



## Noteworthy items in OGE 2010 English Version

As we examined **the budget documents**, La'o Hamutuk found a number of items which we believe Committee C might want to pay special attention to, as follows:

Page	Subject / Ministry	Item	Documents say	Impact/Comment
006	ExecSumm	Donor support	Lack of information about future years commitments.	Makes it hard to plan ahead.
007	ExecSumm	Oil revenues	2008 was the peak production, so revenues will decline because production is falling, not only from world market price fluctuations.	Good to stay within ESI.
010	ExecSumm	SERN	There is an expected large increase in costs of international consultants for SERN.	Not detailed in SERN pages.
011	ExecSumm	Capital	Is the \$50m for Heavy Oil part of the \$67.8m for all electricity? If so, it omits fuel subsidies. <i>Pakote Referendum</i> not mentioned.	
017	ESI	Calculation	Increased due to increase sales prices, higher price projections, and lower discount rate. See also discount rate in table 6, page 26.	Lower discount rate means we should expect lower return on PF investments as well, invalidating the 3% assumption.
018	Rice	Inflation	Rice prices regionally have dropped to around the price TL sells subsidized rice at. MTCI bought when prices were high, but now sells for low.	So why is there \$25m in MTCI <b>2010 budget for "food security."</b>
018	Economy	Growth	Claimed 12.8% non-oil GDP growth in 2008 is illusory and perhaps meaningless.	See LH submission.
020	Revenues	Domestic	About half of domestic revenues are a mirage, the <b>Gov't</b> paying to itself.	See LH submission.
021	Taxes	2008 reform	Claims that there is a one-year lag from tax cuts to economic growth, but cuts in wage and import taxes should create immediate results.	See LH submission.
022	Table 3	Tax revenues	<b>Doesn't accurately reflect the wage and businesses taxes paid by consultants and contractors working for the Gov't.</b>	
024	Table 5	EDTL	<b>Shouldn't</b> future (gross) revenues increase more if Heavy Oil will come on line?	
024	Kitan	Expected production	Note that Bayu-Undan produces about 60 mmBoe/year at peak, while <u>total</u> Kitan production is about 35mmBoe.	

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029	Chart 4	ESI	<b>The “Misc changes” which increased the ESI by \$8 million are because 2009 expenditures will not exceed ESI by \$181m, as had been budgeted.</b>	
033	Sunrise	Upstream	LH estimates that downstream revenues from Sunrise, if the LNG plant is built in Timor-Leste, will be about 25% of upstream revenues.	<b>Gov’t gives no numbers.</b>
035-36	Financing	Last para.	<b>BFM law “requires that the Government produce a directive on borrowing.”</b> No discussion about how loans will be repaid, or when, what conditions would be put on how the money is spent, or what happens if TL cannot pay.	See LH submission. PN believes it has to pass another law before <b>Gov’t</b> can borrow.
036-37	Sources of funds	Loans	Will TL borrow in 2010? MoU already signed with Portugal. Loan options listed are very simplistic. When does <b>Gov’t</b> plan to seek <b>Parliamentary approval of the “amount of borrowing.”</b> Will it be outside of the budget process? During a mid-year update? \$3 billion will be borrowed for prioritized infrastructure.	Much more information and analysis, as well as solid reasons, should be developed before borrowing. Given <b>Gov’t’s</b> record on planning, managing and implementing infrastructure, this is very troublesome. Future generations will be saddled with repaying <b>future “pakote referenda.”</b>
038-39	Expenditures		No mention of human infrastructure like education and health, but only building mega-projects.	
039	Power plant	Is it on?	<b>“It was clear during the course of the year that due to delays suffered by foreign contractors to the power plant project, a significant level of resources earmarked for that project would not be required in 2009.” Hence Pakote Referendum.</b>	The power plant is not being re-funded at the same level in 2010 or thereafter. Is the project still happening?
041	Expenditure trends	One-off	<b>Lists “power stations” as a “very large one-off payment” during 2009.</b>	<b>This wasn’t</b> paid for the budgeted purpose.
051	CapDev	Loans	<b>Gov’t planning to borrow according to MOU from Portugal for infrastructure projects which “would not be part of the General Budget of the State.”</b>	Violates Parliamentary powers and audit responsibilities, as well as the new BFM law.
052	CapDev	Table 7.6	Omits many capital and development items in 2011 and future years. Also, Min.Infra capital drops in 2011 and falls almost to 0 after that. Where are other big capital projects?	Misleading projections and violation of budget law. Makes it impossible to see impact of spending in future years.
054	Pres	<i>Chega!</i> socialization	<b>Why is this President’s responsibility?</b>	How about implementing its recommendations, which go across many ministries.

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069	PN/PFCC		Work plan should include analysis and socialization of the effect of borrowing on the future of the PF. Also of revising the PF law.	
071	PM	Chamber of Commerce	<b>Why isn't this under MTCI or MED? Why should it get \$400k from "civil society" transfers?</b>	
075	PM	National Intelligence Service	<b>Why isn't this part of Defense or Security budget?</b>	Dangerous for PM to have his own intelligence – is this making his dual roles of PM and Min.D&S a permanent structure?
096,98	SERN	Scholarships	Lots of money to send students <b>overseas, none to support TL's</b> secondary education or UNTL in related subjects.	Benefits elite, not sustainable.
097	SERN	Pipeline task force	<b>Says it's to be formed? Isn't it already</b> mostly finished with its work?	
099	SERN	Suai supply base	Ready to clear land by 2Q 2010; where is plan. Who will use it?	
099	SERN	Betano refinery	Ready to clear land by 2Q 2010; where is plan. What oil will it refine? From where, for who? Many SERN indicators overstate the <b>number of jobs and the "huge increase"</b> in spinoffs.	
099-100	SERN	Sunrise LNG plant	No discussion of negotiations with Sunrise JV on development plan. <b>Plan to establish a "Timor LNG company"</b> in 2010. For what, under what legal basis?	If plant goes to floating or Darwin, TL is not prepared to get benefits.
100-101	SERN	NOC	To be operating in 1Q 2010.	When will legislation be passed? Law or Decree-Law? What consultation process?
101	SERN	ANP	\$1.8 million subsidy, hidden on page 50 <b>of Budget Book 3 as "Professional Services"</b>	Parliament unable to oversee ANP, no ANP budget presented.
105	SS Energy Policy	Rural elect.	Claims to reach 50,000 families, but plan details show under 20,000.	
115	SS Equality	Transfers	Budget says \$150k, text says \$50k.	
115	SS Equality	Action Plan	No mention of Domestic Violence law	
123	Defense & Security	CSB	Why are donor programs in logistical <b>support etc. "not included in the</b> Combined Sources Budget as they are not undertaken with the Government <b>sector?"</b>	Opening for private, military-run businesses which cause many problems in Indonesia.

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140	PNTL	Donor	This page lists \$25,895k in recurrent funding from donors, not explained. But <b>Table 7.2 on page 45 says it's \$17,999k</b> , although table 7.3 has the \$26m figure. <b>What's correct?</b>	Should PNTL be so dependent on <b>foreign funding? What's it for?</b>
152	For Affairs	Future	No budget is provided for 2011 and afterwards.	Violates BFM law.
153	For Affairs	Allocations	Every year, MFA changes how it budgets for overseas operations and travel.	Impossible to analyze.
154	For Affairs	Action Plans	This is generic, with hardly any mention of specific actions to be taken in 2010.	No priorities for particular treaties or diplomatic initiatives. How about extradition treaty with Indonesia?
164	Finance	One-off items	List includes patrol boat, security x-ray machines and dogs. Why are these in MoF budget, rather than Security?	Improved tax collection will be much less than the costs of these items.
164	Finance	Transparency	Improved transparency is a goal, but there are no programs to achieve it, especially in areas of procurement and budget execution.	Will MoF have a public information office, and public access to parts of the procurement and budget execution databases, as promised?
169	Finance	Petroleum Fund Law	Plan to amend the Petroleum Fund Law <b>to "diversify the portfolio" by July 2010</b> . No plans for prior public consultation, or research of investment strategies.	If PF Law is revised before research is done, how can we be sure the new law will <b>best fit TL's</b> needs?
169	Finance	Borrowing and rectification omitted	Nothing in action plan about researching or negotiating loans, or fitting them into a strategy. Nothing about a mid-year budget rectification, although this is hinted at in other areas.	
172	Finance / Whole Gov't	No details	The text says \$2m for border posts (why is this <b>Whole of Gov't?</b> ) but the tables say \$4m. Also, the breakdown of the \$54 million total is only given in book 3: \$9.6m contingency, \$3m overseas travel, \$31m fuel for EDTL, \$1.6m ex-titulares pensions, \$4m border posts, \$0.7m Shanghai expo, etc.	Most of these should be in the budgets of the appropriate ministry or autonomous agency to make <b>Gov't</b> spending patterns clearer. Also, they result in Special Funds (Article 6 of Budget Law) which require extra paperwork and are less transparent and accountable.
176	Justice	DV	<b>Action Plan doesn't mention the pending Domestic Violence Law</b>	
180	Health	Donors, capital.	Budget shows no donor funding in 2009 (although its \$24m in 2010), and expects to <b>"bid for further capital works in a mid-year budget review"</b>	

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187	Education	Staffing levels	Budget appears to freeze staffing levels, but the number of students increases by over 6,000 every year by population growth, and more by increased enrollment rates especially for girls (for MDG and MCC goals).	Education will become even less effective. Also, no ability to train teachers and teach kids at the same time; the kids lost 4 months of education this year.
201	State Admin	Lawyer training	In 2009, 50 scholarships to study in Indonesia, particularly law.	<b>Indonesian law won't be relevant</b> here much longer.
211	State Admin	Insp. Gen. for Games	Send 2 staff to Darwin to study English. Includes sending (6?) staff on a <b>"comparative study on the game of chance and bad-luck in Macau."</b> Includes building 4 cock-fighting arenas (also in MTCL plan).	Is this appropriate use of <b>Gov't</b> money? Revenue generating?
213, 217	Econ & Dev.	Rural Bank IMFTL	<b>The \$8 "capital injection" into this bank</b> is more than half the MED budget.	What plans or oversight are there for this? Is it an autonomous agency or <i>institusi publiku</i> ? Will it generate money or keep absorbing state resources?
215	Econ & Dev.	Environ. Laws	There are plans to develop policy and legislation on EIA, pollution control and biodiversity, but no timetable or consultation mentioned.	These are long overdue, and should be done well. Enforcement mechanisms also needed.
218-219	Social Solidarity	Transfers	Budgeted at \$44.5 million, although discussion indicates total will be larger <b>than \$96.4 million, "pending confirmation of the larger estimates from MSS."</b>	Is this for a mid-year update?
223	Social Solidarity	Health overseas	Budget for 487 people to go overseas for medical treatment, on MoH recommendation.	How are they selected? Is this a permanent need?
223	Social Solidarity	Vulnerable groups	A lot on disabled people, but nothing on PTSD (trauma). Also omitted from MoH.	
227	Social Solidarity	Disaster mgmt	Says 300,000 families will receive humanitarian assistance. Says 91,785,000 people will benefit from subsidies for the elderly and disabled.	How many people are there in TL?
229	Infrastructure	Staff levels	Many new projects are anticipated, including <i>Pakote Referendum</i> , but staffing levels are constant.	Who will manage, supervise and evaluate new projects?
229	Infrastructure	Subsidies	Includes subsidies and budgets for EDTL, ANATL, APORTIL and IGE. This has resulted in some errors in other tables, and incorrect totals.	Needs to be corrected in tables 7.3 and 7.4, and probably elsewhere.
235	Infrastructure	Water	<b>Many references to "drinkable (potable) water." Should it read "running water"?</b>	
237-8	Infrastructure	EDTL	No mention of heavy oil plant or national electric grid, although it takes \$50m in the tables for 2010, and zero after that.	Is this project happening? How will the funding diverted to Pakote Referendum be replenished?

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247	MTCI	Food security	\$25m in 2010 budget. Is this to continue to import rice?	Regional price spike has ended (see p. 18). Is RDTL still buying high, selling low? Why?
247	MTCI	Water park	\$4m for a recreational water park in 2010? Book 2 shows this as a \$7m outlay in Dili, with \$3m more in 2011-12, but <b>that isn't shown in Book 1.</b>	<i>Cui bono?</i> <b>Can't Pelican pay for it?</b>
255	Agric.	Tractors	Program ended.	
268	Courts	House for Pres. TR	Budgeted to plan and acquire land to <b>"build new house for the President of the Court of Appeals."</b>	But his current house is being rehabilitated (for \$246,000) in Pakote Referendum!
284-5	Provedor	Corruption	Fighting corruption is part of PDHJ work plan, but KAK has taken over this responsibility.	<b>It's good that PDHJ continues to</b> look at corruption, as KAK not yet operational, but inconsistent with KAK law.
292	CNE	Transfers	Includes \$1m in transfers, for what?	
300	Anti-Corruption Comm.	2009	<b>Given that this agency wasn't formed in 2009, can't its 2009 funding be</b> reappropriated into 2010?	<b>Plans don't include helping the</b> legislative process create laws to make other agencies (i.e. NOC) more resistant to corruption.
341	Budget Law, Art. 6	Special funds	Many of these would be more appropriately under the budget of a particular organ.	See Min. <b>Finance Whole of Gov't</b> above (p. 172)
342	Budget Law, Art. 8	Self revenues	<b>We don't have the referenced annexes I - III.</b> Hopefully they clarify the subsidies for autonomous agencies scattered throughout the budget, and are complete.	The total amounts should be listed in the budget law itself, as the <b>Gov't doesn't consider annexes</b> legally binding.
342	Budget Law, Art. 9	Donors	All agreements with donors must be public, and their amounts reported as part of future budgets and budget execution reports.	This is required by the Constitutional ban on secret budgets.