

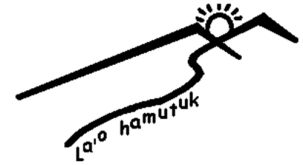
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Open Letter to

State Institutions of the Democratic Republic of Timor-Leste

**Minister of Finance, President of the Republic, National Parliament,
Government and Court of Appeal**

Regarding the Results of the 2023 Open Budget Survey

12 June 2024

With respect,

La'o Hamutuk has participated in the Open Budget Survey (OBS) as an independent civil society researcher since 2012. The 2023 Open Budget Survey is an independent survey conducted every two years comparing 125 countries, including Timor-Leste.

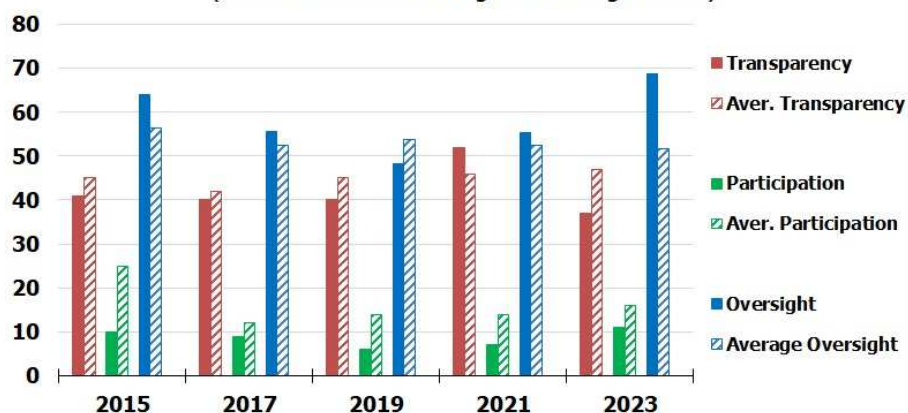
The survey was conducted using research instruments based on factual information, employing international standard criteria. The measurement mechanisms in this survey involves examining public accessibility to budgetary information published by the Government, opportunities for public participation in budgetary processes, and the roles of legislative entities, national auditors, civil society, and the public in ensuring balance and control in the budgetary process.

On 29 May 2024, the International Budget Partnership (IBP) launched the results of the 2023 Open Budget Survey, which evaluated events in 2021-2022 related to preparation of the 2023 State Budget under the administration of the VIII Government and the implementation and oversight of previous budgets. The survey consists of 240 questions, completed by an independent investigator from civil society (La'o Hamutuk for Timor-Leste); before publication, the results were reviewed by an independent expert and a representative from the Timor-Leste Ministry of Finance.

From 2020 to 2022, Timor-Leste did not improve its transparency score, primarily due to the Government's budgeting decisions – collecting revenue, providing essential services, repaying loans.

Timor-Leste's OBS scores over time

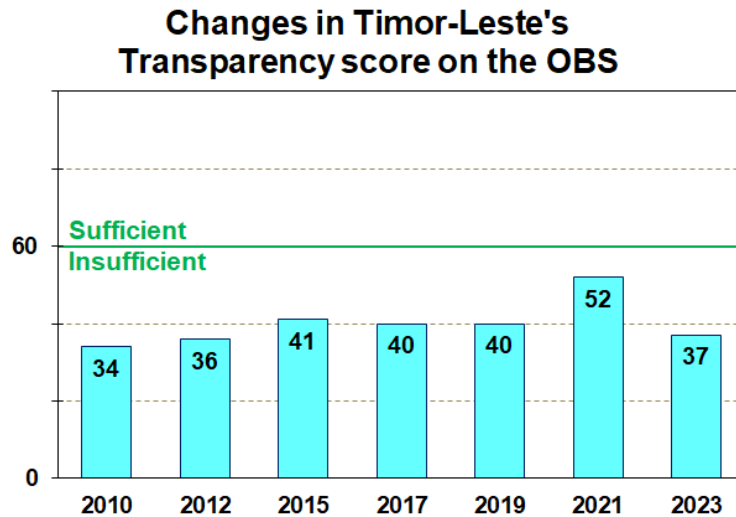
(cross-hatched bars are global average scores)



These concerns have important consequences for everyone in society. When the government provides and disseminates timely information through accessible channels in language that everyone can understand, it encourages policies to spend public money in the public interest.

The commitment to improving transparency remains weak.

Although transparency scores worldwide increased by 24%, Timor-Leste's transparency score dropped by 15 points compared to the last OBS (in 2020) and is almost the same as a decade ago. This situation demands close attention from the Government of Timor-Leste. For many years, the Government has repeatedly promised to improve transparency from budget planning to execution, to ensure that all information related to public spending is accessible to everyone.



Nevertheless, the oversight score has improved by 12 points compared to two years ago, reaching 68 out of 100. This score is better than those of Indonesia and Malaysia. Additionally, the participation score increased by four points from the last OBS, now standing at 11 out of 100. This indicates that the Government has begun to improve and provide public space in some budgetary processes, but this score remains very low compared to other countries in Asia.

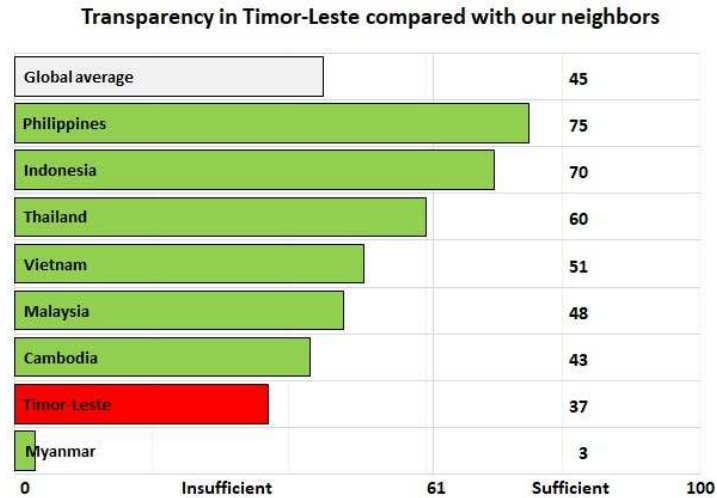
Although the Government has taken some initiatives to promote better transparency, it still lacks a strong commitment to significantly improve it. This has been noted since 2022, when the VIII Government made inconsistent changes to legal frameworks in the Budget Framework Law through the Budget and Financial Management Law. This was amended by the IX Government last year, after the OBS research) to eliminate the Major Planning Options Law, removing an opportunity for the public and National Parliament to discuss priorities and programs that could help the Government prepare the annual budget proposal; it also discourages the Government from discussing long-term plans.

La'o Hamutuk appreciates the intentions of the IX Government, as well-described in the amendments to the Budget and Financial Management Law, but we still encourage the Government to implement these practices, especially program-based budgeting written into the laws, to provide more detailed and specific information throughout budgetary planning, implementation, and monitoring. In addition, the Government should submit proposals within the determined timeframe and allow sufficient time for the National Parliament to carefully analyze them before making decisions.

OBS 2023 Indicators for Timor-Leste

Transparency

The transparency score measures public accessibility to information on how the Government raises and spends public resources. The investigation of these processes mainly focuses on online availability, timeliness, and the provision of detailed and comprehensive information in the eight key documents of the State Budget cycle.



During 2022, although the Timor-Leste Government managed to publish the 2023 Pre-Budget Statement and the 2022 Year-End Report online and in a timely manner, these publications did not provide information with the same level of detail and completeness as other documents such as the Annual Report, Mid-Year Review, Citizens' Budget, and Executive Budget Proposal.

Therefore, Timor-Leste only scored 37 out of 100, indicating that our transparency is severely insufficient. Globally, the nation ranks 83rd of 125 countries, lower than countries such as the Philippines, Indonesia, Thailand, Vietnam, Malaysia, and Cambodia.

Public Participation

Public participation measures opportunities for public involvement in various stages of the budgetary process: formulation, enactment, execution and oversight. Timor-Leste's score for public participation is 11 out of 100, and it continues to rank lower than the Philippines, Malaysia, Thailand, Indonesia, and Vietnam.

Budget Oversight

Budget oversight is evaluated through the functions of legislative bodies and supreme audit institutions, which also play a significant role in the budgetary process by carrying out control and oversight to ensure accountability throughout the process.

Timor-Leste scored 67 out of 100 in this regard, an increase of six points compared to the 2021 period. This is considered an adequate or satisfactory score.

Summary

The results of the 2023 OBS show that Timor-Leste has not demonstrated consistent improvements in transparency and public participation. This lack has significant implications for the nation's

governance practices, which continue to fall short due to the lack of robust oversight and accountability from the public, civil society, and other relevant entities. It's crucial to ensure that the state spends public money fairly, sustainably, and with consideration for urgent national and public priorities.

Although the publication of documents is crucial, Timor-Leste's government needs to be serious about transparency practices to provide clear, detailed, and comprehensive information, particularly in their considerations of the nation's economic matters to address the real situation both now and in the near future.

Recommendations for the State of Timor-Leste to Put into Practice

Based on the results of the transparency score, here are some recommendations for the Government to enhance budget transparency:

- Improve the content and information in the Executive Budget Proposal, especially by including public data on macroeconomic projections and the financial position of the state. For instance, include information on how new policies affect revenues and expenditures in the budget proposal, as well as multi-annual revenue and spending projections.
- Expand and consider aspects of inclusivity and participation in the production process in the Citizens' Budget book by formalizing accessibility through various mechanisms that make it easier for the public to access updated information, such as increasing ways to disseminate information through social media, television and radio.
- Ensure that budgetary information is detailed, comprehensive, timely and easily accessible, especially for the In-year Reports, Mid-Year Review, and Year-End Report. Furthermore, we encourage the Government to improve the reliability and accuracy of publications, ensuring timely accessibility to the public, and to promote information in Tetum on the Transparency Portal.

Based on the results of the public participation score, we recommend that the Government expand the mechanisms in the budgetary process from formulation through execution to involve civil society organizations, media, and the public. This involves inclusive methods to ensure that all citizens can participate, get new information, follow all processes.

We recommend that the National Parliament provide space for the public and civil society organizations to present their analyses and perspectives before Parliament approves proposals from the Government, including ensuring that so-called "public hearings" are open to the media. Furthermore, opportunities should be provided for the public and civil society organizations to have input into discussions of audit reports.

In addition, looking at the oversight score, which is already considered adequate, we suggest further enhancement in the formulation and planning processes to evaluate Budget Proposals thoroughly and in detail, publishing the reports online and ensuring that specific content is brought into plenary discussions. We also encourage oversight bodies to examine the budget implementation and audit reports, and to make public the information identified during the examination process, including analysis and recommendations¹ that we have shared with the National Parliament in December 2023.

¹ https://www.laohamutuk.org/econ/OGE24/231207LH_Submisaun_ba_Komisaun_C_PN_OJE_2024te.pdf

We appreciate that the Government has reduced the fraction of spending through public transfers, although it remains significantly high (approximately 40%). However, we continue to be concerned about the large deficit between expenditure and revenue that the nation currently faces, especially when considering unsustainable withdrawals from the Petroleum Fund. Therefore, we encourage the Timor-Leste Government to carefully consider realistic priorities which address our domestic situation and ensure the daily lives of our people, by investing in essential sectors to implement every person's human right to education, health, and nutrition. Also, investments should be made in the productive sector to strengthen a resilient, equitable, and sustainable domestic economy.

La'õ Hamutuk remains ready to share our analyses and constructive critical thoughts with Timor-Leste State Institutions to continue to assist and support the nation's development process. More detailed information regarding the 2023 Open Budget Survey 2023, is on the IBP website.² The OBS 2023 report for Timor-Leste³ and the questionnaire⁴ are also online, as is the Tetum original of this open letter.⁵

Thank you very much for your attention and consideration.



Marta da Silva
La'õ Hamutuk Coordinator

² <https://internationalbudget.org/open-budget-survey>

³ <https://www.laohamutuk.org/DVD/2024/open-budget-survey-timor-leste-2023-en.pdf>

⁴ <https://www.laohamutuk.org/DVD/2024/OBS%20questionnaire%20timor-leste-202405131333.pdf>

⁵ <https://www.laohamutuk.org/econ/trans/OBS23/240612KartaAbertaLH-OBS2023te.pdf>