VII CONSTITUTIONAL GOVERNMENT

Draft Law No. 2017 of

First Amendment to Law 13/2016, of December 29, approving the State Budget for 2017

Statement of reasons

Introduction

Pursuant to of Article 97.1(c) and Article 115.2(a) of the Constitution of the Democratic Republic of Timor-Leste, and article 34.1 of Law No. 13/2009 of 21 October on Budget and Financial Management, the Government proposes to the National Parliament this draft law making the First Amendment to the State Budget Law for 2017.

Basis for the need for amendment

For the new Government that emerged from the last elections, the presentation of an amendment of the Budget for 2017 is an unavoidable necessity. The law imposes the obligation to submit an amending budget in very specific situations.

1) It is universally accepted that budgetary appropriations, as far as expenditure is concerned, are, as a general rule, ceilings not to be exceeded in budget implementation, and that, therefore, appropriations entered in the budget are insufficient and expenditure cannot be entered in the appropriations initially entered, it is imperative to obtain authorization from the legislative body.
2) The current government, which has been in office for less than two months, is confronted with several situations in which the available budgetary resources do not allow the State to make payments for commitments already undertaken or to incur absolutely necessary expenses to guarantee the continuity of the provision of services essential to the proper functioning of the economy and the provision of services to citizens. There are also cases of unpaid wages, debts owed to providers, and debts to contractors.
3) These situations are liable to jeopardize the good functioning of the State, adversely affect the lives of citizens and the situation of companies, jeopardize the proper execution of important projects and affect the very credibility of the State.
4) The current government, despite the efforts made in order to obtain budgetary savings, finds himself unable to resolve situations in the budget framework, and therefore is presenting this draft amending budget. This solution is not only recommended by good budgetary management practice, as it is imposed by the law itself.
5) Moreover, the adopted structure of government, which is not only different but smaller, requires adjustments in the organic classification of expenditure which, given their size, fit better under an amending budget. Moreover, there have been in the past use of this instrument in much less burdensome situations.

The aim of this amendment is to create conditions for the regularization of past situations, the payment of commitments made by the previous government and the expenditure absolutely necessary to ensure the continuity of essential public services to the economy and citizens. It also allows adjustments to be made in the organic classification of expenses resulting from the alteration of the organic structure, which, due to their size, require authorization from the legislative body.

With the new government structure and the adjustment of the budget appropriations approved by Law 13/2016 of 29 December, the 2017 General State Budget, it will be possible to:

1) Improve the formulation of public policies and enable the respective implementation across the government, including through entry into four new Ministers of State and two Deputy Prime Ministers functions that will coordinate matters in the areas of their mandates;
2) Strengthen state institutions through the creation of a new ministry that will be responsible for institutional development and reform;
3) Reduce spending and allow for savings through greater administrative efficiency resulting from the adoption of a new Government structure.

Unofficial English translation from scanned Portuguese by La'o Hamutuk. For more information on Timor-Leste's 2017 State Budget and its rectification, see http://www.laohamutuk.org/econ/OGE17/16OGE17.htm

The estimated total of the General State Budget for 2017 is changed to $1,609,827,000, whose adjustment will allow to finance the following activities of the Government through the month of December 2017:

1) $394,298 to finance the expenses of new structures of the VII Constitutional Government;
2) $36,119,505 for payment of salary arrears of teachers, pensions for ex-office-holders, costs of legal services, costs of Foreign Ministry goods and services, the expenses of the Presidency of the Republic, the acquisition of a transformer for the Dili power station, as well as the strengthening of the budget for the TL Cement project;
3) $146,722,000 to cover the expenses of the projects resulting from the contracts under the Infrastructure Fund;
4) $53,549,085 for the payment of debts to Timor Telecom, UNTL, the Suco elections, fuel payments and maintenance of the Hera and Betano power stations, and such as medical treatment expenses abroad.

Infrastructure Fund

The budget for the Infrastructure Fund is changed to $472,344, the adjustment of which will allow for the continuation of projects and payments under the Infrastructure Fund and other similar investments that will stimulate economic growth, leading to higher domestic revenues and lower long-term government expenditures.

Special Fund

The total the budget for the Human Capital Development Fund is unchanged at $27,200,000.

Revenue to the Petroleum Fund

The total revenues to the Petroleum Fund are changed to $1.558 billion. According to the Petroleum Fund Law, the Estimated Sustainable Income (ESI) is 3% of the Petroleum Wealth. In this way, the ESI for fiscal year 2017 will be $481,600,000, continuing to propose a transfer above the ESI of the amount of $820,200,000.

Non-Oil Revenues

Estimates of non-oil revenues remain unchanged in the amount of $198,100,000.

The Government remains aware of the importance of increasing non-oil revenues to finance future expenditures, bearing in mind that oil revenues will tend to decline in the future and that Timor-Leste will gradually reduce Petroleum Fund withdrawals above ESI.

Public debt

The Government does not propose any changes to the National Parliament in the ceiling for borrowing in 2017, keeping the amount of $101,826,000 already approved in the previous budgetary procedure.

Public-Private Partnerships

The Government does not propose any amount to the National Parliament in this financial year for financing Public-Private Partnerships projects.

Approved by the Council of Ministers on 8 November 2017.

The Prime Minister,

/s/

Dr. Mari Bin Amude Alkatiri

The Minister of Planning and Finance,

/s/

Rui Augusto Gomes

VII CONSTITUTIONAL GOVERNMENT

Draft Law No. 2017 of

First Amendment to Law 13/2016, of December 29, approving the State Budget for 2017

This Law amends the General Budget of the State for 2017, approved by Law 13/2016, of December 29. in the relative parts of Annex 1 - of Tables I, II and III, leaving Table IV unchanged.

It revises Table I of the State Budget in part on the estimated total revenue from January to December 2017, from petroleum sources and non-oil revenues (tax, non-tax and loans). The total estimated revenue is $ 1,866,000,000.

Table II alters budget allocations, systematized as follows:

1. $ 216,308,000 for Salaries and Wages;
2. $ 463,782,000 for Goods and Services;
3. $ 421,380,000 for Public Transfers:
4. $ 12,597,000 for Minor Capital;
5. $ 495,761,000 for Development Capital.

Table III changes the total expenditures for autonomous funds and services to be financed by an allocation from the State Budget, leaving expenditure financed by borrowing and the expenditures for the Authority of the Special Administrative Region of Oecusse Ambeno and Atauro unchanged. The total expenses for autonomous services and funds in 2017 including loan is $525,765,000.

The purpose of this amendment is to create conditions for the regularization of past situations, the payment of commitments made by the previous government and expenditure which are absolutely necessary to guarantee the continuity of essential public services to the economy and citizens. It also allows adjustments to the organic classification of expenditures, resulting from changes in the organizational structure, which because of their size, require authorization from the legislature.

The estimated total expenditure of the State Budget is $ 1,609,827,000.

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

Article 1
Revision to Law No. 13/2016 of 29 December, which approves the State Budget for 2017

The Tables I, II and III contained in Annex 1 of Law No. 13/2016, of 29 December are replaced, respectively, by Tables I, II and III appended to this law.

Article 2
Republication

Law No. 13/2016 of 29 December, with the updated wording is republished, in appendix, which becomes an integral part of this law.

Article 3
Entry into Force

This law comes into force on the day following its publication,

Approved by the Council of Ministers on November 8, 2017.

The Prime Minister,
/s/

Dr. Mari Bin Amude Alkatiri

The Minister of Planning and Finance,
/s/

Rui Augusto Gomes

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Table I

Estimate of revenues to be collected and financing of expenditures in State budget for 2017 (millions of US dollars) *

1.1 - Estimated Revenues

Table I - Estimate of Revenue and Borrowing

		Orig. 2017**	Ret. 2017
1.	**Total Revenues**	**1,414.4**	**1,866.0**
1.1	**Oil Revenues**	**1,106.3**	**1,558.0**
1.1.1	Profit Oil	137.5	199.1
1.1.2	Timor Sea FTP/Royalty	30.2	40.7
1.1.3	Income tax	23.7	51.5
1.1.4	Additional Profit Tax	71.1	91.3
1.1.5	Other Petroleum Taxes and Fees	0.9	6.1
1.1.6	Petroleum Fund investment return	842.9	1,169.3
1.2	**Non-Oil Revenues**	**199.3**	**199.3**
1.2.1	Direct Taxes	65.0	65.0
1.2.2	Indirect Taxes	80.2	80.2
1.2.3	Other Tax revenues	0.5	0.5
1.2.4	Fees and Charges	50.0	50.0
1.2.5	Treasury Account Interest	0.0	0.0
1.2.6	ZEESM taxes	3.6	3.6
1.3	**Donations**	**0.0**	**0.0**
1.4	**Revenues from Autonomous Services and Funds**	**6.9**	**6.9**
1.5	**Borrowing**	**101.8**	**101.8**

* Rounded Values

** This column was added by La'o Hamutuk for reference. It is not in the law.

2.1 – Financing of Expenditures

	Orig. 2017**	Ret. 2017
Non-oil revenues including revenues from autonomous services and funds	**206.2**	**206.2**
Transfers from the Petroleum Fund	**1,078.8**	**1,301.8**
Borrowing	**101.8**	**101.8**
Total	**1,386.8**	**1,609.8**

* Rounded Values

** This column was added by La'o Hamutuk for reference. It is not in the law.