DEMOCRATIC REPUBLIC OF TIMOR-LESTE
Law of Parliament
13/2011

PUBLIC DEBT REGIME

Preamble

For the first time in the national legal system, Law No. 13/2009 of 21 October – Budget and Financial Management – provides for the financing of the State through public debt and establishes the respective referential regime.

In this connection, the need arises now to define the principles and rules governing the establishment and issuance of public debt in order to safeguard national interests, thereby avoiding the resort to indebtedness for financing current expenses and giving precedence to strategic investment that contributes to the country's development, the economic dividends of which outweighs the inherent costs. Efforts are also made to avoid concentration of costs and excessive risks, with a view to minimising direct and indirect public debt expenses in a long-term perspective.

The present law approves the general regime for public debt establishment, issuance and management, having in mind an efficient and balanced debt management on the medium and long term.

Thus, pursuant to article 95.1 of the Constitution of the Republic, the National Parliament enacts the following, to have the force of law:

CHAPTER I
GENERAL PROVISIONS

Article 1
Object

The present law establishes the general regime for the establishment, issuance and management of State's public debt.

Article 2
Principles

1. Resorting to public indebtedness must be motivated by financing needs generated by the need to execute State's priority tasks relating the building of strategic infrastructures for the country's development.

2. Public debt management shall be governed by principles of strictness and efficiency, with a view, notably:

a) To safeguard the balance of public accounts in the medium and long term;

b) To minimise direct and indirect costs in a long term perspective;

c) To ensure availability of the necessary funding in every budgetary period;

d) To ensure a balanced distribution of costs throughout the various annual budgets with a view to preventing an excessive concentration of debt service;

e) To avoid exposure to excessive risks;

f) To promote a balanced and efficient functioning of financial markets.

3. Public debt costs cannot exceed public investment economic returns, and it shall be incumbent upon the Finance Minister to conduct the necessary studies and analyses.

CHAPTER II
ESTABLISHMENT AND ISSUANCE OF PUBLIC DEBT

Article 3
General conditions

The Law that approves the State Budget provides for the general conditions governing the financing of the State for each budgetary period and the establishment and issuance of public debt, notably the maximum authorised indebtedness and the maximum time frames for loans or for other modalities of public debt.

Article 4
Specific conditions

It shall be incumbent upon the Finance Minister to negotiate the specific conditions for each loan or other modality of public debt and to contract loans or issue debts on behalf of the State, following authorisation by the Council of Ministers.

Article 5
Modalities of public debt

Public debts may take on the following modalities:

a) Loan Contracts or Funding Agreements;

b) Treasury Bonds;

c) Savings Certificates.

CHAPTER III
PUBLIC DEBT MANAGEMENT

Article 6
Guarantee of public debt payment

Payment of interests and amortisation of capital relating to public debt shall be ensured by revenues annually inscribed in the State Budget.

Article 7
Public debt management measures

1. It shall be incumbent upon the Finance Minister, in view of the efficient management of public debt and the improvement of final conditions for contracting loans, to conduct the following public debt management operations:

a) Substitution between the issuance of the various types of loans;

b) Increase in appropriations for repayment of capital;

c) Full or partial advance payment of contracted loans;

d) Conversion of existing loans, in the terms and conditions of the issuance or the contract, or by agreement with the respective loan holders whenever current financial market conditions so recommend;

2. It shall also be incumbent upon the Finance Minister to conduct financial operations deemed appropriate for an efficient public debt management, notably operations to change interest rate regimes, currency regimes, as well as other financial conditions, including other forward transactions, based on the responsibilities resulting from public debt.

3. The Finance Minister is further responsible for ensuring the issuance of new public debt titles in substitution of destroyed, deteriorated or lost titles, pursuant to applicable legislation.

Article 8
Reports

1. The Government shall provide the National Parliament with periodic information on the specific conditions of the contracted loans or of other forms of public indebtedness, as well as on the debt management operations.

2. The reports shall be submitted pursuant to articles 44 and 45 of Law No. 13/2009 of 21 October as amended by Law No. 9/2011 of 17 August – Organic of the Chamber of Accounts of the High Administrative, Fiscal and Audit Court.

CHAPTER IV
FINAL PROVISIONS

Article 9
Competent jurisdiction

1. Disputes arising from public debt operations shall be settled by judicial courts or by arbitration, such as provided for in the instruments establishing the debt obligation.

2. In case of external debts, the parties may, by mutual agreement, choose foreign jurisdiction and venue.

Article 10
Regulation

The regulation necessary to the execution of the present law shall be approved by Government statute.

Article 11
Entry into force

The present law shall enter into force on the day after its publication in the Official Gazette.
Approved on 24 August 2011.

The President of the National Parliament *ad interim*,

Vicente da Silva Guterres

Enacted on 20 / 09 / 2011.