

**LAW No. 3/2014**

**of June 18**

Creates the Special Administrative Region of Oe-Cusse Ambeno and establishes the Special Zone of Social Market Economy.

In its articles 5 and 71, the Constitution of the Republic gives the ordinary legislator the task of defining in concrete terms the special economic status that the enclave of Oe-Cusse Ambeno and the island of Ataúro must enjoy.

It also follows from the Constitution of the Republic that the special regime to be awarded to Oe-Cusse Ambeno must be more intense than the appropriate economic status of Ataúro Island, a smaller territory, closer in proximity to the country's capital.

In compliance with these constitutional commands, the territory of Oe-Cusse Ambeno is thus elevated to a special region endowed with administrative, financial and patrimonial autonomy, legal personality and its own organs. The degree of autonomy that it will have at its disposal does not include legislative powers nor does it jeopardize the administrative supervision powers of the Prime Minister over the acts of the proper organs of the Region, which are themselves subject to the normal mechanisms of control of the constitutionality and legality of the action of public authorities.

In the first case, it is understood that the legislative power should not, by constitutional imperative, be diverted from the only organs of sovereignty to which it belongs: the National Parliament and the Government.

In the second case, the principles of the unity of the State and the integrity of national sovereignty suggest that the level of administrative decentralization should not lead to regional asymmetries and excessive imbalances in the distribution of wealth, justifying that the Government, through the Prime Minister, can be called upon to exercise a degree of administrative supervision limited to the control and supervision of the legality of regional acts.

Associated with the creation of the Oe-Cusse Ambeno Region as a legal person with a territorial base distinct from the State, there is also the special economic zone constituted by the territorial parcels that correspond to Oe-Cusse Ambeno and the Island of Ataúro, although this is merely a complementary pole of development.

The special economic zone imposes, within its own territorial limits, exemption from the payment of customs duties and respect for the principle of social market economy, as a paradigm of economic growth by attracting investment and establishment of companies, both domestic and foreign.

Thus, the National Parliament, in accordance with article 95, paragraph 1, and articles 5 and 71 of the Constitution of the Republic, decrees to be enforced as law, the following:

## **TITLE I**

### **General provision**

#### **Article 1**

##### **Subject matter**

- 1- The present law creates the Special Administrative Region of Oe-Cusse Ambeno.
- 2- The present law also establishes the Special Zone of Social Economy of Market of Oe-Cusse Ambeno and Ataúro, that includes the island of Ataúro as a complementary pole of development.

## **TITLE II**

### **Special Administrative Region of Oe-Cusse Ambeno**

#### **Chapter I**

##### **General provisions**

#### **Article 2**

##### **Creation of the Oe-Cusse Ambeno Special Administrative Region**

- 1- It is hereby established the Special Administrative Region of Oe-Cusse Ambeno, hereinafter referred to as the Region, whose legal status is defined in this law.
- 2 - The Region is a territorial legal person governed by public law, endowed with administrative, financial and patrimonial autonomy adequate to the pursuit of the objectives set forth in article 5.

### **Article 3**

#### **Territorial scope**

- 1- The Region covers the geographic area of Oe-Cusse Ambeno, pursuant to article 16 of Law no. 11/2009, of October 7, which proceeds to the Administrative Division of the Territory.
- 2- The inland waters, the territorial sea and the continental shelf adjoining the enclave of Oe-Cusse Ambeno are also included in the Region.

### **Article 4**

#### **Administrative supervision**

The Government, through the Prime Minister himself, exercises administrative supervision over the regional executive bodies, which is the power to control and supervise its administrative activity.

### **Article 5**

#### **Objectives**

- 1- The Region has as its objective, in economic matters, the inclusive development of the Region, giving priority to socio-economic activities to promote the quality of life and well-being of the community, namely:
  - a) Development of commercial agriculture;
  - b) Creation of an ethical financial plaza;
  - c) Establishment of a free zone;
  - d) Increase in tourism;
  - e) Setting up a center for international studies and research on climate change;
  - f) Creation of a green research center;
  - g) Implementation and development of industrial, export and import activities;

h) Other economic activities that create added value for the Region, as well as strengthen its international competitiveness.

2- The objectives of the Region are also:

a) Develop a development model based on a new typology of social market economy, in order to stimulate, promote and accelerate the growth of the Region in an equitable and sustainable way;

b) Stimulate, promote and accelerate the growth of the Region as a competitive economic region, subregional and regional development pole and a destination option for investment, employment and residence;

c) Ensure the priority character of sustainable social development based on the principles and objectives of the social market economy as an engine of economic and social growth in the Region;

d) Promote, stimulate and facilitate the development in the Region of projects approved by the Government, organ or person, national or foreign, namely with a view to the following objectives:

i) Economic development, such as tourism, and agricultural development, including the modernization, diversification and commercialization of the sector;

ii) Industrial and commercial development, such as mining and extractive industry, oil and gas, petrochemical industry, manufacturing, trade and other value-added industries;

iii) Social development, such as public health, and development of hospital facilities, reputed clinics and medical research centers;

iv) Cultural development, aiming at strengthening local identity and traditions and citizenship, with the promotion of Timorese artistic expressions, ecumenical centers of reflection, entertainment centers and recreation centers;

v) Development of human resources, in particular through the establishment of reputed universities in the fields of economics, engineering, medicine, mathematics and philosophy, including vocational or technical training institutions and centers of excellence for research, teaching and capacity building;

vi) Development, study and execution of land-use planning and adoption of an urban plan for the creation of urban areas and the development of quality rural areas;

vii) Creation of a green belt in suburban areas for local, national and export supply;

viii) Infrastructure development, in particular through the creation of investment and logistics centers, special economic zones, residential areas, real estate development and quality tourism;

ix) Access to markets of countries that integrate the G7 +, to the Community of Portuguese Speaking Countries (CPLP) and to the Association of Southeast Asian Nations (ASEAN).

3 - It is the responsibility of the Government, on a proposal from the Authority of the Special Administrative Region of Oe-Cusse Ambeno, to regulate the programmatic activity of the Region.

## **Chapter II**

### **Fundamental principles and regional autonomy**

#### **Article 6**

##### **Principle of national solidarity**

The Region shall, in accordance with the law, have the resources necessary and appropriate to pursue the objective of correcting inequalities resulting from its enclaved nature, in particular as regards to equity in the distribution of wealth, employment, communications, transportation, education, culture, social security and health, encouraging the progressive insertion of the Region into broader economic spaces of national and international dimension, the reduction of these inequalities being a determining factor in the definition of the internal and external policies of the State.

#### **Article 7**

##### **Principle of subsidiarity**

1- The autonomy of the Region is based on the principle of subsidiarity of its functions in relation to the State and municipalities and on the unitary organization of the State.

2 - Regional autonomy respects the sphere of attributions and competences of municipalities and their organs, as it is regulated by autonomous law.

## **Article 8**

### **Principle of legality and direct application of national law**

- 1- The activities of the organs of the Region must obey the general principles of Law, and the legal and regulatory rules in force and respect the purposes for which their powers have been conferred.
- 2 - Laws, decrees-laws and other normative acts in force are directly applicable in the Region without the need of transposition through any regulatory act competence of the respective regional body.
- 3- The execution of the legislative acts in the Region is ensured through the approval of the own acts reserved to the regional organs with administrative powers.

## **Article 9**

### **Regulatory power**

The Region has its own regulatory power, which takes the form of regional executive orders and regional administrative regulations, to be issued by the competent regional bodies within the limits of the Constitution, laws and regulatory acts approved by the organs of sovereignty.

## **Article 10**

### **Financial and budgetary autonomy**

- 1- The Region has its own budget and finances, whose management is the responsibility of its executive bodies.
- 2 - Within the scope of its financial autonomy, it is incumbent upon the executive organs of the Region:
  - a) To elaborate, approve and modify plans of activities and regional development plans, subordinated to the national development plans in force;
  - b) To prepare its annual budget, proposing it to the Government;
  - c) To have its own revenues, to authorize and to process the expenses and to collect the revenues that are assigned to them by law.

**Article 11**  
**Own revenues**

1 - The following are revenues from the Region:

- a) The annual allowance entered in the General State Budget for the Region;
- b) The proceeds from the collection of taxes and fees in the Region, according to the special tax regime that may be established by law;
- c) The product of fines and penalties that may be collected in the Region, according to the law;
- d) The proceeds of loans granted under the law;
- e) The proceeds from the alienation or encumbrance of assets that may be sold or encumbered by the Region in accordance with the law;
- f) The product of inheritances, legacies, donations and other donations in favor of the Region;

2 - Other revenues established by law in favor of the Region.

**Article 12**  
**Rights**

The following are conferred to the Region:

- a) The right to the cooperation of the organs of sovereignty and other public entities in the pursuit of the objectives of the Region;
- b) The access to information that sovereign bodies and other public entities have in relation to the Region;
- c) The management of public and private assets of the State in the Region, without jeopardizing the municipalities' powers in matters of asset management;
- d) The right to be heard by the Government and to decide, on its own initiative, on all matters that have to do with the Region;
- e) The right to a significant participation in benefits deriving from international treaties, conventions or agreements concerning the Region;
- f) The right to accompany and participate in the definition of foreign policy and in the negotiation of

international treaties, conventions or agreements that may directly or indirectly cover the Region or in economic relations between the Region and other countries;

g) The right to an autonomous public administration with its own staff, careers and remuneration;

h) The right to place in the services of the Region civil servants, at the request of the Authority of the Special Administrative Region of Oe-Cusse Ambeno, under a secondment or request basis and for an indefinite period.

### **Article 13**

#### **External relations**

1- The Government is responsible for conducting foreign affairs relating to the Region.

2- Representatives of the Region may participate, as members of government delegations of the Democratic Republic of Timor-Leste, in international organizations and conferences in the appropriate fields, limited to States and related to the Region.

### **Article 14**

#### **Security and public order**

1- The Government is responsible for internal and external security and maintenance of public order in the Region.

2- The Authority of the Special Administrative Region of Oe-Cusse Ambeno and the public order maintenance forces shall have the duty of mutual cooperation in accordance with the law.

## **Chapter III**

### **Organic Structure**

#### **Article 15**

#### **Regional bodies**



1- The organs of the Region or regional organs, with administrative competences, are the following:

a) The Authority of the Special Administrative Region of Oe-Cusse Ambeno, hereinafter referred to as the Authority, as a deliberative body;

b) The President of the Authority of the Special Administrative Region of Oe-Cusse Ambeno, hereinafter referred to as the President of the Authority, as the executive body.

2- The Advisory Board of the Special Administrative Region of Oe-Cusse Ambeno, with advisory powers, hereinafter referred to as Advisory Board, is also an organ of the Region.

3 - The regional organs represent the Region, within the scope of their respective powers, at the organs of sovereignty and other entities of the State.

4- The organization and operation of the regional organs are regulated by decree of the Government.

## **Article 16**

### **Authority**

1- The Authority is the deliberative collegiate body of the Region, directed by the President of the Authority.

2- The following competences are attributed to the Authority:

a) Elaboration of plans of activities and regional development plans, to be proposed to the President of the Authority for approval;

b) Approval of the region's annual budget proposal;

c) Participation in the design of regional policies for economic and social planning and development, land use planning, use of natural resources, culture and vocational training;

d) Pronouncement on amendments to this law that the President of the Authority intends to recommend in accordance therewith;

e) Exercise of the other powers conferred by law or regulation.

## **Article 17**

### **Designation**

The members of the Authority are appointed by the Council of Ministers, upon resolution of the Government, on a proposal from the President of the Authority.

## **Article 18**

### **President of the Authority**

The President of the Authority is the highest representative of the Region, responding, by the exercise of its powers, before the organs of sovereignty of the Country.

## **Article 19**

### **Term**

- 1- The President of the Authority, who must be a Timorese citizen at least 35 years of age, is appointed by the President of the Republic, on a proposal from the Prime Minister, for a five-year term, renewable successively.
- 2- The President of the Authority must establish residence in national territory and is prevented from exercising, during the term of office, a private activity that results in a conflict of interest in the performance of his or her duties.
- 3- Upon taking office, the President of the Authority must present a declaration of assets that compose his or her patrimony before the President of the Court of Appeal, being subject to the legal regime applicable to holders of organs of sovereignty.

## **Article 20**

### **Substitution and interim**

- 1- When the President of the Authority is prevented from carrying out his or her duties for a short period of time, these functions shall be exercised by one of the members of the Authority in the order of precedence.
- 2- In the event of a vacancy for the office of President of the Authority, the new President of the Authority shall be elected within 120 days in accordance with Article 19 (1).
- 3- During the vacancy of the office of President of the Authority, his or her functions are temporarily exercised in accordance with paragraph 1, shall this be communicated to the Prime Minister for approval.
- 4- The Acting President shall observe the provisions of the preceding article.

## **Article 21**

### **Exoneration and resignation**

- 1- The President of the Authority is exonerated, in cases admitted, by the President of the Republic, on proposal of the Prime Minister.
- 2- The President of the Authority shall resign when he or she becomes incapacitated to perform his or her duties on account of serious illness or for other reasons, such as prolonged absence.

## **Article 22**

### **Competencies**

It is incumbent upon the President of the Authority to:

- a) Lead the Region;
- b) Enforce this law and other laws applicable to the Region;

- c) Sign the annual budget proposal approved by the Authority and communicate to the Government, for registration purposes, the budget and the final accounts;
- d) Define the policies of the Region and have regional executive orders published;
- e) Develop, disseminate and enforce regional administrative regulations;
- f) Propose to the Government the appointment and exoneration of the members of the Authority;
- g) Appoint and exonerate, in compliance with legal procedures, the holders of office of the Public Administration of the Region;
- h) Treat, on behalf of the Authority, any external matters that concern him or her, when authorized by the Government;
- i) Convene the Advisory Board;
- j) Grant, under the terms of the law, medals and honorary titles established by regional administrative regulations.

## **Article 23**

### **Advisory Board**

- 1- The Advisory Board is the body to assist the President of the Authority in making decisions.
- 2- The Advisory Board is chaired by the President of the Authority and meets at least once a month.
- 3- The President of the Authority shall consult the Advisory Board before taking important decisions and defining regional administrative regulations, except for the appointment and dismissal of staff or disciplinary sanctions to be applied.
- 4- The Advisory Board, on its own initiative or at the request of the President of the Authority in the context of the budgetary procedure, assists in drawing up the budget and issue technical opinion on its implementation.
- 5- The President of the Authority shall approve the internal rules of procedure of the Advisory Board at its first meeting.

## **Article 24**

### **Composition, appointment and term**

- 1- The Advisory Board is composed of seven members, appointed by the President of the Authority from among former members of the Government, a *lianain* from Oe-Cusse Ambeno, a chief of *suco*, a member of the security forces and two municipal representatives.
2. The term of office of the members of the Advisory Board shall not exceed the term of office of the President of the Authority, but the members of the Advisory Board remain in office until the new President of the Authority has taken office.
- 3- When necessary, the President of the Authority may invite persons he or she deems of interest to attend meetings of the Advisory Board.

## **Article 25**

### **Specialized consultants and technicians**

- 1- The Authority may hire national and foreign citizens to provide advice or perform specialized technical functions.
- 2- The individuals referred to in the previous paragraph are admitted only in a personal capacity and respond to the Authority.

## **Chapter IV**

### **Economic and financial regime**

## **Article 26**

### **Land use**

- 1- The State guarantees the right to the use and fruition of the land for the purposes of developing investment projects, within the limits established in the Constitution and in the law.
- 2 - The lands are assigned to investors in accordance with their respective needs and terms of duration of the usage contracts, according to each type of economic activity.

## **Article 27**

### **Expropriation**

- 1- The Authority protects, in accordance with the law, the right of natural and legal persons to the acquisition, use, disposition and succession by inheritance of the property and the right to their compensation in case of legal expropriation.
- 2- The compensation provided for in the preceding paragraph must correspond to the real value of the property at the time of expropriation and must be freely convertible and paid without undue delay.
- 3- The right to property of companies and the investments coming from outside the Region are protected by law.

## **Article 28**

### **Financial regime**

- 1- The Region maintains independent finances regulated by law.
- 2 - The Region has all its financial revenues, which are reinvested in the Region, in the national territory or abroad, for the exclusive benefit of the Region.
3. Notwithstanding the preceding paragraph, only part of the Region's revenues may be invested outside the Region, in Timor-Leste or abroad, after hearing the Government.
4. In accordance with paragraph 2, the Government does not collect any revenue from the Region.

## **Article 29**

### **Fiscal and tax regime**

The Region has an independent tax regime, defined by law.

## **Article 30**

### **Supply regime**

The Region has its own supply regime, regulated by decree-law.

## **Article 31**

### **Financial market**

- 1- The financial market of the Region is defined by law.
- 2- The Authority guarantees the free operation of the financial market and the various financial institutions, and regulates and supervises its activities in accordance with the law.

## **Article 32**

### **Customs regime**

- 1- The Region has its own customs regime.
- 2- The customs regime of the Region is regulated by decree-law.

## **Article 33**

### **Free trade**

The Authority protects and supervises, in accordance with the law, the free operation of industrial and commercial companies, as well as defines its policy of industrial and commercial development.

## **Article 34**

### **Sea transportation**

- 1- With the authorization of the Government, the Authority may register vessels and issue, in accordance with the law, the respective operating licenses.

2. Private shipping companies, as well as related companies and private port terminals in the Region, may operate freely.

## **Chapter V**

### **Special Development Fund**

#### **Article 35**

##### **Creation of the Special Development Fund**

The Special Development Fund for the Special Administrative Region of Oe-Cusse Ambeno, hereinafter referred to as the Fund, is hereby established, pursuant to Law No. 13/2009, of October 21, on Budget and Financial Management, as amended by Law No. 9/2011, of August 17, on the Organic of the Accounts Chamber of the Supreme Administrative, Tax and Accounts Court.

#### **Article 36**

##### **Purposes and operation of the Fund**

1- The Fund is intended to finance multi-year strategic social and economic projects in the Region, namely:

- a) Road infrastructures, including roads, ports and airports;
- b) Social infrastructures, including hospitals, schools and universities;
- c) Infrastructures that promote the protection of floods and landslides;
- d) Water treatment and sanitation facilities;
- e) Power generators and distribution lines;
- f) Telecommunications;
- g) Other facilities necessary for the strategic development of the Region;
- h) Training of human resources, namely programs and scholarships aimed at increasing the training of professionals in the Region in strategic sectors of development.



2- The entity responsible for the operations of the Fund is composed of the Authority and the member of the Government responsible for the area of finance.

3- The Authority is empowered to make changes to the funds allocated to the projects, within the limits of the total amount authorized by the National Parliament registered in the General State Budget and respecting the respective purposes.

4- The Authority submits to the Government an annual plan for the management of the Fund, to be approved by the Council of Ministers and submitted to the National Parliament under the proposed General State Budget law.

5- The Authority also submits to the Government its activity reports and accounts, which should also be submitted to the National Parliament.

### **TITLE III**

#### **Special Zone of Social Market Economy of Oe-Cusse Ambeno and Ataúro**

##### **Article 37**

##### **Establishment**

The Special Zone of Social Market Economy of Oe-Cusse Ambeno and Ataúro, hereinafter referred to as the Special Zone, is hereby established, which covers the territories of Oe-Cusse Ambeno and the Island of Ataúro, which operates in the space of the Special Zone as a complementary pole of development.

##### **Article 38**

##### **Characterization**

1- The Special Zone is intended to delimit the territorial space that corresponds to it for the capture of private investment and the application of economic and social development policies guided by the principle of social market economy.

2- The "social market economy" is understood as the inclusive and participatory model that consists of sustained and sustainable economic and social and environmental development of the respective geographic area and other adjacent areas, diversified by the economic areas to be developed.

3- The importation of goods intended to implement economic and social development projects and programs in the space covered by the Special Zone shall be exempt from payment of any customs duties.

#### **TITLE IV**

##### **Final and transitional provisions**

##### **Article 39**

##### **Public workers**

1- The general civil service regime is applied to the civil servants of the Region, except for the regime of careers, remuneration, requisition and secondment.

2- At the time of establishment of the Region, public officials who are performing duties in Oe-Cusse Ambeno maintain their functional ties and continue to provide service with salary, subsidies and benefits equal to those held on that date, according to the law.

3- The careers and remuneration regime is defined by a Government diploma, after hearing the Authority.

##### **Article 40**

##### **Special unpaid leave**

Civil servants who are members of the Authority may enjoy unpaid leave regime with duration corresponding to the period of a mandate of the regional organs, renewable under the law.

## **Article 41**

### **Supervision**

1- The acts and contracts practiced or concluded within the scope of the legal regime of the Special Zone are not subject to the prior supervision of the Chamber of Accounts of the Supreme Administrative, Fiscal and Accounts Court.

2- The Chamber of Accounts of the Supreme Administrative, Fiscal and Accounts Court establishes periodic audits of the acts and contracts practiced or concluded within the scope of the legal regime of the Special Zone, in order to verify their conformity with the regime in force under concomitant and successive supervision.

## **Article 42**

### **Municipal Representatives**

Until the establishment of the municipalities, the Advisory Board operates with five members.

## **Article 43**

### **Amendments**

The amendments to this law take into account the proposals submitted by the Authority to the Government, which then submits them to the National Parliament in the form of a draft law.

## **Article 44**

### **Entry into force**

This law enters into force on the day following its publication.

Approved on May 23, 2014.

The President of the National Parliament,

Vicente da Silva Guterres

Promulgated on June 16, 2014.

To be published.

The President of the Republic,

Taur Matan Ruak