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For more information on the 2011 State Budget, see
<http://www.laohamutuk.org/econ/OGE11/10OJE2011.htm>.**

This version of the budget law was presented to Parliament on 15 November 2010.



**DEMOCRATIC REPUBLIC OF TIMOR-LESTE
IV CONSTITUTIONAL GOVERNMENT**

Proposed Law No.

Of of

Approves the State Budget of the Democratic Republic of Timor-Leste for 2011

The State Budget for 2011 includes all revenue and expenditure of the State of Timor-Leste.

Annex I to the Law on State Budget for 2011, hereinafter OGE, establishes the estimated total revenue for the state budget for January to December 2011 derived from all sources, including oil, non-oil, funds from development partners and non-tax revenues. The total estimated revenue from all sources is \$2.398 billion U.S. dollars.

Annex II to the Law on State Budget provides all budget allocations, systematized as follows:

1. \$ 115,909 million U.S. dollars for Salaries and Wages;
2. \$ 270,459 million U.S. dollars for Goods and Services, of which \$ 25 million is allocated to the Fund for Human Capital Development;
3. \$ 164,456 million U.S. dollars for Public Transfers;
4. \$ 28,252 million U.S. dollars for Minor Capital, and
5. \$ 405,924 million U.S. dollars for Capital Development, of which \$ 317,306 million is allocated to the Infrastructure Fund.

The total budget is thus \$ 985 million U.S. dollars, of which \$ 317,306 million is allocated to the Infrastructure Fund and \$ 25 [million] for the Human Capital Development Fund.

Excluding the autonomous services and funds, total appropriations for the State Budget are \$ 934,740 million U.S. dollars.

The total estimated expenditure for the autonomous funds and services in 2011 is \$ 50,261 million U.S. dollars, of which \$ 31,361 million U.S. dollars are transferred from the state budget in order to subsidize their costs when they exceed the revenues provided.

The total estimated expenditure of the State Budget is \$ 985 million U.S. dollars, while the non-oil revenues estimated at \$ 110 million U.S. dollars, including revenues from autonomous services and funds. The non-oil

fiscal deficit is \$ 875 million U.S. dollars, of which \$ 734 million U.S. dollars will be paid from the Petroleum Fund and \$ 141 million U.S. dollars from the Consolidated Fund for Timor-Leste.

The Government presents to the National Parliament, under Article 97.1(c) and Article 145.1 of the Constitution of the Republic, the following Proposed Law:

Chapter I Definitions and approval

Article 1 Definitions

For the purposes of this Act, the following definitions apply:

- a) **“Expense Category”** - the grouping of expenditure under the following five categories: Salaries and Wages, Goods and Services, Public Transfers, Minor Capital and Development Capital, where:
 - i) **“Salaries and Wages”** - The total amount that an organ can spend on wages and salaries for political office holders and civil servants, temporary and part-time;
 - ii) **“Goods and Services”** - The total amount that an organ can spend on purchasing goods and services;
 - iii) **“Public Transfers”** - The total amount that an organ can spend on public subsidies and consigned payments;
 - iv) **“Minor Capital”** - The total amount that an organ can spend on purchasing goods from Minor Capital;
 - v) **“Capital Development”** - The total amount that an organ can spend on projects of Capital Development.
- b) **“Expenses offset by revenues”** - expenses incurred by own revenues collected by autonomous funds and services, provided the amount does not exceed the total revenues that were received in the relevant accounts of the Treasury;
- c) **“Appropriation”** - Maximum OGE entered in favor of an Organ to achieve a given expenditure;
- d) **“Organ / Organs”** - the generic term adopted in the Budget to indicate the general government budget and subject to discipline, according to the organic classification, can be divided under headings such as: Office of the President of the Republic, National Parliament, Government (Office of the Prime Minister at the Presidency of the Council of Ministers, Ministries and Secretaries of State), Courts and the Prosecutor-General’s Office.
- e) **“Expenditure Lines”** - The individual expenditure lines within each category of expenditure, based on the code structure of expenditure accounts maintained by the Treasury.

Article 2 Approval

An Act approving the State Budget for the period from 1 January 2011 and December 31, 2011, as well as:

- a) Total revenues by groups including the self-generated revenues of the autonomous funds and services listed in Annex I to this law, are an integral part;
- b) Total expenditure of groupings, including special funds and the funds to be transferred from the State Budget funds for services to independent in 2011, listed in Annex II to this law, are an integral part;
- c) Total expenditure of autonomous funds and services to be financed from its own revenue and grant the

State Budget, in Annex III to this law, made part.

Chapter II Revenues

Article 3 Revenues

In 2011, the Government is authorized to collect taxes and other tax duties established by law.

Chapter III Authorization to transfer from the Petroleum Fund

Article 4 Authorized limit for transfers in 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 Petroleum Fund for 2011 shall not exceed \$ 734 million U.S. dollars and may take place only after compliance with articles 8 and 9 of the above law.

Chapter IV Budget Execution

Article 5 Paying taxes on imports from the Government

The Treasury is authorized to establish and implement an accounting mechanism for the registration and control of revenues and expenses corresponding to the payment of import taxes incurred by or on behalf of agencies.

Article 6 Appropriations for whole of government

According to the clear and precise criteria established in relation to public expenditure, the Government includes in the budget of the Ministry of Finance the following commitments, which it is responsible to manage:

- a) Counterpart Fund;
- b) External Audit;
- c) Contingency Reserve;
- d) Fund for Foreign Travel;
- e) Dues for Membership in International Organizations;
- f) Retroactive Financing;
- g) Payment of pensions to former office-holders and former members of the organs of sovereignty;
- h) Construction of Integrated Border Posts;
- i) New Organ for Implementation of Recommendations of the CAVR.

Article 7 Contingency Reserve

The Prime Minister, after consulting the Minister of Finance, is responsible to decide on the transfer of funds from the Contingency Reserve to the different organs.

Chapter V
Autonomous funds and services

Article 8
Self-generated Revenues

1. The estimated revenue to be collected by autonomous services and funds is listed in Annex I.
2. The expenses resulting from transfers from the government to autonomous funds, as well as the estimated costs are listed in Annex II.
3. Budgets by Expenditure Category for the autonomous services and funds that are financed by own revenues are in Annex III.
4. Notices of Authorization of expenditure in favor of autonomous funds and services from their revenues may be authorized only after receipt by the State, of their revenue, and the permits required to equal or lesser value.

Chapter VI
Special Funds

Article 9
Infrastructure Fund and Human Capital Development Fund

1. Pursuant to Article 32 of Law No 13/2009, 21 October, Budget and Financial Management, the Government is authorized to establish the Infrastructure Fund and the Human Capital Development Fund.
2. The Infrastructure Fund is intended to fund projects aimed at strategic acquisitions, construction and development of:
 - a) Road infrastructure, including roads, bridges, ports and airports;
 - b) Power generators and distribution lines;
 - c) Telecommunications;
 - d) Infrastructure to promote flood protection;
 - e) Installations for water treatment and sanitation;
 - f) Logistic facilities, including storage infrastructure;
 - g) Government buildings, including health facilities and education;
 - h) Other infrastructure that promotes the strategic development.
3. The Human Capital Development Fund is intended to finance projects and programs of training of human resources, including programs to increase the training of Timorese professionals in key sectors of development such as justice, health, education, infrastructure, agriculture, tourism, petroleum management and financial management, among others, which includes activities and actions undertaken in Timor-Leste and the participation of Timorese citizens in overseas training, including scholarships for undergraduate and postgraduate level.
4. The Funds mentioned in the preceding paragraphs are regulated by decree-law.

Chapter VII
Final Provisions

Article 10
Financing from Independent Donors

1. Each Authority may enter into agreements with independent donors to provide additional resources or additional funding to budget allocations contained in this Act, with prior approval by the Minister of Finance.
2. The management of this funding should be made in accordance with the directives issued by the Ministry of Finance and donors' requirements.

Article 11
Entry into force

This Law shall enter into force on 1 February 2011, effective as of 1 January 2011.

Approved by the Council of Ministers on 11 November 2010.

/ S /

The Prime Minister
Kay Rala Xanana Gusmão

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The Minister of Finance
Emilia Pires

**Estimated revenues to be collected in the State Budget of the
Democratic Republic of Timor-Leste for 2011¹**

(U.S. \$ million)

1.	Total Revenues	2,398.1
1.1.	Petroleum Revenues	2,288.0
1.1.1.	Petroleum profits tax	1057.0
1.1.2.	Rights in the Timor Sea	147.0
1.1.3.	Income tax	355.0
1.1.4.	Additional profits tax	395.0
1.1.5.	Other Taxes and Petroleum Fees	38.0
1.1.6.	Interest on the Petroleum Fund	296.0
1.2.	Non-Petroleum Revenues	91.2
1.2.1.	Direct taxes	22.3
1.2.2.	Indirect taxes	42.6
1.2.3.	User fees and other income	26.2
1.2.4.	Interest on Treasury Account	0.1
1.3	Donations	0.0
1.4	Revenues of Autonomous Agencies	18.9

*Annex II contains the lists of expenditure allocations for the Consolidated Fund and the two Special Funds.
They can be downloaded from*

<http://www.laohamutuk.org/econ/OGE11/Annex2A.pdf>

<http://www.laohamutuk.org/econ/OGE11/Annex2BInfra.pdf>

<http://www.laohamutuk.org/econ/OGE11/Annex2CHuman.pdf>.

¹ The values are not rounded, and therefore the sum may not accurately reflect the total costs.

Autonomous Organs that are partially funded by own revenues within the State Budget of the Democratic Republic of Timor-Leste for 2011

(US\$'000)

	Expenditure	Own Revenues	Subsidy from Government
Electricity of Timor-Leste (EDTL)			
Salaries and Wages	1,000		
Goods and Services	45,488		
Minor Capital	471		
Development Capital	1,200		
Total	48,159	14,500	33,659
ANATL (airports)			
Salaries and Wages	251		
Goods and Services	271		
Minor Capital	12		
Development Capital	0		
Total	534	1,300	0
APORTIL (ports, including Berlin-Nakrona)			
Salaries and Wages	87		
Goods and Services	163		
Minor Capital	0		
Development Capital	0		
Total	250	3,100	0
IGE (equipment management)			
Salaries and Wages	653		
Goods and Services	613		
Minor Capital	52		
Development Capital	0		
Total	1,318	0	1,318
Total for Self-Funded Agencies	50,261	18,900	31,361