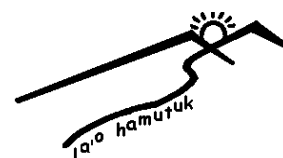


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Press Release

Analysis, concerns and suggestions from La'ó Hamutuk regarding the proposed General State Budget for 2022

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Dili, 18 November 2021

Every year, in accordance with constitutional requirements, the Government proposes the annual General State Budget to National Parliament for discussion, revision and approval. On 15 October, Government presented its proposal for 2022, and Parliament is currently holding hearings to hear various perspectives from invited institutions and organizations. La'ó Hamutuk was invited by Committee C (Public Finances) to testify on 15 November and make a written submission, to provide information prior to the plenary debate.¹

The following are some of the main points in La'ó Hamutuk's written submission:

- Members of Parliament and the public need accurate and complete information before making decisions, which should be based on strong facts and evidence to reduce the chance of error and to move Timor-Leste in the right direction for the future. For example, we need complete information from the Ministry of Finance and TimorGAP about the revaluation of the Petroleum Fund's investment in Greater Sunrise from \$700 million to zero.
- Future projections should be done seriously, about recurrent spending, spending from the Infrastructure Fund and petroleum revenues. La'ó Hamutuk notes that in Book 4, recurrent spending increases 4% on every line, and Infrastructure Fund spending is unchanged from 2022 to 2026. No information is provided about petroleum revenue forecasts after 2023. La'ó Hamutuk believes that these numbers are not based on serious planning, and we ask Parliament to have in-depth discussions with Government to clearly understand the total costs and projections for each program and project.
- The budget proposal includes unsustainable projections for future years. Government's spending plans are not based on Timor-Leste's financial situation, and expect major increases at the moment when oil and gas production will end, the Petroleum Fund will empty soon, and our domestic economy is not yet strong enough to support the needs of the State and the People. Therefore, we suggest that Parliament urge Government to consider our financial and economic situation before deciding the direction for future development. Timor-Leste oil and gas reserves

¹ The full text of our submission (in Tetum) is at

<http://www.laohamutuk.org/econ/OGE22/211115LHSubPNkonabaOJE2022te.pdf> .

More information about the process and contents of the 2022 state budget is at

<http://www.laohamutuk.org/econ/OGE22/21OGE22.htm>.

have already been almost entirely converted to cash, which is invested in international financial markets whose fluctuations are beyond our control. The finite amount in our Petroleum Fund will be quickly exhausted if we don't use it wisely to support building strong human resources and sustainable productive sectors.

- For example, although the current Government has stated that it will re-evaluate the plan to build the Tasi Mane Project and its components, we have not yet seen the evaluation process but continue to allocate money: \$1.5 million in 2022 and \$747 million in the following four years, including allocations to displace community people from areas where the project may never be built.
- We need more complete information about the impacts of borrowing. To date, Government has borrowed more than \$500 million, and there should be more specifics about disbursement and plans for additional borrowing, which the proposed budget limits to \$410 million in 2022. We suggest that Parliament explore the long-term implications of these loans for Timor-Leste.
- The “program-based budgeting” system doesn't yet meet its goals and hides essential information. La'o Hamutuk agrees that a budget base on programs is good to strengthen the budgeting system, but when entities' allocations of their activities to programs doesn't match reality, or is inconsistent, it reduces transparency and fails to improve the budget process. Therefore, we suggest that Parliament ask Government to improve the budgeting system to promote transparency and accountability, and to provide information about allocations to each state organ and directorate.
- Timor-Leste should invest more in human resources, such as education, health, water and agriculture. We see a big difference between the Government's talk about prioritizing social and economic sectors and the budget allocations – the proposed 2022 budget appropriates only 17% for these four important areas. We encourage the Members of Parliament to discuss this, and together to decide a budget direction based on current realities, to truly help those people most in need of support.
- We should not subsidize civil servants while many rural communities confront hunger. We note that the plan to offer a \$25 million food subsidy for government employees contradicts the Government's stated goals of achieving food security, improving nutrition and promoting sustainable agriculture. We suggest that Government could find more strategic ways to support farmers themselves, rather than public servants who already get monthly salaries.
- We noticed many errors and incorrect information in the budget documents, and ask Government to give accurate information, and ask Parliament to confirm data in the budget books. For example, Table 12 in Book 1 says that \$40.2 million will be allocated to EDTL, E.P. in 2022, but the real amount is \$90 million. The table says \$0.4 million will go to BTL, E.P., but the reality is \$17 million. The total in Table 12 is about half of the actual allocation. Our submission gives many other examples.
- La'o Hamutuk offered eight specific recommendations to Parliament and Government, which you can read in our submission.