



Timor-Leste: The Contribution of Parliament's Budget Oversight Function to the Building of a New Nation

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TIMOR-LESTE: THE CONTRIBUTION OF PARLIAMENT'S BUDGET OVERSIGHT FUNCTION TO THE BUILDING OF A NEW NATION

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INTRODUCTION

One of a parliament's most fundamental capacities is to debate and monitor government spending (the budgetary oversight function of the legislature).ⁱ The national budget is politics in distilled form and must be cleared by the people's assembly. This paper looks at the Timor-Leste Parliament's role in upholding this accountability and the appropriateness of international assistance in this area so far.

A referendum held on 30 August 1999 gave the East Timorese the opportunity to choose an independent life from the occupying forces of Indonesia. Following this development, the United Nations Transitional Administration in East Timor (UNTAET)ⁱⁱ was created with the overall responsibility for the administration of East Timor, and was empowered to exercise all legislative and executive authority.

A new democratic Constitution was approved on 22 March 2002. The first democratic presidential elections were successfully held on 14 April. Consequently, the formal transfer of power from UNTAET to a new East Timorese Government took place on 20 May, an act that marked the final step in the efforts of the East Timorese to create their own nation—the Democratic Republic of Timor-Leste.

The Constitution establishes a semi-presidential model influenced by the Portuguese system. It provides for a system of state with a President elected by popular vote, a Premier and cabinet that perform executive functions, a unicameral Parliament and a judiciary led by a Supreme Court of Justice. The Constitution allows for a clear separation of powers, and the principle of executive accountability to the legislature and the President of the Republic, although limited programmatic provisions enforce this principle. The President has limited political powers and lacks legislative initiative.

Timor-Leste is perhaps the poorest country in Asia. The territory is small. The population is about 900,000 and relatively homogenous, ethnically and religiously, and there are no external threats. Human resources are limited, with subsistence farming the main livelihood for the majority. One in five persons lives on less than the international poverty line of US\$1 a day. Life expectancy is only 57 years and one in two Timorese is below the age of 15. The youth literacy rate is 77 per cent and adult literacy has fallen to

48 per cent.ⁱⁱⁱ There are, however, significant oil resources in Timor-Leste's territorial waters. Properly managed, these could greatly benefit the process of nation-building. The state apparatus will play a key role in this respect.

UNDP Timor-Leste's interest in Parliament's national budget review and oversight capacity is a reflection of the importance of this issue. At present, 8 per cent of the national budget comes in the form of direct budget support from donor countries through the World Bank.^{iv} Donor support for Timor-Leste is diminishing, however, although oil revenues might rise sharply over the coming years, making the state apparatus increasingly reliant on oil taxes. It is important to establish a good governance culture in the early development stages of the state organism – both inside the executive branch, but also in terms of a system of external checks and balances centred on Parliament.

A National Development Plan guides the Government towards a 2020 vision. The Plan already internalizes the Millennium Development Goals, although an action plan to achieve them is still required. The Plan has two overarching objectives: to reduce poverty and promote economic growth. It makes the rapid introduction and consolidation of basic state institutions a top executive priority.

All institutions are being built from inception, including Parliament. The Plan spells out a number of objectives for various branches of the state. For Parliament, it calls for an institution with the capacity to legislate, consolidate a multi-party system, counterbalance the executive powers through oversight and engage civil society in participation in national life.

A coherent economic policy will be crucial to achieving the Plan. Since Parliament is responsible for approving and monitoring the budget, its capacity to do so must be built, and from little prior basis. While the Government must be in charge of execution, Parliament must have the capacity to verify that the development process is efficiently managed, and to impose political accountability for mismanagement and corruption. It is therefore necessary from the beginning to create precedents for a parliamentary role in the budget planning process, transparency in resource allocation and budget determination, and a credible monitoring capacity.

This paper is divided into 10 sections: a general overview of the parliamentary roles in democracy, background information on the National Parliament of Timor-Leste, background information on the Government of Timor-Leste, an overview of Parliament's budget oversight function, the legal framework for budget oversight, an

analysis of Parliament's oversight capacity, Parliament's 'sector' donors and coordination mechanisms, capacity development strategies adopted by donors, a review of the impact of donors' interventions and lessons learned.

The paper also looks into a number of factors considered by researchers and international experience as relevant conditions required for the development of effective budget oversight mechanisms by parliaments. These factors are: the legislature's constitutional powers to amend the national budget, political dynamics in parliament, budget transparency and information, the role of committees in the budget process, the timing of the budget process and independent research expertise. These aspects are analysed within each of the categories above.

The research for this paper used methods including qualitative analysis. Data collection was carried out through interviews, group discussions, written documents and questionnaires. Primary sources were international development agencies and parliamentary actors (the Modernization Committee, presidents of standing committees, party benches leaders, secretariat staffs and key members). A formal discussion with the Finance Committee on the research could not take place given their busy agenda during the research period. Individual interviews were carried out with some of the committee members, however. The full list of documents reviewed and persons met is in the bibliographical resources. Other sources of information have been recent literature on Parliament's budget oversight functions and international interventions for capacity development.

PARLIAMENTS AND DEMOCRACY

A parliament is a sovereign body that helps to sustain democracy by connecting the people to their government, articulating their needs in laws, and providing them with a resource if executive authority is abused. Functional parliaments promote good governance, which contributes to a nation's democratic performance.

Three key functions are entrusted to parliaments: representation, in the form of voicing people's concerns and demands to the government; lawmaking, by translating society's preferences into policy through adoption of fair legislation; and oversight, which means monitoring government activities and programmes for efficiency, responsiveness and properness. The government, either directly elected by the people or springing from the parliament, is accountable^v to the legislature.

Post-conflict and transitional parliaments are increasingly assuming a role in national reconciliation and peace-building. With their varied membership, parliaments are suited for serving as a forum for dialogue. Such legislatures can potentially contribute to poverty alleviation processes by exercising their ‘power of the purse’.

THE NATIONAL PARLIAMENT OF TIMOR-LESTE

Established by the Constitution as a sovereign embodiment of the electorate, the National Parliament of Timor-Leste is granted legislative, oversight and political decision-making powers.^{vi} Parliament is a unicameral body of 87^{vii} members, out of which 23 are women. Originally assembled in 2001 under international auspices to draft a constitution, the body automatically became the Republic’s first-ever National Parliament upon independence in May 2002 and as such is to serve a full five-year term.

As a sovereign body, Parliament sets its own rules. The internal organization and procedures are laid out in the Standing Orders. The in-house political leadership is composed of the Speaker and a multi-party board of five members.^{viii} The leaders of party benches form the Conference of the Representatives of the Parliamentary Benches, a deliberating organ.^{ix} With 13 parties represented in Parliament, these two bodies have proven crucial to developing an inclusive policy that has fostered political stability within the legislature. This is quite a relevant fact, considering the country’s vulnerable situation at this post-conflict stage.

As in most parliaments, the brunt of the institution’s work and decision-making is prepared and agreed in sub-units, rather than in plenary. The relevant sub-units are seven standing committees. All representatives sit on one or more^x of these committees. Each committee is like a mini-parliament, specializing in areas that correspond to certain government departments. The standing committees include: Committee A on Constitutional, Legal and Human Rights Affairs; Committee B on Foreign Affairs, Defense and National Security; Committee C on Economy and Finance; Committee D on Agriculture, Fisheries and Environment; Committee E on Education, Culture, Youth and Sports; Committee F on Health, Social Action and Labor; and Committee G on Infrastructure.

In addition, Parliament has created two ad hoc committees: the Veterans Law Committee and the Modernization Committee.

An in-house civil service supports elected representatives. A Secretary-General leads the Parliament Secretariat (presently 35 staff). The organization and functions of

the Secretariat are laid out in the Organic Law of the National Parliament of Timor-Leste, which is presently under revision.

The Constitution explicitly provides for a multi-party democracy. Seventy-five representatives are elected on party tickets, and 13 are elected to represent districts.^{xi} The Fretilin party is by far the most dominant with 55^{xii} seats, forming a one-party Government, as it generously bypasses the second-biggest party, the Social Democrat Party (Partido Social Demócrata or PSD), which has just seven seats. Other parties include the Timorese Democratic Union (União Democrática Timorense or UDT) and the Union of Son Heroes of the Mountains of Timor (Klibur Oan Timor Asuwain or KOTA). As the parties are new, they have weaknesses in their structures and political platforms. Party funding is precarious and structures outside the capital, Dili, appear weak.

Parliament has extremely limited human resources. Representatives are still in the early process of finding their roles. Administrative staffs are inexperienced, and there is a dearth of adequately trained lawyers, economists and policy specialists to assist the representatives' work in the parliamentary standing committees. Systems and processes regulating workloads are still being shaped.

In Timor-Leste, the Government has not only a budgetary, but also a legislative initiative.^{xiii} It is pushing an ambitious legislative framework through Parliament. International advisors in the ministries draft the bills, in Portuguese. Due to technical and language constraints, Parliament usually adopts the submitted bills with little analysis or input. Moreover, the Government increasingly resorts to ruling by decree, with limited public debate.

THE GOVERNMENT OF TIMOR-LESTE

Like Parliament, the Government is established under the Constitution. The brunt of executive power is concentrated in the Prime Minister. The Prime Minister is not directly elected, but designated by the party or coalition with a parliamentary majority, and formally appointed by the President, who also appoints the list of cabinet ministers submitted by the designated Prime Minister.

Under the cabinet, called the Council of Ministers, the executive branch comprises some 12,000 civil servants distributed among 20 ministries and secretariats of state. A Secretariat of State for Parliamentary Affairs was created in 2002. Its organic

law has not been adopted yet, but its secretary functions as a bridge between the Government and Parliament.

Under the Constitution, the Government of Timor-Leste has considerable lawmaking powers. As with many other governments, it has exclusive regulatory authority over its own organization and functioning. The Constitution of Timor-Leste goes much further, however, adding the “direct and indirect management of the state” to the exclusive domain of the Government to decide by decree.^{xiv}

As in other post-conflict countries, many donors’ development strategies have concentrated on the executive branch—overlooking to some extent the development of the judiciary, Parliament and civil society. The pressures for growth and poverty reduction, and the need to stabilize the public administration, have prompted the international community to provide many physical and human resources to the Government. A cadre of 100 ‘stability’ advisors has been fielded to discharge core administrative functions; 200 ‘development advisors’ have supported social and economic development processes (these positions have gradually been downsized). Virtually all such advisors have been deployed in government ministries. Only three have been posted in Parliament.

This situation has caused the Government to centralize expertise and legislative capacity. But this paper maintains that without strengthening the appropriate checks and balances, there will be an accountability deficit in the state apparatus that facilitates a lack of transparency, mismanagement and nepotism. This might inevitably hurt development. Limited resources, notably the prospective oil revenues, need to be effectively allocated and transparently managed. This is where Parliament has a crucial role to play.

The President of the Republic, who holds limited political powers, has a non-partisan status. He has sought to establish a harmonious working relationship with the Government and the political parties, and has worked hard to hold politicians accountable for performance. Most important, the President, who is widely popular, has led national reconciliation and peace-building efforts. He has either sponsored or widely supported national dialogue and reconciliation initiatives, and has strongly advocated for an amnesty for those already indicted for human rights abuses. In agreement with the Government, he has supported actions to strengthen cooperation with Indonesia.^{xv} Parliament’s reaction to these initiatives has been mixed, as not all members support such policies.^{xvi} This tendency reflects the thinking of wide sectors of the population.

In a context in which the President has been at the front of national reconciliation initiatives, and the Government has grown strong and holds the legislative capacity, Parliament has naturally combined its representation and oversight functions to monitor the Government's performance and delivery of services to the widely poor population. Through its budget oversight function, Parliament is attempting to ensure the achievement of poverty alleviation and the related objective of lasting peace.

WHAT IS BUDGET OVERSIGHT?

The Government in Timor-Leste has the budgetary initiative. It proposes national budgets for the impending year, and the ministries, guided by the cabinet, implement programmes accordingly. As the national budget is as much a political as a financial statement, the Constitution states that it has to be approved and monitored by the democratically elected Parliament.

Budget oversight is a continuous, cyclical process, from the beginning of the fiscal year to its end, and from one election to the next. Through budgetary oversight, Parliament ensures that the allocation of state revenues and expenditures are properly considered and fiscally sound, and that government policies address the significant needs of the population, and are executed in a proper and transparent manner. In the process, Parliament can help reduce gaps between planned and actual budgets, curb corruption and generate efficiency in ministerial spending.

The legislature's budget approval power determines the scope of the Government's rights to spend public money or raise revenues. Through subsequent budgetary oversight, by requesting the Government to submit details on proposed expenditures, including figures and the purposes of budget items, Parliament can promote transparency in the Government and civil service. Crucially, ministers are accountable^{xvii} to the legislature for the management of public finances. This promotes good governance, as the budget provides a disciplining framework within which ministries must perform their functions. Members of the Government cannot go beyond the financial and functional parameters set by the approved budget for each department.

The national audit plays a vital role in monitoring the budget by reporting on the general financial integrity of the administration, crucial information in cases of irregular expenditure, corruption and mismanagement. The audit report is a tool Parliament must

use for its political oversight through calling government members to account and recommending appropriate actions.

The Government will always have a larger information base than the legislature, and Parliament will enter the budget process at a secondary stage. Parliament needs sufficient, timely and accurate information from the Government, therefore, in addition to in-house technical capacity to effectively perform in the budget process. In general in most developing and transitional countries, the legislature's powers and capacity to execute the budget oversight function satisfactorily are extremely important because budget implementation can significantly diverge from approved budgets. This is a key issue underlying the ineffectiveness and inefficiency of public expenditure.^{xviii}

BUDGET OVERSIGHT IN TIMOR-LESTE

Timor-Leste's poverty reduction strategy is outlined in the National Development Plan (Vision 2020), which was presented by the Government in May 2002.^{xix} The Government has established as immediate priorities law and order; justice; the legitimization of local authorities; employment creation; and service delivery in health, education and agriculture in order to reduce poverty. In the medium-term, the Government plans to focus on infrastructure development, education and health, and economic recovery. The implementation of the National Development Plan has been accompanied by a Road Map and comprehensive sector investment programmes^{xx} that serve as the basis for the preparation of the national budget.

The budgetary process in Timor-Leste involves three phases: formulation; debate and approval; and execution, monitoring and auditing.

In terms of the first phase, the Constitution establishes the Government's authority to prepare a state plan^{xxi} and national budget, and execute them. The Budget Office of the Ministry of Finance leads the formulation of the national budget.^{xxii} A final budget proposal that builds on the Government's and donors' agreed priorities in implementing the National Development Plan is submitted to Parliament, by middle to late May, for debate and approval.

The Ministry of Finance prepares a Combined Sources Budget. It includes the following financial mechanisms: the Consolidated Fund for East Timor (the central account of the Government), the Trust Fund for Timor-Leste, bilateral and multilateral funds, and UN-assessed contributions.^{xxiii} Funding of \$234 million is needed to finance the National Development Plan in fiscal year 2005-2006.^{xxiv} The Combined Sources

Budget is submitted to Parliament to provide an outline of the Government's medium-term fiscal strategy. The Consolidated Fund for East Timor,^{xxv} however, is the only budget directly managed by the Government and approved/monitored by Parliament.

A Mid-Year Budget Revision is carried out every December, to adjust the national budget in accordance with actual available funds. The revised budget is also submitted to Parliament for approval.

For the second phase of the budgetary process, the Constitution grants Parliament the power to deliberate on budget proposals related to the Consolidated Fund for East Timor. For fiscal year 2004-2005, the estimated total government income was \$192.3 million, broken down as follows: \$31.6 million from domestic revenues, \$129.8 million from oil revenues and \$30.9 million from donor support to the budget.^{xxvi} A paper explaining government programmes and fiscal policies supports the budget document.

Parliament needs a reasonable period of time between the Government's submission and the new fiscal year to analyse and debate the budget proposal. The Timor-Leste Constitution sets no deadlines for the Government's submission, or for Parliament to approve the budget. Parliament's Standing Orders, however, which have the force of law, establish the Government's duty to submit the budget proposal to Parliament 90 days before the beginning of the economic and fiscal year (30 June to 1 July). This fits badly with the Ministry of Finance's budget time frames, which are even shorter, causing submission delays every year.^{xxvii} This situation has had a negative impact on the legislature's ability to properly deliberate on the budget document.

Once the Government has submitted its budget proposal to Parliament, Chapter VII of the Standing Orders outlines the in-house budget approval process, which usually goes from late May to June. The new budget should be approved before 1 July.

Each of the seven parliamentary standing committees prepares a technical report on appropriations within their sectors (15 days). The committees then send their reports to the Finance Committee. The Finance Committee^{xxviii} agrees on a final consolidated opinion (10 days). During the time given to committees to prepare their respective reports, they have the power to set meetings with government members as necessary.

The committees' preparation precedes the national budget debate and vote in plenary. There are actually two plenary debates. In the first, the Prime Minister presents the assembly with the overall proposal (three days), and members may ask questions. The second debate is to discuss the budget details of each ministry, with the

participation of the Government's respective members (10 days). A final overall voting closes the process.

The Constitution does not spell out the extent of the legislature's powers to amend the Government's budget proposal—that is, to remove, add or otherwise make changes in individual components of the budget. Parliament's internal rules also do not address this issue.^{xxix} The power given to Parliament to deliberate on the national budget has been widely interpreted to include both rejecting the entire bill and suggesting amendments, which the Government may or may not accept. If the Government rejects the proposed amendments, then Parliament can either approve or vote down the budget. The Constitution, by not regulating the issue more explicitly, leaves room for negotiation between Parliament and the Government according to the political dynamics.^{xxx}

Although gender dimensions are stressed in the National Development Plan, gender budgeting was not cited as a concern in the 2004-2005 budget or previous budget proposals.^{xxxi}

The third phase, budget execution, monitoring and auditing, begins once the budget has been approved by Parliament, and the Government executes it through its ministerial bodies. In this phase, it is important that the Government develops sound and transparent internal financial management systems and processes. High ethics are a must.

Corruption seems to be an increasing concern in Timor-Leste, however. The executive has created an internal oversight mechanism, an Inspector-General with a mandate to investigate corruption cases in the civil service.^{xxxii} The Inspector-General's Office is attached to the Office of the Prime Minister. Even though the Inspector-General is already conducting some investigations, his work will only become fully effective once his office's organic law is approved by the Council of Ministers, and his office is adequately staffed. On a related front, the Government has signed the United Nations Convention against Corruption and has expressed intentions to submit it to Parliament for ratification in 2005.

Externally, the oversight of budget execution is a task constitutionally granted to Parliament and the High Administrative, Tax and Audit Court.^{xxxiii} Since the Court^{xxxiv} is not in place yet, an independent external firm currently audits government accounts, and the respective reports are submitted to Parliament.^{xxxv} Under these circumstances, and

while the Court is set up, Parliament's capacity to perform the oversight function becomes particularly important.

The Constitution provides for Parliament's duty to deliberate on and monitor budget execution reports throughout the fiscal year. According to the law, three types of budget execution reports should be submitted to Parliament: progress reports, final reports on the budget and independent audit reports. These are bound by pre-determined deadlines.^{xxxvi}

No other norms in the constitutional text or Parliament's internal rules regulate the process for approval or rejection of the reports, or affect any related actions. Once again, the legal framework is unclear.

An independent oversight body is the Office of the Provedor for Human Rights and Justice.^{xxxvii} This specialized institution reports to Parliament. The Provedor, recently appointed by the legislature, will have three main functions: to protect human rights, to investigate citizen's complaints against the public service and to lead anti-corruption efforts.

As for the management of oil money, a petroleum fund^{xxxviii} is being created. Projections run as high as \$200 million per year over the 20-year life of the Bayu-Undan field.^{xxxix} The fund will serve as a savings instrument, and will be integrated within the national budget to compensate for swings in revenue, allowing for stable planning. According to the Petroleum Fund Act, any withdrawals from the Fund must be approved by Parliament, and cannot exceed a ceiling set by Parliament when passing the national budget. The fund has been operational since August 2005.

Keeping in mind that solid routines and ethics are just being introduced and consolidated in government institutions, it will be crucial to develop not only strong internal financial management systems, but also to enhance the institutional capacity of external oversight institutions. It will also be necessary to ensure that reliable budget information is made accessible to parliamentarians and the public in friendly formats.

PARLIAMENT'S BUDGET OVERSIGHT CAPACITY

The nation-building process, guided by the National Development Plan, is facing many challenges, as outlined above. While the Government's poverty reduction policies have an obvious impact on large portions of the population, budget execution remains slow. Monitoring the Government's performance can help ensure that programmes are executed in a transparent manner, reach the actual beneficiaries and

fulfil their objectives. Monitoring also helps ensure that budget allocations are made in accordance with the development priorities outlined by the Plan, the Road Map and the sector investment programmes.

Only a functional parliament can effectively perform these duties. As a newly born institution, a number of factors are affecting the Timor-Leste legislature's capacity in this area. These start with government submissions. The Government has not been able to submit the budget proposal within the 90-day time frame stipulated by parliamentary rules. As a result, the timetables for the budget process become ineffectual. Very little time has been provided for undertaking a meaningful analysis of the proposal. Also, budget documents are dense and lack friendly formats, making the task of deciphering them difficult for members of Parliament.

The budget approval process has been a new experience for most parliamentarians.^{xi} In general, a decreasing number actively participate in the budget process. Most lack technical expertise. Some are not very interested in budgetary issues. Many have difficulties with the Portuguese language. Despite these obstacles, committee leaders and key individual members somehow carry forward the process.

The Finance Committee, whose acting Chairperson is an opposition member, guides the budget review process. Through practice rather than clear written procedures, it has taken the lead in setting the methodology and time frames for the preparation of the other committees' reports. These committees correspond with government departments; they act as sector committees in the budget process as they attempt to assess the budgetary programmes of their government counterparts.

The parliamentary Standing Orders provide that during the preparation of their technical reports, committees can summon concerned members of the Government. Such consultations have resulted in limited success, though.^{xii} The majority leadership has interpreted the rules on the competence of committees to call members of the Government in a restrictive way, indicating that committee requests should be directed to the Government only through the Speaker of Parliament. He then addresses the Prime Minister, who finally decides whether or not a member of the Government can respond to a request.^{xiii} It would be good if a future re-interpretation were given to the rule in order to reduce the influence of subjective criteria.

Every committee deliberates the budget proposal for their sector and submits a report. The internal rules of Parliament do not provide for the contents of committees' reports or the Finance Committee's final opinion. As a consequence, many reports

contain weak analysis. Committees' findings and/or proposed amendments have not been adequately consolidated in the final opinion. This situation has given way to a fragmented document without a consistent set of public policy recommendations or a parliamentary position in accord with the budget proposal. Weak committee reports have also contributed to poor and irregular plenary debates, with committees' recommendations raised and debated in an uncoordinated manner. There has been marked improvement in the debates in recent years, however, and the quality of the final report for the 2004-2005 budget process considerably improved.

Generalist members of Parliament need expert advisors for their committee functions, but Parliament's secretariat does not possess a professional team of finance and budget advisors. Committees are assigned supporting staff, who deal mostly with administrative matters,^{xliii} but who are short of technical training and lack adequate Portuguese skills.

Access to independent sources of information is very limited. In general, civil society and academics have not developed sufficient skills to provide meaningful inputs to the budget process. A framework for information exchanges between Parliament and civil society organizations is not in place,^{xliv} while media capacity is minimal.

Another issue is that the legislature lacks adequate infrastructure. Parliament does not have a proper documentation centre, just a tiny, ill-equipped library. Access to the Internet is limited and slow. In 2004, Parliament was given seven 'containers' placed on the premises outside the plenary building to serve as committee meeting rooms.^{xlv} Before, the seven standing committees shared three meeting rooms not appropriately furnished. Parliament's secretariat staffs also do not have adequate working places.

For the term of the first National Parliament, the internal political dynamics have been rather stable and predictable—Fretilin poses an overwhelming and stable parliamentary majority. It also has relatively disciplined voting outcomes that favour the executive.^{xlvi} In 2002 and 2003, the party did not contest the government budget proposal. Debates mostly featured interventions of the opposition, but the large Fretilin majority secured voting results. In 2004, however, Fretilin members consistently questioned several policy-related and formal aspects of the budget document.^{xlvii} Consequently, the Government proceeded with a number of amendments before the proposal was approved by Parliament. This latest development provides signs that a

sense of institutional independence is being developed through budget matters. Similar signs have been seen in other areas of legislative work.

In monitoring budget execution reports, Parliament has generally been compelled to assert its right to receive the reports in a strong manner. The Ministry of Finance sends quarterly reports to the Prime Minister, who then submits them to Parliament, while annual reports are directly submitted to the legislature. Audit reports are sent on an annual basis. The Government's reports are often sent with delays, largely because the Ministry of Finance's Budget Office has a constrained capacity to manage its workload. In addition, as indicated by one of the budget experts interviewed for this paper, reports seem to lack enough detailed information and accuracy, and the format varies, making the task of conducting meaningful analysis and comparisons difficult. Also, the previously mentioned structural limitations of Parliament prevent it from conducting appropriate evaluations of the execution reports.

While the legal framework, political positions, and human and material resource limitations are sources of some constraints, they also provide valuable opportunities for the development of an effective budget oversight role for the legislature. The following pages examine donors' contributions to help address this situation, and review and assess the challenges being faced.

INTERNATIONAL ACTORS

Of all the branches of the state, Parliament is arguably the weakest in terms of institutional capacity.^{xlviii} The World Bank has recommended that larger amounts be appropriated for the legislature.^{xlix} Efforts seem to be directed at both the Government and the donor community to correct this situation.

With the aim of maximizing donors' cooperation, the Government has prepared the sector investment programmes.¹ In 2005, for the first time, a programme for Parliament was produced. It provides a good overview of current donors' programmes, further support needed and funding requirements, and builds on Parliament's draft institutional development plan.^{li}

Parliament has had limited participation in international assistance programmes. Support is mostly channelled through and coordinated with the executive. Members of Parliament are generally acquainted with targets and the quantities of country donors' contributions through the Combined Sources Budget.^{lii} But the Consolidated Fund for East Timor, which Parliament approves and monitors, accounts for only 40 per cent of

government spending. Organizations like the World Bank do submit programme execution reports to members of Parliament, but in an informal way following individual requests.

Several international organizations are providing technical assistance to the Timorese legislature with varied degrees of engagement and emphasis. The Portuguese Parliament has offered substantial continuous assistance to the legislature for longer than any other organization. The support, highly regarded by legislators, has focused on the development of rules of procedure, committees and plenary routines, staff training and analysis of legislation. Currently, the Portuguese Parliament sponsors one Portuguese and three resident Timorese-Portuguese advisors.

The United Nations Development Programme (UNDP) focuses on developing systems, procedures, skills and infrastructure. Support is provided in three strategic areas: committees and members of Parliament (in terms of understanding their duties, legal drafting and analysis, and budget oversight); the parliamentary Secretariat (human resources framework, staff training and management systems); and constituency relations (the creation of means of communication with the people). Intermittent consultants and four international advisors have assisted Parliament on human resources, public relations, legal research and asset management. The project has provided furniture and equipment required by the Secretariat, including equipping the seven new committee rooms with computers.

The United States Agency for International Development (USAID) has sponsored several organizations. The International Republican Institute (IRI) has offered political party support on elections matters, and the National Democratic Institute (NDI) has backed Committee B on defence sector oversight. The Asia Foundation has supported one international legal drafter. The United Nations Mission of Support in East Timor (UNMISSET) gives assistance through two legal advisors.

A cooperation protocol was signed in January 2005 with the Congress of Brazil. The parties are in the process of designing specific programmes. Study visits and workshops have been developed with Brazil, Norway and Sweden.

None of the programmes above provide *direct* funding to the legislature. Parliament does not possess financial autonomy yet, and with its internal financial and management systems still in a process of consolidation, the institution is unprepared to independently administer resources.

COORDINATION MECHANISMS

Despite the agencies engaged in parliamentary development, no formal assistance coordination mechanisms are currently in place. There is no system for the harmonization of the international advisors' performance. Some deficiencies exist in the coordination of the timing of activities by different agencies, both among themselves, and between them and Parliament. Not all organizations have involved parliamentarians in the design and management of their programmes.^{liii}

These agencies have said that casual exchanges of views take place, mostly on a bilateral basis, but they have not made more concerted efforts. Some heads of these agencies have expressed support for a parliamentary 'sector group' holding informal meetings.

The Speaker of Parliament has appointed a Modernization Committee. It is an ad hoc body, consisting of five members from different political parties and the Director of the parliamentary Secretariat. Its mandate is to coordinate and follow up on donors' programmes targeted to Parliament. The initiative has only been half successful.^{liv} To date, UNDP seems to be the only agency working through the committee. It provides valuable feedback on project activities design, implementation and management.^{lv}

Strategic decisions on technical assistance lie with the Speaker, who often submits issues to the leaders of the party benches in addition to the Modernization Committee. Timor-Leste's cultural context values decision-making via consensus; this implies that broad consultations usually take place prior to approval of project interventions. Given this management mechanism, assistance is highly regarded as non-partisan, and therefore enjoys the trust of parliamentary leaders, members and staffs.

Overall, there is a positive perception among members of parliamentary support projects. Their response has been more positive when activities are carried out within the sphere of their day-to-day duties, and they have highlighted the issue of the sustainability of assistance.

INTERNATIONAL ACTORS' STRATEGIES

Most donors have provided technical support for capacity development efforts, but have failed to consider the legislature's physical needs. Members of Parliament argue that this imbalance is giving way to a handicapped institution.^{lvi} They recognize the mandate limitations many donors have, but the lack of an integrated approach reduces the possibilities for the uniform development of the institution.

Another constraint has been that the length of time required to build relationships, gain the confidence of members, transfer knowledge and produce outcomes has resulted in longer periods for implementation than originally projected. Adjustments in project time frames and strategies should be incorporated in current and future programmes, in order to respond to parliamentary needs.

UNDP STRATEGIES

UNDP, with its large and comprehensive legislative support programme, is the only agency with targeted assistance to the national budget review and oversight function. The focus on this component in Timor-Leste is justified on two grounds. First, a lack of oversight authority in a post-conflict setting might be detrimental to fiscal health and sustainable development. Second, the experience from Timor-Leste indicates that even inexperienced parliamentarians, both in the majority and opposition, have quickly understood the political power of the national budget and developed a genuine interest in monitoring government performance.^{lvii} Although deeper technical understanding will take time to develop, there is an initial enthusiasm, which, in turn, provides a fertile ground for impact.

It has been difficult to pursue a process-oriented approach in terms of the continuity of assistance. Budget oversight is a component of a larger programme, and there has been a need to balance limited financial resources among the different project components. Nevertheless, the evolution of processes, relations, issues and priorities has been acknowledged to the extent possible.

The Finance Committee was identified as the entry point for the implementation of the UNDP budget oversight component. This decision has built on the de facto core role the committee plays in the budget process, and the opportunity it has provided to deliver assistance in a multi-party setting, as well as to focus on a particular issue of interest to members of Parliament.

Assistance to the other standing committees, although quite relevant, has remained limited, due to time and resource constraints. Support to these committees should be planned in the future, as they supply the key sector analysis that gives substance to the Finance Committee report.

UNDP has used the following capacity development strategies:

Technical expertise: A learning-by-doing and on-the-job training model for developing comprehensive analytical skills within the Finance Committee has been

adopted, following indications from members of Parliament that they prefer to develop their parliamentary functions and skills within the context of their own work demands and realities. In 2003 and 2004, a visiting advisor was fielded for the budget approval period from May to July.^{lviii} In 2005, a new visiting advisor assisted with this process. In addition, four national economists and a resident budget mentor focused on monitoring budget execution.

The advisors have encountered some issues influencing their performance. First, due to language requirements and the length of the assignments, their recruitment has often taken longer than expected. Second, the advisors themselves indicated that building relationships has usually taken an average of two to three months, which cuts down the time they have under their contracts to contribute to their maximum capacity. Third, advisors' personalities and abilities have affected their transfer of skills.^{lix}

Workshops: These have been designed for all members of Parliament. Topics have covered the different aspects of the policy formulation, budget approval and monitoring processes. Members from other parliaments have been invited to share their own experiences. The opportunity to exchange views peer-to-peer has been highly valued by the Timorese parliamentarians.

Publications: Publications have served as extensions of the international advisors' assistance, which has been circumscribed by limited periods of time.^{lx} Parliamentary approval of publications has often been a lengthy process, lasting in many cases up to 10 months or more.^{lxi}

Field trips: A visit by Timor-Leste parliamentarians to the Brazilian Congress was supported in 2004. This and other field trips have featured multi-party delegations, but the nomination of members of Parliament has not always considered language skills and his/her expertise or interest in the field to be studied. Also, no mechanism is yet in place to test members' actual learning and contribution to the development of the legislature as a result of the field trips.

ISSUES

International experts have been given a mandate to mentor and transfer skills to the Timorese parliamentarians and committee staff. But it has been difficult to identify committee technical staff with training to absorb the precise information needed for budget oversight. The short time frame given to visiting advisors has restricted their

abilities to provide sustainable training. And there has been little continuity of advisors' work upon their departure due to the lack of local professional committee staff.

The lack of a culture to support training and low levels of basic skills among staffs have also made such efforts difficult.^{lxii} On-the-job training has worked best for the learning of day-to-day processes and routines. Formal education is most recommended for improvement of conceptual knowledge.

Capacity development efforts have produced mixed results. Most parliamentarians were not familiar with the policy-making process, and have had to learn as they perform the functions their role demands.^{lxiii} A core group have improved their budget analytical skills, and their understanding of budgetary matters and their rights and duties in the budget process. Members from the party in power as well as from the opposition have approached advisors to clarify and understand, if not to query, expenditure decisions made by the Government.

It is hard to claim that international assistance has resulted in a stronger commitment of most parliamentarians towards their functions. Many advisors and members interviewed acknowledged that, even though approximately 20 per cent of members are better trained and more committed to their duties than when Parliament began operations, a great number have become more absent from parliamentary work in many ways.^{lxiv}

IMPACT OF INTERVENTIONS

In most developing countries, and with more reason in post-conflict states like Timor-Leste, executive officials tend to slowly and reluctantly respond to legislative oversight efforts, given that such a tradition is not part of their historical practice. It takes time to fully accept the exercise. If the government has an overwhelming majority in parliament, and the legislature supports the government, it becomes more difficult for the legislature to undertake its oversight functions. In these cases, the political opposition has a larger role in maintaining oversight of government activities by raising issues and informing the press.

Several indicators suggest that these barriers are being overcome in Timor-Leste. There is increased cooperation between Parliament and Government,^{lxv} and an improved format for the budget document/proposal.^{lxvi} Increased budget oversight awareness exists within committees and among members. The majority party is more actively participating in budget scrutiny. The quality of the Finance Committee final

technical report^{lxvii} has improved. And National Development Plan priorities are better reflected in the budget document and government policies.^{lxviii}

Since the Government has centralized the lawmaking capacity, UNDP and other parliamentary sector donors have mostly focused on the representation and oversight functions of the legislature. Deputies have combined both, in their committee work and individually. Their interventions have encouraged government accountability. Ministers have had to respond to questions on the management of programmes and public resources. Parliament has lately been less inclined to rubber-stamp the Government's budget proposal, and has challenged it instead. This situation provides valuable opportunities for an increased parliamentary contribution to the country's development and poverty alleviation goals.

In this context, one can say that the major impact of international assistance has been to contribute to the creation of firm foundations for transparent democratic governance. Parliament is gaining some political space as compared to the first years of operations. This accomplishment is providing opportunities for Parliament to more effectively serve as a counterbalance to the executive. Also, it establishes a precedent for parliamentary-public interaction on pro-poor and national development policies.

CONTINUING DEVELOPMENT NEEDS

There appears to be consensus in Timor-Leste that Parliament's greatest contribution to the country, in a post-conflict setting, is to provide the people with a voice. Parliament has a responsibility to facilitate the building of a strong consensus to support difficult, and politically sensitive, reforms necessary for post-conflict reconstruction. When citizens are engaged and demand accountability, government performance improves and corruption is harder to sustain.

In a country like Timor-Leste, pro-poor policies impinge on nearly all national policy decisions. The Government bears the responsibility to correctly diagnose, design, implement and evaluate pro-poor programmes. Given the vulnerable status of the public administration, this process may not take place accurately. Parliament's communication with the people becomes crucial for diagnosing the needs of the most disadvantaged groups, prioritizing them and informing citizens about changes in policies. A high level of representation helps enhance executive oversight, as Parliament can then better determine whether or not government programmes are achieving their goals.

The greatest challenge the legislature faces in this respect is to develop the capacity to articulate and translate people's needs into adequate and efficient development policies. Demands for funds usually outweigh available resources; difficult trade-offs become necessary. The representation and oversight functions, and the opportunities they provide for a real assessment of the actual primary needs of the people, help enhance budget commitments and their efficient use. These functions consequently help to consolidate peace and promote human development.

In the future, donors' capacity development interventions and physical support should address several issues. These start with improved participation by Parliament in the budget preparation stage, in which Parliament should be able to influence the process whereby priorities are selected. There needs to be a better use of written and oral questions, hearings of ministers before committees, and inquiries to focus the attention of the Government on the people's concerns during the budget deliberations. More resources and tools are required to increase access to information and efficiently scrutinize the budget execution. Relations should be established with the Audit Court, the technical oversight body, and civil society should be more involved in endorsing government programmes. There should be increased access to donor contribution reports. A strengthening of institutional networks with government departments would improve and formalize inter-branch collaboration and communication. Finally, consolidation of parliamentary and committee systems, procedures and routines would enhance the transparency of activities.

Donors and Parliament should bear in mind that improvement of certain legal frameworks will also contribute to more effective participation in the budget process, and consequently, in the development process. Relevant examples include: the legal obligation to submit the budget document with policy statements within a time frame of three months; the right of Parliament and obligation of the Government to permit members access to documents and information; the obligation of government members to appear before committees; and detailed budget preparation procedures and execution report requirements that allow for access to accurate and timely financial information presented in accessible formats, especially budget execution reports.

LESSONS LEARNED

A number of lessons can be drawn from the experience in Timor-Leste and applied more generally to post-conflict situations around the world. In terms of UNDP,

support to parliaments needs to extend beyond the initial arranging of elections, and should include sustained support to capacity development in the early years of new governance structures. Projects should incorporate sustainable assistance strategies beyond initial emergency interventions. Support should accompany processes to create new capacities, to effectively mobilize existing capacities and to retain capacities created over time.

Post-conflict parliaments can contribute to peace consolidation and poverty alleviation efforts if they can provide the people with a voice. The experience of Timor-Leste has shown that a parliament, if given the tools, can play a crucial role in articulating the vast needs of the society and translating them into more efficient public policies through the budget oversight function. This is particularly important given the vulnerability of post-conflict countries to a relapse into violence. It requires lobbying donors, however, to increase their support to parliaments in the first years.

Capacity development could initially concentrate on budget oversight, rather than lawmaking. Risks to fiscal health arise when the culture of governance is not firmly entrenched, and the executive has not yet fully internalized standards of due process and ethics, yet has concentrated lawmaking within itself along with the management of the state and public finances. A proper system of checks and balances makes the executive accountable to the legislature, while the latter has the capacity to undertake adequate actions when resources are mismanaged. Support should encompass ex ante independent legislative control of appropriations, continuous implementation oversight and effective ex post scrutiny. Parliament's strategies should be aligned with those of the audit body.

Institutional independence can be boosted through the development of budget oversight. The Timor-Leste experience shows that parliamentarians from the majority party can, through the budget oversight duty, increase their understanding that monitoring the government's performance is not at odds with their party loyalties. The government and the majority party may well benefit from addressing inappropriate acts as soon as they are detected, as this may prevent bigger problems from arising that prove more demanding for both.

Finance committees are an effective entry point for assistance. Support should subsequently be extended to other standing sector committees. This requires emphasis on three issues: improving committee processes; enhancing specialized budget

awareness among members of Parliament; and developing staff capacity to provide effective support (including administrative support and specialist advice).

The participation of committees in the budget process should be enhanced in two ways. First, they should become the engine of parliamentary budget scrutiny, ensuring that technical engagement predominates over political posturing. Second, strong coordination from the budget committee, combined with specialist sector inputs, makes parliament well positioned to reprioritize allocations.

A parliamentary multi-party committee can serve as a forum for donor coordination. It might also encourage parliamentary ownership of projects. The lack of donor coordination otherwise weakens capacity development efforts. The model of a parliamentary modernization committee, created to manage and oversee international assistance, can be an effective coordination arrangement. Key requisites for this model are political and administrative leadership represented in the committee, a multi-party composition, a legitimate mandate, adequate resources and the commitment of members to the development of the institution. Donors should encourage parliament's ownership of strategic planning and cooperation programmes.

Capacity development interventions need to be balanced with the provision of physical support in the early years. In Timor-Leste, the legislature faces two major structural deficiencies: the lack of adequate human resources and physical infrastructure. This seems to be the reality in many other post-conflict countries. Donors should provide parliaments with the conditions to exercise the capacity being developed. These include adequate equipment, committee meeting rooms, information technology support and an appropriate library. Otherwise, the institution faces handicaps to its growth.

Realistic time frames are necessary as well as flexibility in project design, implementation and monitoring. In Timor-Leste, the level of human, social and physical devastation and the volatile circumstances after the conflict have demanded a high degree of flexibility, and speed in the design and implementation of projects.

A time frame that considers the length of time required to develop relations of trust with political and administrative leaders, to create skills and processes, and to produce expected results will better acknowledge a country's cultural and socio-political realities. The organizational culture and informal structures should be stressed as well.

Peer training and resident advisors are better than short-term consultants. The level of deficiency in the legislature's human resources requires continued long-term

technical expertise that follows a process-oriented approach. Specific capacities take a long time to grow. Resident advisors perform better when they learn the language, are sensitive towards people's limitations and culture, and have the ability to transfer skills.

Peer training and study visits are highly beneficial for parliamentarians. Study visits are more effective when members have developed a general understanding of their new roles, but a mechanism should be in place to ensure that their field experience will be used to enhance parliament's systems and processes.

On-the-job training should be combined with formal education programmes. Timor-Leste has demonstrated that at a post-conflict stage, there is a need to develop a policy of long-term formal education to develop conceptual knowledge, and informal on-the-job training to learn routines and processes. These methods could be combined with technical short-term interventions. The focus should be on attitudes, processes and skills. The parliamentary leadership needs to support the training and provide spaces for staff professional development.

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Interviews

National Parliament

Modernization Committee members:

Adelino de Jesus, Parliament Secretariat Director

Joao Goncalves, deputy

Clementino de Amaral, deputy

Maria Valadares, deputy

Francisco Soares, deputy

Presidents of standing committees

Manuel Tilman, President of the Committee on Economy and Finance

Jose Lobato, President of the Committee on Infrastructure

Vicente Guterres, President of the Committee on Legal, Constitutional and Human Rights Affairs

Party benches leaders

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Maria Paixao, PSD

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ENDNOTES

ⁱ In its overall pursuit of poverty reduction, UNDP has identified the fostering of democratic governance as one of five corporate goals. Parliamentary development is one of seven sub-goals (service lines). The research for this paper has been undertaken at the request of UNDP's Global Parliamentary Strengthening Programme, the UNDP Regional Centre in Bangkok and the UNDP Country Office Timor-Leste. It is part of a corporate UNDP effort to look at how parliaments can play a role in development and peace-building, and to identify methodologies for strengthening their institutional capacity.

ⁱⁱ Resolution 1272/1999 adopted by the Security Council on 25 October 1999.

ⁱⁱⁱ 'Timor-Leste Poverty in a new nation: analysis for action', UNDP Timor-Leste, May 2003.

^{iv} Fiscal year 2002-2003 donor contributions represented 44.4 per cent of the total budget. In fiscal year 2003-2004, contributions decreased to 34 per cent, according to the Ministry of Finance's *Annual Budget Execution Report 2003-2004*.

^v Public accountability is rooted in an executive obligation to answer publicly, fully and fairly to parliament in matters regarding the executive's discharge of responsibilities that affect the public. Legislatures have several means to hold governments to account: investigation of government expenditure by parliamentary committees, votes of confidence and no confidence, and interpellations to ministers that might lead to their dismissal. In addition to parliaments, other bodies oversee government performance: audit institutions, the ombudsperson and human rights watchdogs.

^{vi} Section 92 of the Constitution.

^{vii} The total number of members is 88, but one has passed away and not been replaced. For the second parliamentary term (2007 to 2012) and thereafter, the Constitution provides for a Parliament of a minimum of 52 and a maximum of 65 members.

^{viii} The Board of Parliament is composed of the Speaker, two deputy speakers, a Secretary and two deputy secretaries. The Secretary provides secretariat support to the Speaker during plenary sessions. The Board manages the support services for the plenary and committees, and performs any other functions pertinent to the efficient operation of parliamentary proceedings. It can also declare that members of Parliament have lost their mandate.

^{ix} The party benches leaders, together with the Speaker and a member of the Government, compose the Conference of the Representatives of the Parliamentary Benches. The organ meets once a week, and when deemed necessary, to discuss issues related to the setting of Parliament's agenda. The member of Government can only intervene in matters that are not exclusively related to the Parliament.

^x In principle, each member can only sit on one committee. But if a party has too few representatives to be represented in every committee, its members can sit on two committees.

^{xi} The UNTAET 2001 electoral regulations for the Constituent Assembly specified parties as the contestants for 75 of 88 seats chosen by proportional representation (on the basis of a single, nationwide constituency). The remaining 13 seats were to be filled on a plurality basis in district races that could be contested by either party-nominated or independent candidates.

^{xii} Fretilin won 55 seats, but one member passed away and has not been replaced. The Fretilin party dominated the 2001 elections, receiving 57 per cent of the vote in the proportional representation portion, taking 43 of 75 seats, and 66 per cent in the district competition, where it won 12 of 13 seats.

^{xiii} Under the Constitution, the power to initiate laws lies with deputies, party benches and the Government. Parliament holds exclusive legislative competencies in a number of policy areas. Additionally, it can authorize the Government to issue laws covering a number of explicitly determined areas. The Constitution grants the Government exclusive legislative authority on matters related to the management of the state.

^{xiv} Such wording provides ample room for interpretation in terms of deciding important issues by decree; issues that many would argue should be subjected to open deliberation by Parliament, not just in a cabinet meeting. The authority to determine, exactly, the constitutional lawmaking competencies of the Government vis-à-vis Parliament rest with the judiciary.

^{xv} The President and the Government have taken the lead on this issue. As a result, the governments of Timor-Leste and Indonesia have agreed on a joint commission to look into the violence surrounding the 1999 popular consultation that set Timor-Leste on a path to independence from its neighbour. Details of the Truth and Friendship Commission's work still remain undefined though. Members of Timor-Leste's Parliament seem to have emphatically refused to endorse the resolution regarding the Truth and Friendship Commission. They have claimed that they would like to receive more information about the vision, mission and objectives of the Commission. See UNMISSET, Daily Media Review, 9 March 2005.

^{xvi} For instance, when the Government submitted the President's amnesty and pardon bill to Parliament, many members from the majority and the opposition reacted quite emotionally, as nearly all of them had been touched by the violence and its effects. Due to the strong reaction, Parliament never passed the bill.

^{xvii} See footnote five on 'public accountability'.

^{xviii} In Timor-Leste, the fiscal year 2004-2005 budget execution has been 64 per cent (30 June to 1 July). See Ministry of Finance, *Budget Execution Report Up to 3rd Quarter July-March FY 2004-2005*.

^{xix} The National Development Plan serves as the Poverty Reduction Strategy Paper, which provides the basis for assistance from the World Bank and the International Monetary Fund.

^{xx} The sector investment programmes assist government decision-making by prioritizing expenditures within and across sectors, and identify investment opportunities for both the Government and development partners.

^{xxi} Even though the Constitution mentions a plan to be approved, it does not define its concept, timing or coverage. Neither do the Parliament's internal rules of procedure. The national budget is defined as "the document prepared by the Government and approved by the National Parliament to implement the National Development Plan..." according to Law N.9/2004 on *the National Budget for the Fiscal Year 2004-2005*.

^{xxii} The process usually begins in January. A Budget Review Committee holds consultations with ministers on their budget proposals. The Council of Ministers gives the final approval to the draft budget. In Timor-Leste, the Government's proposed budget is further revised at a late-April international donors' conference.

^{xxiii} The Consolidated Fund for East Timor; the Trust Fund for Timor-Leste, which consolidates grants for economic reconstruction and development activities supervised by the World Bank and the Asian

Development Bank; bilateral and multilateral funds provided directly by donors within the framework of a grant agreement with each donor managing its respective project and funding; and United Nations contributions that finance UN staff working directly in the Government.

^{xxiv} In fiscal year 2005-2006, the Government estimates it will contribute \$119 million to the combined sources budget. Even though the Government has requested donors to contribute \$115 million, to date the commitment is only \$58 million.

^{xxv} The Consolidated Fund for East Timor includes revenues from government taxes and service charges, Timor Sea oil revenues and direct budget support from donor countries.

^{xxvi} See Ministry of Finance, *Supplemental Budget to the National Budget 2004-2005*.

^{xxvii} In this regard, the Government has contended that the deadline established by Parliament's internal rules is not binding, given that it lacks constitutional foundations. The Government has also cited the end-April to mid-May donor's conference as a source of delay in the annual submission of the budget proposal. Even though budget documents are usually approved by the Council of Ministers right before the above-mentioned donor's meeting, Parliament only receives the budget proposal after the conference and once the Government has concluded the final version of the document.

^{xxviii} The Committee is composed of 17 members: nine from the majority party Fretilin, one from KOTA, one from the Social Democrat Timorese Association (Associação Social-Demócrata Timorense), one from the PSD, one from the Timorese People's Party (Partido do Povo de Timor), one from the UDT, one from the PD and one from the Timorese Nationalist Party (Partido Nacionalista Timorense).

^{xxix} In general, Section 115.1.d of the Constitution establishes the competence of the Government to prepare and execute the national budget. Section 95.3.d gives Parliament a mandate to deliberate on the budget.

^{xxx} Attention should be paid to the need to legally guarantee that parliamentary amendments are consistent and fiscally sound, and that the ability to raise expenditure items or decrease revenue could be exercised as long as the budget balance is maintained.

^{xxxi} All over the world, there is a close relationship between the small number of women parliamentarians and the high number of women in poverty, which is fostered by the lack of women's access to credit, education and social services. Comparatively speaking, Timor-Leste has one of the higher numbers of women parliamentarians. Perhaps this advantage could be used to encourage thinking about an appropriate model for gender budgeting in Timor-Leste.

^{xxxii} The Office of the Inspector-General was created under Decree-Law 3/2002, amended by Decree-Law 7/2003 on the Organic Structure of the First Constitutional Government. This law does not establish a legal mandate though. The Inspector-General has been acting under instructions from the Prime Minister. An organic law pending adoption will give the legal framework.

^{xxxiii} Section 145.3 of the Constitution.

^{xxxiv} According to the Constitution's transitional sections, the existing court of highest instance should assume the role of the courts that have not yet been set up. The court of highest instance at the moment is the Court of Appeal. In the next three years, plans call for transferring the audit function to this court—in its capacity as the High Administrative, Tax and Audit Court. Provisions should be taken to enhance the Court's capacity to fully take over this function. Normally, the audit body is an independent institution. In Timor-Leste, the Audit Court will be attached to the High Administrative and Tax Court. According to a José Tavares, a Brazilian expert, audit courts in countries with Portuguese traditions have tended to value formality instead of results; they become sooner or later subject to political influence and tend to ignore the Parliament they should serve.

^{xxxv} UNTAET Regulation 2001/13 had created the office of the Independent Auditor to carry out the oversight function in the meantime. The auditor is supposed to submit his report by 31 December, following the end of the fiscal year to which the annual report relates. The regulation provides that copies of all reports prepared by the independent auditor shall be made publicly available.

^{xxxvi} The final report is the annual execution report per UNTAET Regulation 2001/13. A new budget and financial management law will replace this regulation.

^{xxxvii} The Constitution calls for an ombudsperson, a citizen's complaint mechanism that functions outside the courts to prevent the abuse of power by the civil service. Established by law, it also serves as a human rights watchdog and an anti-corruption investigative body.

^{xxxviii} The model is based on the Norwegian Petroleum Fund, but considerably adapted to the context of Timor-Leste. A petroleum act is before Parliament. It sets up important post-taxation measures for transparency in the overall management of the fund, and provides for independent external audits to ensure that money going to, coming from or remaining in the fund will be transparently managed.

^{xxxix} The total value of known oil and gas reserves in the disputed area of the Timor Sea is estimated at more than \$30 billion. Interim arrangements between Australia and Timor-Leste for the development of

some of these resources may earn the country an estimated \$4 billion to \$5 billion in coming decades. If Timor-Leste accesses the reserves to which it is entitled under international law, it could expect to earn around \$15 billion over the same period. That would be enough to rebuild the nation and expand efficient public services. See <http://www.timorseaoffice.gov.tp/enindex.htm>.

^{xi} Only two members of Parliament have previous parliamentary experience. Both are from the KOTA opposition party. One of them is the Finance Committee acting Chairperson. Fretilin is entitled to fill this post, but has not nominated a new candidate.

^{xli} Some of the committees conducted some hearings during the budget process in 2003. In 2004, government members were not allowed by the Prime Minister to appear before committees during the budget process. The Prime Minister argued there was a lack of time to conduct such hearings. This consequently reduced the possibilities for committees to clarify issues and prepare sound reports.

^{xlii} This interpretation has been applied to every other hearing requested by committees in their day-to-day work. The argument is based on Section 15 of the parliamentary rules of procedure, which establishes that the Speaker is the representative of Parliament, and Section 176, which provides that institutional relations with other sovereign bodies should be conducted through the Speaker. On the other hand, according to Section 153, committees can arrange the necessary meetings with members of the Government in their deliberation on the national budget. Practices in many other systems tend to favour the independence of committees in terms of directly communicating with and inviting members of government to clarify issues within their respective areas of competence. This is considered part of parliamentary democracy.

^{xliii} Staffs prepare basic documents such as letters, agendas and summaries of meetings.

^{xliiv} The Parliament of Timor-Leste is in the process of establishing links with civil society. For the first time, and with the support of UNDP/NDI, Parliament conducted a constituency outreach campaign between March 2003 and April 2004. This campaign provided members with an opportunity to meet their constituents across the nation, and to learn about their living conditions, needs and concerns. Through the standing committees, Parliamentarians are following up with the Government on many issues raised during and after the campaign. As members increase their confidence and understanding of their duties, and as civil society becomes better organized, appropriate information exchange mechanisms and co-ordination could be developed.

^{xliv} This should be seen as a temporary solution, as Parliament requires new premises.

^{xlvi} Attention should be given to the relatively strong party discipline being followed without members being completely clear about their roles. That might naturally create an apparent dilemma between their loyalty to their party and their constitutional responsibility to the people.

^{xlvii} In 2004, the opposition walked out of the plenary room in protest of the Prime Minister's decision not to allow government members to appear before committees.

^{xlviii} The courts and other justice system institutions are also in an extremely fragile state.

^{xlix} See the Finance Committee's *Report on the National Budget Proposal 2004-2005*.

¹ The objective of the sector investment programmes is to assist in establishing expenditure priorities and strategies within and among individual sectors (water, electricity, education, health, etc.) in light of the National Development Plan. Programme documents have been prepared for 20 sectors. These plans should help encourage a sector approach to the coordination of external assistance.

^{li} In March 2004, parliamentary political and administrative leaders conducted a workshop to design an institutional development plan. The plan aims at facilitating the internal strategic planning process and becoming the framework for donors' assistance. A final draft has been adopted by the Modernization Committee and is now pending parliamentary approval.

^{lii} See the section in this paper on Budget Oversight in Timor-Leste.

^{liiii} For instance, Portugal conducts informal coordination with the administrative and political leadership; UNDP has set up a formal management mechanism with the Modernization Committee; and the Asia Foundation and NDI work directly with specific committees but do not report to the leadership. In the case of the Asia Foundation, its advisor had prepared and submitted to the upper management an annual work plan, which has not been approved.

^{liv} Most members of Parliament were not familiar with policy-making and strategic planning processes. Quite naturally, it has taken time for them to adjust to and understand this new context. Their lack of experience has also accounted for difficulties in engaging them in the process of institutional development.

^{lv} The Modernization Committee has improved its organizational and management skills. The limited experience with planning processes, the various levels to be consulted with in the validation of activities, and the heavy agenda of committee members, however, have caused delays in implementation and weakened the harmonization of some activities. Committee members have expressed an interest in

formalizing their functions and establishing an appropriate coordination and management mechanism, not only with donors, but also internally with other legislative organs.

^{lvi} For instance, technical support is being provided for oversight functions, but Parliament still lacks transport to mobilize the committees. Members are developing their analytical skills, but Parliament lacks a library for them to do research.

^{lvii} Parliamentary committees often conduct visits to water, electricity and infrastructure rehabilitation projects, among others, and address respective ministers to ensure that proper procedure are being followed and that projects effectively address the actual beneficiaries. Such initiatives have resulted from the importance parliamentarians have attributed to their representative functions since Parliament began.

^{lviii} Experts possess previous parliamentary and public affairs experience. In their work with committees, they have presented information in accessible ways, prepared technical papers, clarified issues and assisted with orientations on appropriate processes.

^{lix} There are differences in the abilities of advisors to quickly develop sensitivity towards the socio-political context of the Timorese; to adapt to the culture; to provide didactic trainings and to recognize appropriate capacity development mechanisms.

^{lx} Documents so far produced include a budget handbook that details the composition of the budget document, the budget cycle at the Ministry of Finance and the role of Parliament in the process. Concept papers have been produced on issues such as the role of the Committee on Economy and Finance in the budget process, committee reporting requirements, legislation on budget issues and parliamentary monitoring of the budget execution.

^{lxi} The reasons do not appear quite clear, but it would be important to examine this situation in order to reduce the revision/approval time frames, which are hindering the usefulness of the documents.

^{lxii} Most current parliamentary staffs were recruited during the UN transitional administration without proper human resources policies, and with a lack of adequate job descriptions and post requirements. In general, the post-conflict condition of the country has meant a shortage of professionals in most fields. This situation has been reflected in an overall deficit of management skills and efficient organizational processes in the legislature.

^{lxiii} During these first years, most organizations have focused on the development of parliamentary systems, routines and procedures, as well as the enhancement of the understanding of them among members of Parliament. Thematic areas have only recently been introduced, given the limited absorption capacities.

^{lxiv} The reason(s) remains vague. Different testimonies point to language limitations not yet overcome, a lack of basic technical skills, the existence of an overwhelming majority that leaves little room for manoeuvre, no distribution of tasks among all committee members, parliamentarians pursuing many occupations at the same time and personal attitudes. This situation should be addressed promptly, considering the nation's socio-economic situation, as absenteeism and inertia threaten the effectiveness of the legislature.

^{lxv} As a result of the 2004 budget debate, two major developments for the 2005-2006 budget process should be acknowledged. First, the Ministry of Finance has invited members to attend the Budget Review Committee meetings with government departments to discuss respective proposals. Second, even though the budget proposal continues to be submitted beyond the 90 days indicated by the legislature's rules of procedure, the Ministry is holding talks with Committee C to agree on a new timetable.

^{lxvi} The budget document now uses a 'single line' format to facilitate understanding. As recommended by Parliament, budget allocations per district will be incorporated.

^{lxvii} In 2004, the quality of the Finance Committee's final opinion considerably increased. It now encompasses: a) identification of factual, conceptual and arithmetical mistakes in budget documents submitted by the Government; b) recommendations to correct them; c) an emphasis on the need for more detailed information on revenues and methods used to estimate them; d) an emphasis on the need to provide Parliament with sufficient and consistent information on government financing sources, and with timely information on current and previous budget execution data; e) improved mechanisms to estimate appropriations for wages and salaries, which are currently overestimated; and f) recommendations on issues to be regulated by the new Budget and Financial Management Bill to provide for more transparency in the budget process, and to give the legislature tools to effectively hold the Government accountable with the limited resources available to conduct oversight.

^{lxviii} Following Parliament's recommendations, four per cent of the Consolidated Fund for East Timor will be allocated to agriculture, one of the National Development Plan's priorities. Food insecurity increases the vulnerability of the poor.