

# PRESIDENT OF THE REPUBLIC VETO STATE BUDGET 2019 - Presidência da República de Timor-Leste

## STATEMENT TO THE PRESS

On December 24, 2018, the Presidency of the Republic received, from the National Parliament, the Decree No. 4 / V – General State Budget for 2019, through the Office of the President of the National Parliament, accompanied by a letter number 201 / GPPN / XI / 2018.

The National Parliament approved, this year, the largest ever General Budget of the State of Timor-Leste. This budget corresponds to US\$ 2,132 million. There is an increase of 53.7% and of 66.9% in relation to the budgets approved in 2017 and 2018, respectively.

Considering the powers vested upon him under articles 85 (a) and 88 (1), both of the Constitution of the Republic, His Excellency the President of the Republic decided to veto in a well-grounded message addressed to the National Parliament, on 23 January 2019. In that Message, the meaning of the President's sovereign decision is specified, in compliance with the provisions of number 1 of article 88 of the Constitution. The main reasons for the veto, by the President of the Republic, are the following: 1. **Grave unsustainability issues of the State Budget 2019.** The total amount of the General State Budget for 2019, US\$ 2.132 million, is the largest ever in the history of Timorese fiscal policy. This amount represents a significant increase in the fiscal deficit and, consequently, due to a lack of internal financing capacity, the State is obliged to withdraw from the Petroleum Fund 249% above the ESI (Estimated Sustainable Income). In fact, on the one hand, oil revenues are decreasing because of the decline of the oil world prices and, on the other hand, the volume of the Bayu-Undan oil fields has decreased significantly. The current pace of withdrawal of funds from the Petroleum Fund is jeopardizing the sustainability of the Fund itself. Excessive transfers at such high levels accelerate the eventual extinction of the Petroleum Fund. The data provided by the Government itself indicates that there may be no timely financing alternatives from new oil resources. Despite these Government estimates, no financial sustainability measures are envisaged. 2. **Orientation contrary to the Constitution and structuring laws.** The General State Budget for 2019, as part of an economic and financial policy, as described above, contradicts rules and principles of the Constitution of the Republic and of laws that structure the development, such as the mandatory financial reserve, the budgetary unit and the eligible investment, when withdrawals are made directly from the Fund. In addition, the proposal for the General State Budget 2019 does not correspond to the Government Program accepted by the National Parliament, *regarding economic diversification and jobs creation, as well as the prioritization of investments in relation to social capital and economic development.* 3. **High budget imbalance.** Citizens are the most negatively affected by the allocations of this General State Budget, since a significant chunk of the budget, that is about 32%, or 1/3 of the budget, goes to the acquisition of assets of foreign oil companies, leaving only about 10% for education and vocational training, health, agriculture and tourism, all together. Of these, less than 1% goes to agriculture, only about 6% to the education sector and 3% to the entire health sector, with tourism getting only 0,54%. These values are so low that they do not meet the minimum requirements of social services and economic growth in the mentioned areas. 4. **Absence of alternative policies.** This General State Budget does not presuppose alternative policies financially supported that guaranty the possibility, despite the unsustainability issues, to move forward in the short and medium terms in order to ensure the future sustainability of our development, avoiding fiscal cliff, as well as the resource curse. His Excellency the President of the Republic exercised his right to veto the National Parliament Decree No. 4/V – General State Budget for 2019 and, in a well-grounded message, calls for a new parliamentary review that may consider a fair, balanced sustainable and more efficient use of the financial resources available to the State and the People of Timor-Leste to meet their essential needs and national growth and development. This way, by ensuring the sustainability of the economy, we will be able to build the well being of our children and grandchildren.

23 January 2019