VIII CONSTITUTIONAL GOVERNMENT

Decree-Law No. …../ 2020
Of of

Proposed Law that approves the State General Budget for 2021

Explanatory Memorandum

Introduction

Under the terms of article 97.1(c) and article 115.2(a) of the Constitution of the Democratic Republic of Timor-Leste, the Government proposes to the National Parliament the Proposed General State Budget Law for 2021.

The present State Budget Law Proposal for 2021 presents all revenues and expenses of the bodies and services of the Public Administrative Sector for the period between January 1 and December 31, 2021, comprising the budget of the Central Administration, the Budget of the Special Administrative Region of Oe-Cusse Ambeno and the Budget of Social Security.

Framework

The present draft law of the State Budget for 2021 is presented on October 15, 2020, under the terms of article 30.1 of Law no. 13/2009, of October 21, on Budget and Financial Management, as amended by Law No. 9/2011, of 17 August, and Law No. 3/2013, of 7 August.

This proposal for a law on the General State Budget integrates, independently, the Budget of the Special Administrative Region of Oe-Cusse Ambeno, under the terms of article 10.2(b) of Law no. No. 3/2014 of 18 June, which creates the Special Administrative Region of Oecussi, as amended by Law No. 3/2019, 15 of August, and the budget of the Social Security under of article 61.2 of Law no. 12/2016, of 14 November, which creates the Social Security Contribution Scheme.

Methodological Changes

The State Budget for 2021 presents a series of methodological changes that aim to bring the budget closer to the best international budgetary practices, improving the conceptual quality of the State Budget, harmonizing the presentation of information and increasing its transparency.

Respecting budgetary autonomy under the law, the state budget is now composed of three separate budgets, the Budget for Central Administration, the Special Administrative Region of Oecussi Budget and the Social Security Budget.

Each of these budgets has separate revenue and expenditure tables. Financial flows between these budgets are processed through the transfer category.

However, for the sake of transparency, a new table is now presented with the revenues and expenses of the entire Public Administrative Sector so that all public monies listed in the State Budget are visible.

Continuing the budgeting efforts of all the organs and services of the Public Administrative Sector, namely the National Petroleum and Minerals Authority, IP, and the Institute of Petroleum and Geology, IP, which will come in 2021 as a transitional regime with a view to operationalizing the procedures aimed at fully integrating their revenues and expenses into the General State Budget for 2022.

Expenditures from the General State Budget are now presented and specified by programs, in addition to the already used organic and economic classifications. This new form of presentation makes it possible to transmit more information to Parliament, specifically on the objectives of budget allocations, together with information on the author of the expenditure (organic classification) and the type of expenditure (economic classification).

Finally, in an effort to simplify budget implementation, are reduced to two financial schemes the bodies and services of the Central Administration, merging into one regime called "Bodies, services and autonomous funds" from previous regimes of the "Autonomous Bodies Without Own Revenues" and "Autonomous Funds and Services", which did not present major conceptual differences.

Macroeconomic scenario

The year 2020 was marked by the outbreak of the COVID-19 pandemic, in January, in the People's Republic of China, which in the following months spread around the world, leading to the adoption of measures to prevent and combat the pandemic that hindered or prevented the circulation of people and goods and which forced the suspension of several economic activities, with a special focus on activities related to transport and tourism and serving the public.

In Timor-Leste and in many other states, external borders have been temporarily closed which has severely limited international trade and flows.

In the national territory the State of Emergency was decreed, through the Decree of the President of the Republic no. 29/2020, of 27 March, which was subsequently renewed, with a small interruption, until the present date.

Despite the fact that the borders have opened up again, the flows of people and goods are still well below that observed before the pandemic, and it is foreseeable that the return to normality will still take some time to happen and is dependent on the epidemiological evolution observed in the coming months.

The economic impacts of the pandemic and preventive and combat measures were very substantial.

All economic projections point to a sharp slowdown in the world economy, with most States showing a sharp decline in annual gross domestic product (GDP).

Table No. 1 - GDP (non-oil), 2010 -2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Real GDP ($ m)	1294.8	1370.0	1452.4	1483.3	1549.3	1596.7	1653.3	1590.5	1578.1	1620
Real GDP growth rate	9.5	5.8	6.0	2.1	4.5	3.1	3.6	-3.8	-0.8	2.7

Preliminary GDP projections for 2019 indicate that GDP was positive, recovering after two years of contraction, with growth of around 2.7%. However, the combined effect of a delayed budget, political uncertainty and measures to prevent and combat the COVID-19 pandemic and the state of emergency will result, in 2020, in negative GDP growth of around -6.0%, it is expected that in 2021 the positive growth will return and that this evolution will continue in 2022.

However, growth rates will remain below Timor-Leste's potential, which will delay the return to levels before the economic crisis.

Table no. 2 - GDP (non-oil), 2020 -2022

	2020	**2021**	**2022**
Real GDP growth rate	-6.0%	2.8%	2.0%

The negative impact of COVID-19 and a state of emergency in the quality of life will be reduced due to various measures taken by the Government in order to assist the most vulnerable during the crisis, including the payment of a monetary subsidy to households, assistance to employers to pay the salaries of workers, granting a credit line and allocating a basic basket to households.

Still, the consumption and public investment, which contributes substantially to the GDP, will be limited in 2020 by the duodecimal regime. The private consumption also has diminished gone during 2020, in particular during the months of the state of emergency.

The global growth outlook is negative, with one estimate of contraction of the global economy of -4.9% in 2020. The largest contraction should take place between the advanced economies, with a rate of -6.1%, while the emerging economies and in development it should drop about -1.1%. The projection of a contraction of 8% of the US economy should be highlighted. The Chinese, however, should be able to maintain a positive growth of 1% in 2020.

Table No. 3 - International GDP, 2018 -2021

	Real		Forecast	
	2018	**2019**	**2020**	**2021**
World	3.6%	2.9%	-4.9%	5.4%
Advanced economies	2.2%	1.7%	-8.0%	4.8%
U.S.	2.9%	2.3%	-8.0%	4.5%
Emerging and developing economies	4.5%	3.7%	-3.0%	5.9%
Asian emerging and developing economies	6.3%	5.5%	-0.8%	7.4%
China	6.7%	6.1%	1.0%	8.2%

Source: International Monetary Fund (World *Economic Outlook Update, June 2020)*

It is anticipated that the global growth will recover strongly in 2021 with a rate of 5.4%, with the most advanced economies to grow by 4.8%, while emerging and developing economies will increase by 5.9%. However, the recovery in 2021 is uncertain and depends on the evolution of the situation regarding the COVID-19 pandemic.

Table No. 4 - Inflation, 2019-2021

	2020	**2021**	**2022**
Rate of Inflation	0.7%	2.1%	2.7%

In 2020, inflation growth is expected to remain low and stable at a rate of 0.9%, below the regional average, which should contribute positively to the increase in Timor-Leste's competitiveness.

Table No. 5 - International inflation, 2018-2021

	Real		Forecast	
	2018	**2019**	**2020**	**2021**
World	3.6%	3.6%	3.0%	3.3%
Advanced economies	2.0%	1.4%	0.5%	1.5%
Emerging and developing economies	4.8%	5.0%	4.6%	4.5%
Asian emerging and developing economies	2.6%	3.2%	3.0%	2.9%

Source: International Monetary Fund (World *Economic Outlook Update, June 2020)*

Global inflation in 2020 was estimated by the IMF at 3.0%. Falling commodity prices, especially oil, have contributed to the control of inflation in advanced economies, which should continue in the coming years. For emerging economies, inflation has increased reflecting the impact of the depreciation of national currencies against the US dollar, but it is projected that growth in the coming years will be moderate due to the impact of a more restrictive monetary policy and recent declines in oil prices.

Budget performance of the previous year

The State Budget for 2020 was approved only in October this year, so budget execution to date has been carried out under the duodecimal regime, with reference to the State Budget of 2019. Taking into account the limitations resulting from the duodecimal regime, budget execution in 2020 is below that recorded in 2019.

Up to the end of the second quarter, executed expenditure amounted to $541.1 million, which represents an execution rate of 37% of the annual budget, below that observed in the same period of 2019, where a rate of 50% was recorded ($737.3 million). However, it is important to note that in the previous year the period of application of the duodecimal regime, in which implementation is restricted to the Temporary Budgetary Appropriation, lasted only one month, while in 2020 this period lasts until now.

The approval of the General State Budget and the end of the application of the duodecimal regime should improve the budget execution rate in the last quarter of the year.

Evolution and sustainability of the Petroleum Fund

Since the creation of the Petroleum Fund until August 2020, petroleum revenues totaled $23,056.3 million, which includes the initial transfer of $204.6 million in revenue collected before the creation of the Fund. Royalties and profit sharing totaled $13,094.5 million and oil-related tax revenues totaled $9,764.5 million.

The General State Budget is largely financed by withdrawals from the Petroleum Fund. The Government withdrew from the creation of the Fund until the end of August 2020 $12,004.1 million. This exceeds the ESI accumulated during that period by $4,472.5 million. Since 2009, annual withdrawals have represented on average about 5% of Petroleum Wealth, compared to 3% of ESI. This excess reflects the Government's frontloading policy, i.e., anticipating expenses to enable economic development in the expectation that the revenue resulting from this development will offset the withdrawals. The excess withdrawals, as well as the decrease in price and the revenue expected from oil, contributed to a decline in the Petroleum Wealth of Timor-Leste.

The Petroleum Fund's investment portfolio seeks to diversify investments in order to maximize financial returns taking into account the Fund's operational restrictions and its capacity to support risk, as well as ensuring sufficient liquidity to finance the withdrawals approved by the National Parliament.

The Fund's portfolio is mainly composed of sovereign debt securities and shares listed on stock exchanges, in the proportion of 55% of the Fund invested in bonds and 35% in shares, with 5% still being deposited with the Central Bank of Timor-Leste and 5% invested in oil-related operations through holding private debt of Timor GAP, EP. The stock portfolio is diversified between companies, countries and sectors, while the sovereign securities portfolio helps to mitigate the risk inherent in stocks. The allocation of capital is the main determinant of the investment performance of the Petroleum Fund. Shares produce higher returns than bonds, along with greater annual volatility in returns. Since its measurement started in 2010, the annualized return on capital allocation is 9.85%. The return on bonds since the beginning is 2.89% per year. The cumulative return on investment since the creation of the Fund until August 2020 is $7,618.7 million.

In August 2020, the Fund's balance was $18,671 million, an increase of $979.1 million since the beginning of the year. The Fund's balance is determined by the inflow of oil revenues, outflows from government withdrawals and investment returns. Oil revenues contributed $270.2 million to the Fund this year, while the return on investment was $1,128.5 million (+6.47%) during the period. Through August 2020, the government has withdrawn $419.5 million out of a total of $536.3 million of extraordinary withdrawals approved by the National Parliament to finance the Treasury balance during the duodecimal regime ($316.8 million) and the Covid-19 Fund ($219.5 million).

In the draft State Budget the Government proposes to withdraw $1,377.6 million from the Fund in 2021, which is $829.7 million above the annual ESI of $547.9 million.

Evolution and sustainability of public debt

The total public debt amounted, at the end of 2019, to $470.53 million, of which $192.20 million is disbursed loans not amortized and $278.33 million as loans contracted but not disbursed.

While the public debt to GDP ratio in 2018 was 9.23%, the estimate for 2019 is around 11.67%. These values are still well below the 40% limit suggested by the IMF and World Bank regarding debt sustainability for low-income countries.

In 2020 the disbursement of loans will reach $60.0 million.

With the goal of budget sustainability, the cost of borrowing should be kept lower than the return of the petroleum fund. At the end of 2019, the difference between the cost of borrowing with respect to the return from the Petroleum Fund was about 2.16%, which means that the cost of borrowing remained lower than the return of the Petroleum Fund.

The nature of contracted loans remains concessional, originating from three institutions, the Asian Development Bank, the World Bank and Japan's International Cooperation Agency. In the medium and long term, Timor-Leste should begin to explore commercial borrowing, through the issuance of public debt securities, to diversify debt holders and try to further reduce the cost of borrowing. The creation of government bonds would serve to provide a national investment instrument for the reserves of national financial institutions and pension funds, as is the case in other countries, thus reducing the outflow of funds abroad.

For 2021, the Government foresees disbursement of $70.7 million and contracting of up to $420.0 million in new loans.

Evolution and sustainability of PPPs

A PPP project is currently in the implementation and operation phase, relating to the Tibar Bay Port, and another project is in the procurement and negotiation phase, regarding Medical Diagnosis, while other projects are in the initial and feasibility analysis phase (Accessible Housing, President Nicolau Lobato International Airport and touristic use of the Cristo Rei Park).

As for the PPP project for Tibar Bay Port, disbursements in the amount of $19.3 million were made in 2019, from the Escrow account created for the purpose. As of December 31, 2019, the total balance available in the account was $115.7 million, with payments in the amount of $51.8 million being scheduled for 2020.

Fiscal measures

The State Budget for 2021 provides, in line with the State Budget for 2020, the increase in excise rates applicable to certain alcoholic beverages.

This increase aims both to contribute to the collection of more tax revenues, and on the other, promote the national beverage production industry, which directly employs dozens of workers and acquires raw materials from hundreds of domestic farmers, and avoiding that the domestic market is flooded by low-priced imports.

Therefore, it is proposed to increase the excise tax rate applicable to malt beer with an alcohol content of less than 4.5%, tariff heading 2203.00.10, to $2.50 per liter (from the current $1.90 per liter), and the rate of excise duty applicable to malt beer with other alcohol content, tariff heading 2203.00.20, to $3.50 per liter (from the current $1.90 per liter).

The differentiation of the rate applied to beers with lower alcohol content in relation to the rate applied to beers with higher alcohol content also serves to discourage the consumption of drinks with higher alcohol content, which have more harmful effects on the health of consumers.

In line with the increase of the rate applied to beer with higher alcohol content, and for which this does not exceed the Excise tax rate applicable to wine which usually has a higher alcohol content, it is also proposed to increase the excise tax rate applicable to wine, vermouth and other fermented beverages, tariff headings 2204, 2205 and 2206, to $3.50 per liter (from the current $2.50 per liter).

On the other hand, it is proposed to reduce, during the year 2021, the excise tax rate applicable to use of captive-bolt pistols for slaughtering animals, tariff heading 9303.90.00, to 10% of (currently 200% of value). These pistols are used by slaughterhouses to stun animals before slaughter, preventing them from feeling pain, are included in the tariff category of weapons, so a rate of 200% of the value is applied to them, which has hindered their acquisition by national slaughterhouses. This reduction, only applicable to this type of pistol, will allow slaughter in national slaughterhouses to be carried out in accordance with the best international practices to reduce the suffering of animals, promoting the development of the national meat production industry for consumption and contributing to reducing imports.

Tax exemptions for the acquisition, by the State or other public legal persons, of arms and ammunition for the National Police of Timor-Leste (PNTL), the Scientific Police for Criminal Investigation (PCIC) and the FALINTIL - Timor-Leste Defense Forces are maintained, as well as payments to be made for expenses related to medical assistance abroad, and the introduction, in national territory, of goods that are donated to the State by foreign States, public bodies from other States or international organizations.

General lines of budget policy

The State Budget is the main instrument of Timor-Leste's economic-financial policy and the main instrument for implementing the measures proposed by the VIII Constitutional Government and set out in its Program.

The VIII Constitutional Government proposes to introduce profound improvements in the different sectors of governance, with particular focus on the implementation of activities that allow the development of basic infrastructure, as well as in the areas of tourism, health, education, agriculture, drinking water, investment in human capital, institutional strengthening in administrative devolution and decentralization and the promotion of private sector investment.

In June 2020, the Government defined the objectives and priorities for the period from 2020 to 2023, set out in the document "Guidelines for the preparation of the 2020-2023 Budget Proposal" by His Excellency the Prime Minister, of 1 June 20120 (sic), which are in alignment with the Government's program and the Strategic Development Plan, and taking into account the results of the Voluntary National Review of the Sustainable Development Goals in Timor-Leste. The Government centers itself on the increase of economic growth, in reducing poverty and in improving employment opportunities for everyone. These objectives will be adjusted each year based on the country's immediate needs.

The allocations proposed for the State Budget aim to reflect these priorities.

Central Administration

The estimated revenue to be collected by Central Administration bodies and services in 2021 amounts to $1,886.0 million.

The total estimated value of non-oil revenues is $508.5 million, which includes Tax Revenue, Own Revenue, Donations, Interest, Management Balance and Loans). This represents a decrease in relation to the expenses foreseen in the State Budget for 2020, but results essentially from the autonomy of the Special Administrative Region of Oe-Cusse Ambeno.

It is expected to collect $173.2 million related to Tax Revenue, of which $57.9 million in direct taxes, $69.0 million in indirect taxes and $46.3 million in fees. This represents an increase of 5% from the State Budget 2020, with a focus on indirect taxes, which arises naturally from the expected recovery of economic activity.

Tax revenues, however, continue to constitute only a small part of total revenues.

The recent legal changes in the structure of the Ministry of Finance, the Tax Authority and the Customs Authority, should allow an improvement in the collection of public revenues, which should be complemented with the revision of the Tax Law, foreseen in 2021, in order to match the Timor-Leste's fiscal framework to international best practice.

The Own Revenue provided for in the General State Budget amounts to $8.1 million. However, this amount is charged only for a small number of Autonomous Funds and Services, the majority of which depends exclusively on transfers from the State Budget. Among the Autonomous Funds and Services, only the Port Administration of Timor-Leste (APORTIL), IP, and the Communications Regulatory Authority charge enough revenue to finance all or most of their expenses. Other autonomous funds and services that charge revenues are the Archive and Museum of Timorese Resistance, IP, the Authority of Inspection and Supervision of Economic, Health and Food Activity, IP, the National Logistics Center, National Center for Professional Training in Becora, the Guido Valadares National Hospital, the Institute for Business Development Support, the Institute of Equipment Management, the Institute of Research, Development, Training and Bamboo Promotion, the SERVE - Registry and Business Verification, the Autonomous Service for Drugs and Medical Equipment (SAMES) and the Timor Lorosa'e National University, but in all these cases the amount of revenue collected does not exceed 20% of the cost.

Here, too, compared to the State Budget of 2020, there is an increase in revenue, in the order of 33%.

Revenues in the State Budget include donations worth $9.1 million as direct budget support from the European Union. This type of revenue started to be foreseen in the General State Budget for 2020, due to its registration of the methodological improvements made.

According to the best international accounting practices, the amounts not used in the State Budget for 2020 are transferred to the State Budget of 2021 as revenue entered in the category Balance of Management, aiming to finance budgetary appropriations in the State Budget of the current year.

It is expected to 2021 a value of $238.8 million of the surplus carried over from the Account of the Treasury. Of this amount, only $150.0 million is expected to be used to finance expenditure in 2021, so $88.8 million will thus be carried over to the next budget year as the Management Balance of the General Budget of the State of 2021.

It is expected finally to borrowing of $70.7 million that are intended to finance works under the responsibility of the Infrastructure Fund.

The non-oil fiscal deficit (i.e., total expenses minus Non-Petroleum Revenues [excluding the portion of the management balance that will not be applied to expenses]) is therefore $1,377.6 million, which is financed by transfers from the Petroleum Fund in the amount of $1,377.6 million, of which $547.9 million corresponds to a transfer up to the value of the Estimated Sustainable Income and $829.7 million corresponds to a transfer made above the Estimated Sustainable Income.

The withdrawal from the Petroleum Fund is thus, in 2021, higher than the withdrawal authorized by the 2020State Budget, which was $963.9 million.

In the Central Administration Budget are inscribed expenditures with a total value of $1.797.2 million.

The expenditure inscribed in the State Budget for 2021 is divided according to an organic classification, i.e., the organ and services that will carry out the budget, and economic, i.e., the type of expenditure that will be carried out.

The current economic classification divides expenditure into five categories: a) Salaries and Wages, b) Goods and Services, c) Public Transfers, d) Minor Capital, and e) Development Capital.

The total expenditure on Salaries and Wages is $228.2 million. The main measures in this category include, among others:

$1.3 million for recruitment in the F-FDTL;

$0.6 million for promotions for public administration workers.

Total expenditure on Goods and Services is $397.3 million. The main measures in this category include, among others:

$23.9 million for the COVID-19 Fund, for the program of prevention and mitigation of the COVID-19pandemic;

$13.8 million to the Ministry of Public Works, for maintenance projects of roads and flood control;

$13.0 million for the Human Capital Development Fund, intended for training and technical funding and the allocation of scholarships;

$8.5 million for Whole of Government Allocations, to the Counterpart Fund and the acquisition of the Nakroma II ferry;

$8.1 million for Whole of Government Appropriations for legal services;

$8.0 million for SAMES, for the purchase of medicines;

$7.0 million to the Ministry of Public Works, for the maintenance of equipment and buildings;

$3.4 million for Whole of Government Appropriations, for the payment of dues to international organizations and to ensure Timor-Leste's participation in international organizations, namely the g7+;

$3.1 million to Whole of Government Appropriations, for the financing of the Household Census;

$2.5 million to APORTIL for the maintenance and fuel for the ship Nakroma;

$1.2 million to the Ministry of the Presidency of the Council of Ministers, for medical assistance and housing for members of the Government;

$1.0 million to the Ministry of Interior, intended to finance the disaster prevention program;

$0.5 million for appropriations for Whole of Government intended to finance the cost of the accession of Timor-Leste joining ASEAN.

$0.5 million for Whole of Government Appropriations intended to support the activities of the Community of Portuguese Speaking Countries.

The total expenditure on Public Transfers is $694.9 million. The main measures budgeted in this category are the following:

$194.5 million to the Ministry of Public Works for the maintenance of equipment in particular of Hera and Betano Central by EDTL, EP, and BETL, EP;

$83.6 million to the Ministry of Petroleum and Minerals, to subsidize the National Petroleum and Minerals Authority, IP, the TIMORGAP - Timor Gas & Oil, EP, and the Institute of Petroleum and Geology, IP;

$93.6 million to the Ministry of National Liberation Combatants Affairs for the payment of pensions and construction of housing for veterans;

$48.8 million to the Ministry of Social Solidarity and Inclusion, for transfers to Sector Social Security to fund administration costs and the state responsibility on the non-contributory scheme;

$40.0 million to Whole of Government Appropriations, for the recapitalization of the National Bank of Timor-Leste Trade (BNCTL).

$22.8 million for the Ministry of Education, Youth and Sport, to support contracted teachers and CAFE schools;

$15.0 million for Whole of Government Appropriations, intended to support the activities of the Catholic Church in Timor-Leste through the Episcopal Conference;

$12.5 million to Whole of Government Appropriations, to cover the repayment of loans;

$11.6 million to the Ministry of Health, for investments in the field of primary health care;

$10.0 million for Whole of Government Appropriations, intended for the recapitalization of the Central Bank of Timor-Leste (BCTL).

$6.0 million to Whole of Government Appropriations for the payment of life pensions to ex-office-holders and ex-members of sovereign bodies;

$5.9 million to the Office of the Prime Minister, to support the construction of churches and non-governmental organizations (NGOs);

$4.4 million to the Secretariat of State for Cooperatives, to support cooperatives;

$2.5 million to Whole of Government Appropriations intended to finance a line of credit to the private universities;

$2.5 million to Whole of Government Appropriations, for international financial support;

$2.0 million to Whole of Government Appropriations intended to finance the health diagnosis PPP;

$1.8 million to the Ministry of Parliamentary Affairs, intended to subsidize RTTL - Radio and Television of Timor-Leste, EP

$1.6 million for the Ministry of Transport and Communications, intended to subsidize ANATL, EP

The total of expenses with Minor Capital is $58.8 million. The main measures in this expenditure category are as follows:

$0.3 million for SAMES, for the purchase of medical and pharmacy equipment.

The total expense to Development Capital amounts to $417.7 million. The main measures in this expenditure category are as follows:

$338.5 million for the Infrastructure Fund, to finance various public works;

$64.8 million for the different ministries, intended to finance infrastructure projects;

$10.7 million for the Ministry of Public Works, to finance the Municipal Integrated Development Program;

$3.6 million for the COVID-19 Fund, for the maintenance of hospitals, clinics and laboratories.

Oe-Cusse Ambeno Special Administrative Region

Revenue from the Oe-Cusse Ambeno Special Administrative Region amounts to $207.4 million, of which $29.2 million corresponds to Transfers from the Central Administration Budget, $0.8 million to Tax Revenue (Fees), and $177.4 million to Management Balance, of which, $97.0 million is to finance the expense and $80.4 million will not be used in 2021.

Thus, the revenue used to finance the expenditure in 2021 amounts to $127.0 million.

Expenditure appropriations are divided as follows, according to economic classification:

a) $11.1 million for Salaries and Wages;
b) $23.8 million for Goods and Services;
c) $4.3 million for Public Transfers;
d) $2.4 million for Minor Capital;
e) $85.5 million for Development Capital.

Social Security

Social Security revenues amount to $308.6 million. However, eliminating revenues that consist of transfers between schemes, in order not to account for these revenues in duplicate, the revenue amounts to $177.3 million, of which $39.2 million corresponds to Social Security contributions, $0.4 million correspond to income, $42.8 million corresponds to current transfers and $95.0 million corresponds to management balance carried over from the previous fiscal year.

In compliance with the rule of budgetary balance, the total global expenditure of social security is also of $308.6 million. However, eliminating the expenses that consist of transfers between regimes, in order not to count these expenses in duplicate, the expense amounts to $177.3 million

The appropriations are divided as follows, according to the economic classification:

a) $1.1 million for Personnel Expenses;
b) $0.5 million for the acquisition of goods and services;
c) $0.3 million for interest and other charges;
d) $42.2 million for Current Transfers;
e) $1.7 million for Other Current Expenses;
f) $0.2 million for the acquisition of capital goods;
g) $131.6 million for financial assets.

Approved by the Council of Ministers on October 12, 2020.

The Prime Minister,

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Taur Matan Ruak

The Deputy Minister of Finance and acting Minister of Finance,

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Sara Lobo Brites