

STATE BUDGET FOR FISCAL YEAR 2006-2007

The State Budget comprises all revenues and expenditures of the State of Timor-Leste.

The 2006-2007 Combined Sources Budget, Budget Documents Nos. 1 and 2, is presented as supporting documentation to enable the National Parliament to analyse in detail the State Budget being presented to it as well as the fundamental expenditure measures. It also explains the broader context within which the State Budget was formulated, including the estimated funding amount from combined sources – that is, the TLCF and other bilateral and multilateral assistance – over the next four fiscal years (2006-2007 up to 2009-2010).

Annex 1 to State Budget Law establishes the estimated total amount of State Budget revenues for fiscal year 2006-2007 deriving from all sources: oil and non-oil revenues, funds from donors, and other non-fiscal revenues. The estimated total revenues from all these sources amount to US\$739.2 million.

For each State Organ, Annex 2 to State Budget Law establishes systematised budgetary appropriations as follows:

- US\$38.287 million for Salaries and Wages;
- US\$140.255 million for Goods and Services;
- US\$17.645 million for Minor Capital; and
- US\$119.717 million for Development Capital.

Total amount of appropriations thus stands at US\$315.9 million. This represents an increase of 122% in relation to the budget for fiscal year 2005-2006, of US\$142.3 million.

Excluding the autonomous organs, the total of budget appropriations stands at US\$302.2 million. This represents an increase of 132% in relation to the budget for fiscal year 2005-2006, which is US\$130.1 million.

The TLCF account includes all revenues and expenditures from the self-funded “Autonomous Organs”, notably the Electricity of Timor-Leste (EDTL), the Civil Aviation Authority of Timor-Leste, the Port Authority of

Timor-Leste, and the Equipment Management Institute. Revenues from these categories fall under budget line “Own Revenues of Autonomous Organs” in Annex 1, and the proposed expenditures budget are set out in Annex 3.

The estimated total expenditures for the self-funded “Autonomous Organs” stands at US\$15.2 million (including an additional sum of US\$1.3 million transferred from TLCF, i.e. surplus expenditures over revenues).

Thus, the estimated total amount of State Budget expenditures is US\$315.9 million, with TLCF non-oil revenues being estimated at US\$55.9 million. An additional sum of US\$260.0 million of savings from the Oil Fund is required to finance the State Budget deficit. The balance of US\$423.3 million in oil revenues is equivalent to the estimated total amount of US\$739.2 million in revenues included in Annex 1.

The Government has thus been able to formulate a Budget for the fiscal year 2006-2007 in line with measures to fight poverty, create job opportunities and increase the country’s assets through substantive capital projects in all districts and sub-districts.

Although there is balanced State Budget for the next fiscal year, the main objective of the Government is to substantially reduce poverty in the medium term. These issues, as well as the Government’s strategy to deal with the situation, are discussed in detail in Budget Document No. 1.

Pursuant to articles 92, 95.3(d), and 145.1 of the Constitution of the Republic, 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:

“State Budget” shall mean the financial management instrument of the State consisting in the forecasting, duly authorised, of the anticipated calculation of values expressed in financial amounts which, at any given point in time, certain inter-related revenues and expenditures will reach with a view to implementing the National Development Plan.

“Budget Law” shall mean the law that provides for all the projected revenues and expenditures of the State and the Organs of public administration for the respective fiscal year as prepared by the Government and approved by the National Parliament.

“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;

“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;

“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, the Provedor for Human Rights and Justice, as well as all Departments and Services of the State, at central or local level, that are subject to budget discipline;

“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;

“Expenditure Category” shall mean the grouping of expenditures under the following four categories: “Salaries and Wages”, “Goods and Services”, “Minor Capital”, and “Development Capital”;

“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;

“Goods and Services” shall mean the global amount which an Organ can expend in the purchase of goods and services;

“Minor Capital” shall mean the global amount which an Organ can expend in the purchase of minor capital goods;

“Development Capital” shall mean the global amount which an Organ can expend in capital and development projects;

“Transfers” shall mean the sums disbursed to certain entities without an such act implying that the receiving entity should give anything in return to the disbursing entity. These include monetary disbursements on the part of the Central Government to local entities, among others.

“Transfer of sums” shall mean the budgetary amendments foreseen and provided for in article 7 of the present law.

“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;

“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 fiscal year;

“Own Revenues” shall mean the quantitative amount collected by the *Autonomous Organs* from onerous alienation of goods and delivery of services;

“Expenditures Offset 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;

“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;

“Project” shall mean a set of operations, limited in time, the result of which enlarges or improves the operations of the Government;

Article 2 Approval

The present law approves the State Budget for the Fiscal Year 2006-2007 as well as the following annexes which are in integral part thereof:

- **Annex 1:** Total of revenues by groupings, including the Autonomous Organs’ own revenues;
- **Annex 2:** Total of expenditures by groupings, including the sums to be transferred from the State Budget to the Autonomous Organs;

- **Annex 3:** Total of expenditures of the Autonomous Organs to be financed from their own revenues.

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 Fiscal Year 2006-2007.

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 Fiscal Year 2006-2007 shall not exceed US\$ 260,067,680 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 Fiscal Year 2006-2007, the Organs indicated in Annex 2 to the present law shall be financed from the State Budget with sums that allow them to meet the expenditures relating to the Expenditure Categories as established in the above-mentioned Annex.

Article 7 Transfer of Sums

1. The Director of the Treasury 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 fiscal year in favour of public interest.
2. Based on a request from the respective Organ, the Director of Budget and the Director of the Treasury may authorise the transfer of sums among bughet lines of the same Grouping of Expenditure of the Organ by observing the following:
 - a) The Director of Budget and the Director of the Treasury may authorise transfers up to a maximum limit of 20% of the initial appropriation and as long as it does not exceed US\$20.000 (twenty thousand US dollars);
 - b) Where the amount exceeds US\$20.000 (twenty thousand US dollars, an authorisation from the Minister of Finance and Planning shall be required.
3. Ministers and Secretaries of State without Ministry of tutorship may request authorisation from the Minister of Planning and Finance to transfer sums among Expenditure Categories in the following terms:
 - a) The Minister of Planning and Finance may authorise in the cases where such transfers do not exceed 10% of the initial appropriation and as long as it does not exceed US\$100.000 (one hundred thousand US dollars);
 - b) Where the amount exceeds US\$100.000 (one hundred thousand US dollars), the authorisation may only be granted by the Prime Minister following a favourable opinion from the Minister of Planning and Finance.
- 4 - The provisions of the preceding paragraph is also applicable, with the necessary adaptations, to other Organs of Sovereignty of the State.
- 5 - No transfers may take place from *Salaries and Wages* for any other Expenditure Category, irrespective of the amount involved.
- 6 - No transfers may take place among different Organs, irrespective of the amount involved.

Article 8

Funds

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 funds 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) Fund 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 Pensions to Former Combatants;
- k) Subsidies to be granted to functionaries and agents of Public Administration and holders of political offices;
- l) Funds for establishing the Rural Credit Bank;
- m) Funds for reinstating of equipment and other stoles or destroyed public assets.

Article 9 Contingency Reserve

It is incumbent upon the Prime Minister, upon favourable opinion of the Minister of Planning and Finance, to decide on the transfer of resources from the Contingency Reserve to the different Organs in accordance with the presented reasons and justification.

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;
- 2 - Public subventions shall be granted after they have been approved by Government Regulation.
- 3 - Transfers shall obey the principle of strict organisation and their respective sums shall not be altered.

Chapter V Autonomous Organs

Article 11 Own Revenues

1. The estimates of revenues to be collected by the Autonomous Organs are contained in Annex 1.
2. The expenditures resulting from transfers from the State Budget to Electricity of Timor-Leste, including estimates of respective expenditures, are contained in Annex 2.
3. Budgets by Expenditure Category relating to Autonomous Organs financed by their own revenues are contained in Annex 3.
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 12 Financing

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

Chapter VI Final Provisions

Article 13 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 Minister of Planning and Finance.

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 Minister of Planning and Finance.

Article 14
Transitional and Subsidiary Provisions

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 15
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 2006.

Approved on 14 August 2006.

The Speaker of the National Parliament

[signed]
Francisco Guterres “Lu-Olo”

Promulgated on 17 August 2006.

[signed]
Kay Rala Xanana Gusmão

