

Timor-Leste: President and parliament go head to head in budget showdown

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The largest budget in Timor-Leste's history has been vetoed by President Francisco Guterres, who argued that buying out shares in the Greater Sunrise oil and gas fields will leave precious little money for health, education and basic infrastructure. And although the government is confident it can push the bill through, it may be in for a bitter struggle



Timor-Leste President Francisco Guterres (R) talks to Prime Minister Taur Matan Ruak after the Prime Minister's inauguration ceremony in Dili, 22 June 2018 Photo: Antonio Dasiparu / EPA-EFE

Timor-Leste President Francisco 'Lú-Olo' Guterres' decision last week to veto the largest state budget bill in the nation's history over concerns of unsustainable spending has put the president on a collision course with the nation's government.

The \$2.132 billion budget allocates \$650m for the acquisition of [ConocoPhillips' 30% and Shell's 26.56% shares in the Greater Sunrise](#) oil and gas fields in the Timor Sea – a decision that could, alongside the nation's obligations to develop the project as majority shareholder, consume more than half of Timor-Leste's \$17 billion sovereign wealth fund.

But the government appears confident that the budget law will pass quickly, describing the president's veto as lacking any foundation in the young nation's laws or constitution.

"The veto is being done on political grounds and for political objectives," Fidelis Magalhaes, the Minister for Legal Reforms and Parliamentary Affairs, who represents the government in parliament, told *Southeast Asia Globe*. "The government [now] has two options, either to override the president's veto or make changes to the budget and resubmit to the president."

But Marta da Silva, a researcher with local economic monitoring institute *La'o Hamutuk*, told *Southeast Asia Globe* that the institute agreed with the president's four reasons for vetoing the budget law: "grave" unsustainability; mis-alignment with the constitution and structuring laws; a high budget imbalance; and an absence of alternative policies.

"Our concern is the same as the president's: economic and fiscal sustainability in Timor-Leste," she said. "The government says their priorities are agriculture, quality education, health, strengthening tourism, basic infrastructure, clean water, sanitation, but when it comes to the budget allocation these areas receive the smallest percentage [of funding] compared to big infrastructure projects. How can we improve people's lives when there's more money for *Tasi Mane* [infrastructure projects] than there is for all these areas?"

Parliament has 90 days to override the veto. Budget debate will start early next week.

Magalhaes told *Southeast Asia Globe* he believes that the government requires only a simple majority to bypass the president's veto of the budget, as it did this month with the petroleum activities decree law that allowed the state's purchase of a majority share in the Greater Sunrise oil and gas fields.

The country's constitution is less clear. Section 88 of the constitution requires a majority of two-thirds of present members to ratify laws on matters provided for in section 95 – which includes the “budget system”, the budget's “deliberation”, and monitoring of its execution.

Whether the budget law falls under one of these matters, triggering the two-thirds ‘super-majority’, will be debated in parliament after the government decides whether to amend the budget and attempt presidential promulgation.



Timor-Leste's President Francisco Guterres (C), shows his marked finger after casting his ballot during the general election in Dili on May 12, 2018 Photo: Valentino Dariell De Sousa / AFP

Governing coalition Alliance for Change and Progress (AMP) holds 34 seats in the 65-seat parliament.

A presidential decision to veto a budget isn't an unusual one – current prime minister and former president Taur Matan Ruak previously vetoed the 2016 state budget over similar infrastructure spending concerns – but it will likely deliver Timor-Leste several more months of the skeleton state spending that has characterised much of government finance since the July 2017 election that delivered a minority government unable to win support for its program and subsequent budget.

Not all Timorese are troubled by the delay. “We don't need money,” a supporter wrote on Facebook as the news broke. “*Ami nia batar isin ona,*” – our corn is in the husk already.

Magalhaes argued that the infrastructure spending would create an enabling environment for economic diversification and describes the “one-off” Greater Sunrise acquisitions as an investment.

“One cannot fix the economy and diversify it without roads, bridges, ports,” he says. “The challenges [for Timor-Leste] require more than simply injecting more money. Take education, for example. The minister said it is more important to fix the system before we put more money. It faces systemic problems which require a systemic response.”

La'o Hamutuk researcher Celestino Gusmão said that the institute's analysis prices the total cost of Greater Sunrise development at \$15 billion – almost the entire sovereign wealth fund that guarantees the oil-revenue-dependent country's future.

“The Petroleum Fund isn't sufficient,” he said. “The money [for development] could come from loans, but we don't have a creditor interested in giving. And loans can have heavy consequences. We see the government will in fact develop Greater Sunrise, they'll enjoy all the money in the Petroleum Fund, and after that there will be no money for the issues that connect with people's lives.”

If AMP chooses not to amend the budget and a presidential bypass does require the super-majority the government lacks – President Guterres' Fretilin party holds 23 seats and appears determined to stymie the budget's passage – the president may be empowered to dissolve parliament, as he did in January 2018. Magalhaes said the government would welcome a new election.

“[AMP] is convinced that it will secure another solid majority,” he says. “[But] there is no reason, political or constitutional, to hold another election. We have a functioning parliament and normally functioning state institutions, and a government with an approved program.”

Magalhaes said that the government has ensured the payment of public servants' salaries and pensions to veterans, single mothers and the elderly.

“The government has done and is unfailing in carrying out its duty, [and] now we await other state institutions to do theirs.”