

LAW NO. 9/2007
OF 10 OCTOBER

**LAW ON THE STATE BUDGET OF THE DEMOCRATIC REPUBLIC OF
TIMOR-LESTE FOR THE TRANSITIONAL PERIOD FROM 1 JULY TO 31
DECEMBER 2007**

Preamble

The State Budget for the transitional period from 1 July to 31 December 2007 includes all revenues and expenditures of the State of Timor-Leste.

Annex I to the Law on the State Budget for the transitional period establishes the estimate total of revenues of the State Budget from July to December 2007 originating from all sources: oil revenues, non-oil revenues, and other non-fiscal revenues. The estimate total of revenues from all such sources is equal to US\$ 578.7 millions.

Annex II to the Law on the State Budget establishes the budget allocations for each and every Organ of the State, including some organs that existed as at 1 July 2007 but that have meanwhile been extinguished. Allocations have been systematized as follows:

1. US\$ 19,485 million for Salaries and Wages;
2. US \$ 73,107 million for Goods and Services;
3. US\$ 2,964 million for Minor Capital;
4. US\$ 8,739 million for Development Capital;
5. US\$ 12,114 million for Payments of Public Transfers.

The total of budget allocations is thus US\$ 116,409, representing a reduction of US\$ 47,9 million, or 29% in relation to the 50% of the revised budget for the year 2006-2007, which amounted to US\$ 164,3 million (US\$ 328,6 million).

Excluding the autonomous organs, the total of budget allocations for the State Budget is US\$ 108,661 million, or a reduction of US\$ 48,6 million.

The State Treasury Account includes all the revenues and expenditures from the self-financed "Autonomous Organs", namely the Electricity of Timor-Leste (EDTL), the Timor-Leste Civil Aviation Authority, the Timor-Leste Port Authority, and the Equipment Management Institute. The revenues of these categories are included under budget heading "Revenues of Autonomous Organs" in Annex I, and the budget of the proposed expenditures is contained in Annex III.

The estimate total of expenditures for the self-financed “Autonomous Organs” within a period of 6 months is US\$ 20,777 million (including an additional amount of US\$ 13,303 million transferred from the central Government in order to subsidise expenditures that are higher than the anticipated revenues).

The total estimate of expenditures of the State Budget is US\$ 116,409 million, and the non-oil revenues are estimated at US\$ 22,5 million.

The State will be financing this directly from the State Treasury Account.

The Government has prepared a State Budget to meet the operational needs in the transitional period between July and December 2007 as well as to meet other urgent needs that may emerge during this period in connection with security, the internal displaced persons, and the establishment of offices for the new Government.

Thus, pursuant to article 92 and to article 145.1 of the Constitution of the Democratic Republic of Timor-Leste, the National Parliament enacts the following to have the force of law:

Chapter I Definitions and approval

Article 1 Definitions

For the purposes of the present law:

- a) **“Expenditure Authorization Notice”** shall mean the notice issued by the Treasury to a certain Organ informing such Organ that it has been authorized to commit expenditures up to the amount indicated in the notice;
- b) **“Expenditure Category”** shall mean the grouping of expenditures under the following four categories: “Salaries and Wages”, “Goods and Services”, “Minor Capital”, and “Development Capital”, in the framework of which:
- c) **“Salaries and Wages”** shall mean the global amount which an Organ can expend on Salaries and Wages for holders of political offices, permanent workers, temporary workers, and part-time workers;
- d) **“Goods and Services”** shall mean the global amount which an Organ can expend in the purchase of Goods and Services;
- e) **“Minor Capital”** shall mean the global amount which an Organ can expend in the purchase of minor capital goods;

- f) “**Development Capital**” shall mean the global amount which an Organ can expend in capital and development projects;
- g) “**Expenditures Compensated by Revenues**” shall mean Expenditures supported by *own revenues* collected by the Autonomous Organs provided that the amount does not exceed the total amount of the revenues credited to the relevant Treasury accounts;
- h) “**Budget Allocation**” shall mean the maximum amount inscribed in the State Budget in favour of an Organ with a view to committing a certain expenditure;
- i) “**Law on the State Budget**” shall mean the law prepared by the Government and approved by the National Parliament forecasting the revenues and establishing the expenditures as projected by the State and the public administration Organs for the respective financial year;
- j) “**State Budget for the Transitional Period**” shall mean the State’s financial management instrument consisting in the duly authorized forecast of the early calculation of values (expressed in monetary terms) which certain inter-related revenues and expenditures are expected to attain in the period from 1 July to 31 December 2007;
- k) “**Organ/Organs**” shall mean the generic expression adopted in the Budget to refer to the Office of the President of the Republic, the National Parliament, the Government (Office of the Prime Minister, Presidency of the Council of Ministers, Ministries, Secretariats of State and Agencies), the Courts, the Public Prosecution, as well as all Departments and Services of the State, at central or local level, that are subject to budget discipline;
- l) “**Autonomous Organ**” shall mean an Organ that operates as an entity having its own law of administrative, patrimonial and/or financial autonomy and listed in Annex I of UNTAET Regulation No. 2001/13, namely the Timor-Leste Electricity, the Timor-Leste Port Authority, the Timor-Leste Civil Aviation Authority, and the Equipment Management Institute, among others, established by law;
- m) “**Programme**” shall mean an important realization in the framework of the activities of an Organ relating to provision of services for a given objective or a result or a specific group, including all the activities of an Organ, where such activities constitute a single set of activities;
- n) “**Project**” shall mean a set of operations, limited in time, the result of which enlarges or improves the operations of the Government;

- o) “**Own Revenues**” shall mean the quantitative amount collected by the *Autonomous Organs* from onerous alienation of goods and delivery of services;
- p) “**Contingency Reserve**” shall mean the global amount established by the Government in the State Budget to meet urgent, unavoidable and unforeseeable expenditures that may emerge during the financial year;
- q) “**Expenditure Budget headings**” shall mean the individual expenditure budget headings within each *Expenditure Category* based on the structure of the expenditure code accounts maintained by the Treasury;
- r) “**Transfers**” shall mean the global amount which an Organ can expend in public concessions and earmarked payments;
- s) “**Transfer of Monies**” shall mean the budgetary amendments foreseen and provided for in article 7 of the present law.

Article 2 Approval

The present law approves the State Budget for the transitional period from 1 July 2007 to 31 December 2007 established by Law No. 8/2007 of 21 September, as well as the following:

- a) Total of revenues by groupings, including the Autonomous Organs’ own revenues contained in Annex I to the present law, which is an integral part thereof.
- b) Total of expenditures by groupings, including the appropriations to be transferred from the State Budget to the Autonomous Organs during the transitional period and contained in Annex II to the present law, which is an integral part thereof.
- c) Total of expenditures of the Autonomous Organs to be financed from their own revenues and contained in Annex III to the present law, which is an integral part thereof.

CHAPTER II Revenues

Article 3 Revenues

The Government is authorized to collect the taxes as well as other fiscal obligations as established by law during the transitional budgetary period.

CHAPTER III
Authorization for Transferring Oil Funds

Article 4
Authorized Limit for Crediting the State Budget

Pursuant to, and for the purposes of, article 7 of Law No. 9/2005 of 3 August, the amount of transfers from the Oil Fund for the transitional period from 1 July to 31 December 2007 does not exceed US\$ 40,000,000.00 (forty million American dollars) and is only made upon compliance with the provisions of articles 8 and 9 of the afore-mentioned Law.

CHAPTER IV
Budget Execution

Article 5
Payment of Taxes on Government Imports

The Treasury is hereby authorized to establish and implement a mechanism of accountancy for the registry and control of the revenues and expenditures corresponding to the payment of taxes on imports made by the Organs or on their behalf.

Article 6
Budget Allocations

During the transitional period, the Organs indicated in Annex II to the present law shall be financed from the State Budget with appropriations that allow them to meet the expenditures relating to the Expenditure Categories.

Article 7
Transfer of Appropriations

1. The Finance Minister may at any time revoke or amend the Expenditure Authorization Notices within the Expenditure Categories whenever such an action is considered to be desirable in the interest of the prudent financial management or whenever it is found appropriate in order to guarantee the continuation of the expenditures along the transitional period in favour of public interest.
2. Ministers, Secretaries of State under the Prime Minister, as well as other organs may, at any time, authorize a budgetary amendment within the Expenditure Categories and between the Expenditure Category for Goods and Services and the Minor Capital, including among programmes, following validation by the Ministry of Finance, as long as such budgetary amendment does not exceed US\$ 50,000 (fifty thousand American dollars).

3. Budget amendments exceeding US\$ 50,000 (fifty thousand American dollars) shall require authorization from the Finance Minister.
4. The Finance Minister may authorize budget amendments within the Expenditure Categories as follows:
 - a) Budget amendments not exceeding US\$ 250,000 (two hundred fifty thousand American dollars);
 - b) Where the amount exceeds US\$ 250,000 (two hundred fifty thousand American dollars), only the Prime Minister shall have the power to authorize it following a favourable opinion of the Finance Minister;
5. No budget amendments can be made, irrespective of the amount, from the Categories of Salaries and Wages, Development Capital, or Payments of Public Transfers to any other Expenditure Category.
6. No budget amendments can be made, irrespective of the amount involved, among different Organs.

Article 8 **Appropriations**

In order to meet the financial needs of the State Budget and in accordance with the clear and precise criteria established in relation to public expenditures, the Government inscribes the following appropriations in the Budget of the Ministry of Finance the management of which shall be the responsibility of this same Ministry:

- a) Contingency Reserve;
- b) Matching Funds of the Timor-Leste Trust Fund Project;
- c) Retroactive Financing;
- d) External Auditing;
- e) Quotas for Membership in International Organizations;
- f) Appropriations for Trips Overseas;
- g) Allocation for Taxes of the Timor-Leste Trust Fund;
- h) Allocation for Reimbursement of Taxes and Fees;
- i) Allocation for Fuel;

- j) Payment of Subsidies for the National Liberation Combatants;
- k) Payment of Pensions to former holders, and former members, of organs of sovereignty;
- l) Extraordinary subsidy for State servers;
- m) Emergency appropriations for capital works on roads and bridges.

Article 9 Contingency Reserve

It is incumbent upon the Prime Minister, upon favourable opinion of the Finance Minister, to decide on the transfer of resources from the Contingency Reserve to the different Organs.

Article 10 Transfers

1. Transfers constitute a special budget heading for expenditures and they assume two forms:
 - a) Public subventions, which are financings made to public and non-public entities without obligation for reimbursement;
 - b) Payment of personal benefits in the form of pensions and subsidies as provided for in the Statute of the National Liberation Combatants;

Article 11 Carried-Forward Appropriations

1. Budgetary appropriations that have not been committed through contracts signed with suppliers as at 31 December 2007 shall be considered forfeited.
2. The appropriations referred to in paragraph 1 above may be re-budgeted in the State Budget for 2008 in accordance with the priorities of the Government.

Chapter V
Autonomous Organs

Article 12
Own Revenues

1. The estimates of revenues to be collected by the Autonomous Organs are contained in Annex I.
2. The expenditures resulting from transfers from the State Budget to autonomous institutions, including estimates of respective expenditures, are contained in Annex II.
3. Budgets by Expenditure Category relating to Autonomous Organs financed by their own revenues are contained in Annex III.
4. Expenditure Authorization Notices for Autonomous Organs to expend from their own revenues may only be authorized upon receipt by the State of the respective revenues, and such authorizations shall never exceed the own revenues.

Article 13
Financing

Financing of Development Capital for the Autonomous Organs shall constitute public investment.

Chapter VI
Final Provisions

Article 14
Financing Through Independent Donors

1. No Organ shall establish agreements with independent donors for the supply of additional or complementary resources to the financing contained in the budgetary appropriations provided for in the present law without a prior and mandatory opinion of the Finance Minister.
2. The management of such financing shall take place in accordance with the requirements of the donors and in conformity with the directives issued by the Finance Minister.

Article 15
Subsidiary Law

The provisions contained in UNTAET Regulation No. 2001/13 on Budget and Financial Management shall apply to all matters not regulated by the present law.

Article 16
Entry into Force

The present law shall enter into force on the day after its publication and shall be valid retroactively as from 1 July 2007.

Done on 9 October 2007.

The Speaker of the National Parliament

Fernando La Sama de Araújo

Promulgated on 9 October 2007.

For publication.

The President of the Republic,

José Ramos-Horta

Annex I

Estimate of Revenues to be Collected for the Transitional Period of 6 Months (July – December 2007)

1	Total of Revenues	US\$ 578,7
1.1	Oil Revenues	US\$ 556,2
1.1.1	Timor Sea Revenues	US\$ 470,7
1.1.2	Timor Sea Royalties	US\$ 48,5
1.1.3	Interests	US\$ 37,0
1.1.4	Other Revenues (including RNMPE)	US\$ 0,0
1.2	Non-Oil Revenues	US\$ 18,9
1.2.1	Direct Taxes	US\$ 5,9
1.2.2	Indirect Taxes	US\$ 9,6
1.2.3	Charges and Fees	US\$ 3,4
1.3	Donations	US\$ ----
1.4	Autonomous Organs Own Revenues	US\$ 3,6