petroleum Fund Law in Article 9, I hereby present to Your Excellency the justification by which it provides a transfer higher than the Estimated Sustainable Income of the Petroleum Fund.

The amending budget presented by VI Constitutional Government proposes a budget increase which is intended to strengthen the Infrastructure Fund. The budget increase is specifically intended to ensure the financing of ongoing Major Infrastructure Projects, whose initial allocation for the present financial year proved insufficient.

It is therefore with a view to protect the interests of Timor-Leste that the Government considers it essential to ensure that this year the necessary conditions are met to meet the commitments that successive governments have taken on for the country and its citizens - to carry out quality public investment that will contribute to creating basic and strategic infrastructure for sustainable development that benefits all.

To this end, we adopted a new statute for the Infrastructure Fund to meet the challenges we face in planning and implementation of multiannual projects that will allow us to improve our performance, in particular at the level of managing public finances.

Excellency,

The Strategic Development Plan 2011-2030 (PED), approved by all, is the engine of our actions and the results of its implementation are already a reality. However, it appears to be necessary to financially enhance one of its key sectors key - infrastructure. The relevant massive national development projects such as the Tasi Mane Project, Tibar Port and the Dili Drainage System are the main recipients of the additional budget now proposed.

Note that these projects have entered the implementation phase and it is critical to make advance payments without which the private sector partners cannot proceed with their execution. The aim of the Government is to advance without further delay with these and other investments in order to improve the conditions of life of our people and respond to their legitimate aspirations.

We point out that the achievement of a policy of high public investment as the engine of the economy is a necessary condition at this stage of development and is the basis for strategic planning set for the country. We found, in fact, that progress in the implementation of the PED, in particular the level of improving skills of our human resources and of developing infrastructure, are already having a very positive impact on the process of economic diversification underway.

The increased foreign investment in the country, namely the establishment of relevant productive sectors, will in the short term create jobs and increase knowledge and skills of our fellow citizens. We are aware that the human, social and economic development of our country is the only guarantee to decrease the state's dependence on a source as volatile as oil, so we need to continue to stimulate economic growth and create conditions to increase domestic revenues through the creation of vital conditions for private sector growth. This is the path traced to implement an integrated development strategy that will allow reducing withdrawals above the Estimated Sustainable Income.

We are therefore aware of the responsibility of this proposal and is of the highest national interest in order to submit to the highest consideration of Parliament the approval of a withdrawal that exceeds the 3% Estimated Sustainable Income.

Accept, Your Excellency, my high consideration and esteem,



Dr. Agio Pereira

Acting Prime Minister