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*For the original Portuguese version of this document, including all appendices, see [https://www.laohamutuk.org/econ/OJE23/220722MFCircular\\_OJE\\_2023pt.pdf](https://www.laohamutuk.org/econ/OJE23/220722MFCircular_OJE_2023pt.pdf)*

## **CIRCULAR ON THE PREPARATION OF THE 2023 GENERAL STATE BUDGET**

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### **A. Introduction**

This circular establishes, in accordance with Article 49 of Law No. 2/2022, February 10, State Budget and Public Financial Management Framework, the rules for the preparation of the budget proposals of the services and entities with extended financial autonomy (SEAFAs) that are part of the budgetary perimeter of the State Budget in 2023.

The General State Budget in 2023 presents the budget forecasts for the services and entities of the Administrative Public Sector, and is composed of the Central Government budget, the Social Security budget and the budget of the Special Administrative Region of Oe-Cusse Ambeno.

The Central Government sub-sector consists of the State and the organs, services and funds without legal personality distinct from the legal person State, which make up the Direct Administration, and public legal persons distinct from the State legal person without the form of company, foundation or association, which make up the Indirect Administration.

The Social Security subsector is composed of the National Social Security Institute (INSS) and the Social Security Reserve Fund (FRSS).

The subsector of the Oe-Cusse Ambeno Special Administrative Region is composed of the Oe-Cusse Ambeno Special Administrative Region Authority and the Oe-Cusse Ambeno Special Administrative Region Development Fund.

This circular is based on:

- a) Articles 115(1) and 145(1) of the Constitution of the Democratic Republic of Timor-Leste which assigns to the Government the competence to prepare the General State Budget (OGE);
- b) Law No. 2/2022, of February 10, State Budget and Public Financial Management Framework, which regulates the budget process;
- c) Article 17 of Decree-Law No. 14/2018, of August 17, Organic Law of the VIII Government, as amended by Decree-Laws No. 20/2020, of May 28, 27/2020, of June 19, and 46/2022, of June 8, which assigns to the Ministry of Finance the competence of preparing the OGE;
- d) Law No. 8/2022, of June 15, Major Planning Options for 2023, which presents the main annual and multi-year planning options impacting the State Budget for 2023 and approves the limit of total expenditure of the Public Administrative Sector for the budget year 2023;
- e) The Government Decrees No. 18/2022, of May 11, and No. 19/2022, of May 11, which regulate the structure of budget programs and budget classifiers;
- f) The Deliberation of the Council of Ministers of July 18, 2022, which approves the total amount of expenditure of each budget title for the budget year 2023.

This circular aims to ensure that the 2023 GSB reaches the following objectives:

1. Comply with the legislation in force on budget preparation and elaboration;
2. Align with the political priorities and development strategies of the country; namely the Strategic Development Plan 2011-2030, the program of the VIII Constitutional Government and the Major Planning Options Law for 2023;
3. Follow internationally recognized standards and best practices to ensure budget credibility and quality;
4. Distribute the fiscal envelope among SEAFAs whose funding sources come from the Timor-Leste Consolidated Fund (FKTL), the Human Capital Development Fund (FDKU) and the Infrastructure Fund;
5. Limit the maximum and minimum amounts that can be allocated in some economic categories and programs.

Failure to comply with the rules established in this circular may imply the rejection of the budget allocation proposal and; consequently, its renegotiation with the Ministry of Finance through the establishment of Technical Committees (TC) with the non-compliant entities. In the event that the TCs cannot agree on the budget allocation; a budget proposal will be submitted to the Council of Ministers to be discussed and accepted, in full or with amendments.

SEAFAs must submit a full budget allocation proposal before 15 August 2022 (15/08/2022). SEAFAs' technical teams involved in preparing proposals are encouraged to contact their respective focal points at the Ministry of Finance if they need technical assistance or have questions about the interpretation of this circular.

## **B. Organic Classification of the Public Administrative Sector (abridged)**

According to article 28 of Law 2/2022, of February 10, State Budget and Public Financial Management Framework, only the services and entities with extended financial autonomy (SEAFAs) have their own title in the OGE and prepare their own budgets, within the constraints defined in the law and in the OGE preparation circular.

The list of services and entities with extended financial autonomy (SEAFAs) in 2023 is as follows:

**Table No. 1 - Organic Classification**

Code		Designation
Title	Chapter	
<b>CENTRAL ADMINISTRATION</b>		
001	00	Presidency of the Republic
002	00	National Parliament
003	00	Prime Minister
...108 rows total		

**C. Planning options with impact on the State Budget identified in the Major Planning Options Law (MPO) 2023 (omitted)**

**D. Total amount of expenditure in the General State Budget for 2023**

The total amount of expenditure approved for the GSB 2023 reaches \$3,155,715,306 as can be seen in the table below:

**Table No. 3 - Total amount of expenditure of the state general budget for 2023**

	2023	2024	2025	2026	2027
<b>Global Expenditure</b>	<b>3,155,715,306</b>	<b>3,269,420,704</b>	<b>3,359,104,694</b>	<b>3,483,666,762</b>	<b>3,575,918,564</b>
<b>Consolidated Global Expenditure</b>	<b>3,087,855,000</b>	<b>3,199,450,852</b>	<b>3,288,030,370</b>	<b>3,409,551,982</b>	<b>3,501,399,370</b>
Central Administration	2,800,000,000	2,896,369,852	2,927,020,000	2,992,540,000	3,031,600,000
<i>Of which National Liberation Fighters Fund</i>	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Special Administrative Region of Oe-Cusse Ambeno	120,000,000	81,120,000	84,364,800	87,739,392	91,248,968
Social Security	235,715,306	291,930,852	3,422,719,894	403,387,370	453,069,596
<b>Global Revenues</b>	<b>3,156,922,141</b>	<b>3,269,420,704</b>	<b>3,359,104,694</b>	<b>3,483,666,762</b>	<b>3,575,918,564</b>
<b>Consolidated Global Revenues</b>	<b>3,089,061,835</b>	<b>3,199,450,852</b>	<b>3,288,030,370</b>	<b>3,409,551,982</b>	<b>3,501,399,370</b>
Central Administration	2,800,000,000	2,896,369,852	2,927,020,000	2,992,540,000	3,031,600,000
Petroleum Revenues	1,346,090,000	1,426,389,852	1,448,250,000	1,514,500,000	1,575,250,000
Non-petroleum Revenues	1,453,910,000	1,469,980,000	1,478,770,000	1,478,040,000	1,456,350,000
<i>Of which National Liberation Fighters Fund</i>	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Special Administrative Region of Oe-Cusse Ambeno	121,206,835	81,120,000	84,364,800	81,739,392	91,248,968
Social Security	235,215,306	291,930,852	347,719,894	403,381,370	453,069,596
<b>Total public debt</b>	<b>380,280,000</b>	<b>399,350,000</b>	<b>461,970,000</b>	<b>525,400,000</b>	<b>547,820,000</b>
<b>Public debt as a % of GDP</b>	<b>21.0%</b>	<b>24.7%</b>	<b>28.0%</b>	<b>30.5%</b>	<b>30.9%</b>

After considering the transfers between public administrations, the total consolidated expenditure is \$3,087,855,000, of which the majority, \$2,800,000,000, goes to the Central State Administration (where the Authorities and Municipal Administrations are also included). As for the remaining subsectors, the 2023 GSB includes \$120,000,000 for the Oe-Cusse Ambeno Special Administrative Region and \$237,715,306 for Social Security. The funding of the 2023 GSB is expected to result in a total public debt of \$330,280,000, equivalent to 21% of GDP.

## E. Total expenditure amount for each budget title

The total expenditure ceiling for each budget title is shown in Appendix II.

In allocating their budget ceiling, all budget titles must follow the following rules with the exception of the General State Appropriation, the COVID-19 Fund, the Infrastructure Fund, the Human Capital Development Fund, the National Liberation Fighters Fund, the Atauro Special Development Fund, the Social Security Reserve Fund, and the Special Development Fund of the Oe-Cusse Ambeno Special Administrative Region:

1. **Operating Program (administrative line):** Only expenses that cannot be associated with a particular program should be included in the administrative line. For example, if the Ministry of Education, Youth and Sports has a basic education program, the expense of providing electricity to basic education schools should be budgeted in that program, because it is related to the implementation of basic education. However, the expenditure on electricity supply for the administrative premises of the Ministry, whose operation is not directly associated with the implementation of any program, is budgeted in the operation program. Similarly, if the Ministry of Health has a Public Health program, the salaries of the doctors whose work is carried out under this program will be budgeted here. However, the salaries of the Ministry's central office staff, whose work cannot be associated with a specific program, are included in the operating program.

The amount allocated to the operating program cannot be greater than the total identified for each budget title in Appendix III. Allocations to the operating program above this limit must be justified in detail.

2. **Personnel Expenses:** Each budget title must provide an allocation for Personnel Expenses between a 0% and 10% greater than the allocation provided in the 2022 GSB under the Salaries and Wages category. Titles from which new titles have been separated between 2022 and 2023 should deduct the appropriations in Salaries and Wages allocated to these directorates/divisions from their total allocation in Salaries and Wages for 2022, before applying the percentages mentioned.

In addition, note that it is possible that some expenses that were previously considered as Salaries and Wages will now be classified as Acquisition of Current Services. If this is the case and, as a result, results in a decrease in the allocation for Personnel Expenses for 2023, the situation should be explained in detail.

Exception is made for FALINTIL F-FDTL and the National Police of Timor-Leste. These two SEAFAs are expected to increase their allocations for Personnel Expenses in 2023 by \$7.5 million compared to the 2022 budgeted allocation for Salaries and Wages.

3. **Current Transfers:** Each budget title must provide an appropriation for current transfers that is equal to or greater than the amount needed to cover its commitments derived from existing mandatory expenditures in the budget. The list can be found in Appendix IV.
4. **Activities:** Each budget Title must foresee an appropriation for activities - within the structure by programs - which is equal to the amount necessary to cover its commitments stemming from compulsory expenditure existing in the budget. It should be noted that some of these activities are included in the MPO. The list can be found in Appendix IV.
5. **Reappropriation of capital development projects:** SEAFAs that have capital development projects inscribed in the 2022 State Budget whose execution has not been completed will be able to reappropriate up to a maximum of 60% of the remaining 2022 value in capital development projects inscribed in their own budgets and in the Municipal Integrated Planning and Development (PDIM) budget in the 2023 State Budget.
6. **Budget amendments (virements):** During the preparation of budget proposals SEAFAs should take into account that during budget execution the following rules apply for making budget amendments (as per Articles 96 and 97 of Law No. 2/2022 of February 10, Framework of the

General State Budget and financial management publish and Article 44 of Government Decree No. 13/2022 of January 18 Execution of the General State Budget for 2022:

- a) Within the administrative line, reallocation of appropriations between the category of Personnel Expenses and other categories is not allowed.
- b) Within the Personnel Expenditure category of the administrative line, no reallocation is allowed between the “Regular and Permanent Salary and Allowances” line item and the other line items.
- c) SEAFAs have flexibility to reallocate appropriations between economic categories within a specific program.
- d) SEAFAs have flexibility to reallocate appropriations between subprograms and/or activities within a specific program if a subprogram/activity has implementation problems.
- e) Reallocations between economic categories within specific programs may not result in decreases in the total appropriation in the “Personnel Expenses” category of the title in question.

## **F. Value of Commitments Made**

The determination of the total expenditure ceiling for each budget heading took into consideration the commitments already made by each SEAFAs until the end of 2022. To calculate the total amount committed for 2023, a survey was conducted of SEAFAs reporting their non-financial debts and their obligations derived from existing contracts, and submitted.

Only commitments with valid documentary evidence submitted by SEAFAs were considered in setting the ceilings for each budget title. In addition, the mandatory expenditures of the 2023 GSB were considered, and the SEAFAs responsible for these expenditures were allocated sufficient appropriations to finance these expenditures in the year 2023. Operating expenses for salaries, goods, and services that are necessary for the entities to carry out their regular activities have also been identified.

The total commitments identified total \$1,462,736,024 broken down between \$16,958,848 in non-financial debts and contractual obligations, \$989,809,567 in mandatory expenses, and \$455,967,610 in operating expenses. The detailed list of commitments by each budget title is presented in Appendix III.

## **G. Budgetary space for new policies and investments**

After identifying the commitments already made for the year 2023, the fiscal space of the Central Administration, excluding the National Liberation Fighters Fund, for the implementation of new policies and investments is \$337,263,976. The fiscal space has to be used primarily to finance the implementation of the MPO. Only if a SEAFAs has budget available after covering all the MPO measures that must be implemented in 2023, as defined in Appendix I, can it allocate a portion of its budget ceiling for other new policies and investments not included in the MPO. Note that some of the commitments identified in the previous point already derived from the implementation of the MPO. These commitments have an estimated cost of \$183,792,368 in 2023.

## **H. Form for the preparation of budget proposals**

The submission of budget proposals will be done using the Dalan Ba Futuru Timor-Leste (DBFTL) platform. The economic and programmatic classification of the proposals shall follow that established in Government Decrees No. 18/2022, May 11 and 19/2022, May 11.

## **I. Rationalization of the Budget structure based on Programs**

Budget programs are structured through three levels, the top one called program, the middle one called subprogram and the bottom one called activity.

The program level presents general objectives (outcomes) aiming at the production of results, the subprogram level presents specific objectives (outputs) aiming at the production of results and the activity level presents a set of actions that contribute to the production of results.

The program of operating expenses is divided into subprograms for, at least, personnel expenses, facilities expenses, consumables expenses, travel expenses and expenses for service delivery, if necessary, or, alternatively, when the operating expenses can be grouped into concrete projects or measures, into subprograms related to areas of activity of the service and entity of the Public Administrative Sector.

The program relative to investment expenses is divided into subprograms relative to the different areas of operation of the services and entities of the Public Administrative Sector, with the exception of the title "General State Appropriation" or of special titles without organic basis.

Please refer to Appendix V for the manual on streamlining the program structure.

## **J. Gender Responsive Budgeting and Social Inclusion**

Advancing gender equality and social inclusion continues to remain at the center of the priorities of the 8th Constitutional Government. Since 2017, the Government has strengthened Gender Responsive Budgeting (GRB) to be adopted as a strategy to achieve the gender equality and social inclusion agenda. GRB means integrating a clear gender perspective into the overall context of the budget process through special processes and analytical tools to promote gender responsive policies. GRB enables results-based prioritization (understanding the implications of budget decisions) for people, women and men and improves the design of existing and new programs to make them more inclusive.

It is important to underline that in GRB analysis it is not enough to look at women and men, but it is crucial to look closer to ensure that the needs and interests, priorities and challenges of women and men in different social situations conditioned by age, class, ethnicity, location, etc. are adequately addressed in policy making. The key question underlying the GRB analysis is: What impact do budgetary measures and policies have on gender equality? Do they reduce gender inequalities, increase them, or leave them unchanged?

The following are the key steps of the GRB analysis when developing a program/sub-program/activity:

1. Identify gender issues in the sector: situation analysis
2. Baseline: Collect information on programs you want to analyze
3. Conduct gender analysis of activities
4. Perform gender analysis of related budget allocations
5. Development of objectives and expected results to improve gender equality
6. Making changes in programs and budgets to achieve gender equality results

## **K. Use of markers in the development of budget proposals**

Budget proposals should include the following markers at the level of activities implemented:

### **1. Gender Marker**

To track the proportion of the General State Budget allocated to the promotion of gender equality and the commitments made to eliminate existing inequalities, the Government has established a Gender

Marker in the budget and planning system. In the State Budget preparation phase, SEAFAs are required to conduct gender analysis as part of Gender Responsive Budgeting when developing their programs, sub-programs and activities and apply the Gender Marker based on the following markers: **Major (P), Significant (S) and Not Targeted (NT)** at the sub-program level. The gender marker is a mandatory tool that must be used by all SEAFAs in their Annual Action Plan. Subprograms can NOT be left without a marker.

In addition, to classify an activity by Gender Marker, government entities must take into consideration the extent to which the gender/gender responsiveness aspect is integrated:

1. The context/conflict analysis of the sub-programs
2. The implementation and activities of the sub-programs
3. The framework of results (outputs)
4. The budget allocation

The following are the checklists of the government sub-programs:

**A) Main (P): The main expected outcome of the subprogram is to reduce gender inequalities.**

Checklist for screening “Main (P)” sub-programs (table reformatted)

1. The high level ambition or main objective of the program is to promote gender equality, social inclusion and empowerment of women and girls.

Examples:

- The subprogram aims to prevent and/or respond to gender-based violence or sexual exploitation.
- The subprogram aims to eliminate sexual harassment and promote equal employment opportunities and inclusion in public administration.
- The subprogram aims to address the maternal and infant mortality rate, as well as the malnutrition rate.
- The subprogram aims to protect and promote the rights of persons with disabilities.

2. The subprograms have clear indicators and targets to reduce gender inequality and promote social inclusion.

Examples:

- By 2022, Anemia reduced by 20% in women of reproductive age.
- By 2022, 30% of women are municipal administrators.
- By 2030, there will be 100% universal access to sexual and reproductive health services, including for family planning, information and education, and integration of reproductive health into national strategies and programs.
- By 2030, end forced child labor, modern slavery, and human trafficking in all its forms.
- By 2030, provide access to safe, accessible, affordable and sustainable transport systems for all by improving road safety, including through the expansion of public transport, with special attention to the needs of people in vulnerable situations, women, children, persons with disabilities and the elderly.

3. Sub-programs contribute to the implementation of key gender and inclusion policies, both national and international (i.e.: CEDAW concluding observations, SDG 5 goals, Beijing Platform for Action, Convention on the Rights of the Child, NAP-GBV, MAP-1325, NAP on gender and private sector, Maubisse Declaration, NAP on Children, NAP on Persons with Disabilities, National Youth Policy, etc.) and include activities from existing policies as well as activities recommended by SEII through the Gender Guidelines.

Examples:

- Promote rural women in ICT access and increase their skills in ICT development to support access to information and facilities in agriculture and market technologies (Maubisse Declaration activity)
  - Ensuring safe public transport for people with disabilities, such as crosswalks, audible traffic signals, walkways, and use design for accessibility (Maubisse Declaration activity)
  - Developing a helpline for victims of gender-based violence (activity form the PAN-GBV).
  - Providing leadership and management training for female F-FDTL (NAP- 1325 activity).
  - Gender is integrated in the F-FDTL and PNTL curriculum (NAP- 1325i activity)
  - Promoting Women Economic Empowerment to war survivors (CEDAW recommendation).
  - Creation of counseling and health care center for war survivors (CEDAW recommendation)
4. Data, baselines, targets and indicators are disaggregated by sex where applicable.

**B) Significant (S): The aspect of gender equality and social inclusion is an important and deliberate expected result, but not the main reason for undertaking the sub-program. The sub-program, in addition to other expected results, is designed to have a positive impact on inclusion and on advancing gender equality and/or the empowerment of women and girls (Integrated Gender Approach).**

Checklist for screening “Significant (S)” sub-programs

1. Gender analysis was conducted to identify the gender gaps, concerns and needs of women, men, boys, girls, the elderly, persons with disabilities and marginalized groups in terms of their relative position in society and the distribution of resources, opportunities, constraints and power in a given context.
2. The findings of the gender analysis informed the subprogram design.
3. Presence of at least one explicit gender equality expected outcome (level of output] supported by at least one gender-specific indicator and target.

Examples:

- A subprogram aimed at providing potable water to a municipality or community, which has a specific expected outcome and activity to ensure that women and girls have safe and easy access to facilities and can manage the water facility. includes actions aimed at promoting women’s participation in water resource management.
  - An agricultural subprogram aims to provide agricultural training and inputs (such as pesticides or fertilizers) for both women and men (at least 30% female farmers) and address gender biases in access to and control of productive factors and/or include specific measures to target women farmers.
  - A vocational training project to provide training for women, men, people with disabilities and marginalized groups.
  - A basic education and literacy subprogram designed to benefit both boys and girls, but with a specific outcome and activities that address gender-specific barriers to girls’ education, for example by providing financial or food incentives to encourage disadvantaged families to allow girls to attend school.
4. A minimum of 30% women/person with disabilities/marginalized groups are beneficiaries of the subprogram.
5. Data, baselines, targets and indicators are disaggregated by sex where applicable.

Please note that for A subprogram to be considered “Significant” by the Gender Marker, there must be at least one of the following criteria:



1. there is at least one activity focused on gender issues in the subprogram;
2. At least one of the outputs and clearly stated expected outcome to achieve gender equality;
3. The objectives, baselines and performance indicators are clearly defined to address gender inequalities and disaggregated by sex.

**c) Not Targeted (NT): The subprogram does not specifically aim to reduce gender inequalities or address the needs and concerns of vulnerable and marginalized groups.**

Checklist for screening “Not Targeted (NT)” subprograms

1. A gender analysis was not conducted to design the subprogram, and the concerns and needs of women, girls, the elderly, people with disabilities, and marginalized groups were not taken into consideration when designing the subprogram.

Examples: NO subprogram was conducted for infrastructure construction for which gender analysis (for example: through gender quotas in hiring construction workers, street lights along walkways, road and bridge accessibility to meet the needs of the elderly and people with disabilities) and does not include specific activities to address the concerns and needs of women, girls, people with disabilities, the elderly and marginalized groups.

2. The subprogram does not intend to implement any of the existing national and international gender policies and address the concerns of vulnerable and marginalized groups in Timor-Leste.
3. The subprogram does not intend to implement any of the activities recommended by MF, ANAPMA and SEIL, as well as recommendations from BRC members.
4. Data, baselines, targets and indicators are not disaggregated by sex.
5. Less than 30% of women are beneficiaries of the subprogram.

Examples: A subprogram to increase horticulture production where less than 30% of women farmers are beneficiaries.

6. Any sub-programs that do not conduct gender analysis in the design process or address gender biases in access to and control over resources and assets.

## **2. Child Marker**

To effectively identify and monitor activities with budget allocations that support the realization of children’s rights, the Democratic Republic of Timor-Leste (RDTL) adopted on October 27, 2021 a Child Marker for planning and budgeting. The Child Marker applies to all government entities receiving funds from the General State Budget, showing which activities, and how much budget, are specifically aimed at addressing children’s rights (ages 0 to 17 years), and thus enhances transparency and accountability.

The Child Marker has been integrated into the Government’s planning, monitoring and evaluation system, *Dalan Ba Futuru Timor-Leste (DBFTL)*, as an integral part of public financial management. The Child Marker includes three categories that assess the focus on the realization of children’s rights and applies at the activity level, namely:

- a) **Specific (E).** The ‘Specific (E)’ category applies to activities that specifically aim to address children’s rights (survival, development, protection and participation).
- b) **Broad (A).** The category ‘Extended (A)’ applies to activities that provide goods and services that directly benefit people, including children.
- c) **Indirect (I).** This category refers to activities that only have an indirect contribution to the development and well-being of children.

The categorization of activities in the 2022 Annual Action Plans was done centrally by the National Agency for Planning, Monitoring and Evaluation [ANAPMA] and the Institute for the Defense of

Children's Rights, I. P. (INDDICA), but in future years, SEAFAs will be responsible for assigning a Child Marker category to each of the activities in their Annual Plan when developing their annual plans and budget. Refer to Appendix VI for Guidelines on how to apply the Child Marker.

### **3. Subprogram for social inclusion of people with disabilities**

The VIII Constitutional Government is committed to upholding the rights of persons with disabilities to have equal access and opportunities to be active citizens in all spheres of public life and to be involved in the decision making processes in all areas of the country's development to contribute to sustainable development. For the preparation of the 2023 Annual Action Plan, there will be a new subprogram under Program 980: Gender Equality and Social Inclusion to reinforce the Government's commitment to the implementation of the Disability Policy (2021-2030). SEAFAs that are the implementing partners of the National Action Plan are required to allocate budget for the activities listed in the policy and map it to the newly named subprogram: Implementation of the National Action Plan for the Rights of Persons with Disabilities.

The following is the list of SEAFAs that have to allocate budget for the said policy in the 2023 annual plan: Ministry of Justice (MJ), Ministry of Health (MS), Ministry of Education, Youth and Sports (MEJD), Secretary of State for Youth and Sports (SEJD), Ministry of Higher Education, Science and Culture (MESCC), Ministry of Social Solidarity and Inclusion (MSSI), Ministry of Public Works (MOP), Ministry of Transportation and Communications (MTC), Secretary of State for Equality and Inclusion (SEII), Secretary of State for Professional Training and Employment (SEFOPE), and Secretary of State for Social Communication (SECOMS).

### **4. Nutritional Budget Marker**

The VIII Government is committed to institutionalizing nutrition budget labelling (NBT) through the Government's planning and budgeting system. The NBT aims to identify, classify and tag nutrition-related expenditures in the public financial management system, enabling the estimation, monitoring and tracking of critical nutrition expenditures of different government entities, and to analyze the extent to which the composition of state budget allocations for interventions aimed at eliminating all forms of malnutrition among the population. When nutrition is fully integrated into the budget, the financial management system will be adjusted to provide oversight of nutrition spending across all agencies and triangulate spending with performance data.

There are two nutrition budget markers that will be included in the government's planning and budgeting system for FY 2023 that apply at the activity level, namely:

a) **Targeted nutrition interventions (NE)**. This category applies to activities that address the immediate causes of malnutrition and deficiencies in the physiological development of the population such as those that provide vitamin A supplementation, deworming, or dietary diversification among pregnant mothers.

b) **Nutrition sensitive interventions (NS)**. This category refers to activities that address the underlying causes of malnutrition such as improved agriculture and food security, social protection, early childhood development and education, water sanitation and hygiene, etc.

In 2023, in a pilot phase, the nutrition budget marker will be applied to the budgets of SEAFAs, namely: Ministry of Health (MS), Ministry of Education, Youth and Sports (MEJD), Ministry of Social Solidarity and Inclusion (MSSI), Ministry of Agriculture and Fisheries (MAP), Ministry of Tourism, Commerce and Industry (MTCI), Ministry of Public Works (MOP) and Secretary of State for Equality and Inclusion (SEII). For the preparation of the 2023 Annual Action Plan, these entities are required to analyze, plan and budget for nutrition-related interventions and identify each activity as nutrition-specific (NE) or nutrition-sensitive (NS).

## 5. Climate Budget Marker

The VIII Constitutional Government decided to introduce the Climate Budget Marker in the public finance management system to ensure that Timor-Leste is adequately prepared to adapt to and mitigate the impacts of climate change. The Climate Budget Marker (CBT) is a tool to identify, classify, weigh and mark expenditures relevant to climate change and nature conservation in a government's budget system, allowing the estimation, monitoring and tracking of these expenditures. There are two Climate Budget Markers that will be included in the government's planning and budgeting system for the year 2023 and apply at the activity level, namely:

**a) Highly Relevant (H).** This category applies to activities with a clear primary objective of producing specific results that improve climate resilience or contribute to climate change mitigation and the sustainable use of natural resources. Examples are expenditures whose objective is to reduce the risk of natural disasters, support the energy transition, prevent overexploitation of fishery resources, etc.

**b) Medium Relevant (M).** This category applies to activities with secondary objectives related to building climate resilience or contributing to climate change mitigation and sustainable use of natural resources. An example is irrigation extension activities that while being implemented as an objective to improve livelihoods also result in increased drought protection.

In 2023, on a pilot basis, climate budget markers will be applied to the budgets of three government entities, namely: the Ministry of Public Works (MOP), the Secretary of State for Environment (SEA) and the Ministry of Agriculture and Fisheries (MAP).

For the preparation of the 2023 Annual Action Plan, the MOP, SEA, and MAP are required to analyze their activities to identify whether or not they are climate resilient, meaning that they correspond to the impacts of climate change. See Appendix VII for Guidelines on how to apply the Climate Budget Markers.

Starting in fiscal year 2024, the Climate Budget Markers will cover all Ministries. The phased implementation will offer the opportunity to fine-tune the system, and also provide the space for focused capacity building at the line ministry level.

## 6. Value Chain Marker

The Ministry of Finance plans to introduce a Value Chain Marker in the Public Finance Management System to ensure the implementation of the "Timor Value Chain" policy. GPM and MCAE are responsible for coordinating with relevant entities to identify key measures in relation to value chain building and to report to the Ministry of Finance. For this purpose they will use the following three markers at the activity level:

- a) **Production (P).** The Production (P) category applies to activities that aim directly or indirectly to increase national production either by increasing the productivity of the national economy and/or by import substitution such as labor capacity building activities, support to internationalization of Timorese companies, or modernization of the fishing fleet.
- b) **Industry/Processing (I/P).** The Industry/Processing (I/P) category applies to activities that aim directly or indirectly to favor the development of local industry and/or processing of raw materials and intermediate goods such as activities to support the development of agro-industry.
- c) **Distribution (D).** The Distribution and Marketing (DM) category applies to activities that directly or indirectly aim to improve the movement of raw materials, intermediate products, and final products in and out of the national territory such as the construction or improvement of basic infrastructure for trade such as airports and ports.
- d) **Wholesale/Retail Trade (CGR).** The category Wholesale/Retail (CGR) applies to activities that aim directly or indirectly to boost trade of national production or of products partially processed within the national territory, especially through exports, such as programs to support business

competitiveness; activities related to the organization of fairs of traditional products, or the integration of Timor-Leste in international trade circuits.

- e) **Consumption (C).** This category refers to activities that contribute to increase the consumption inside and outside the national territory of national production or of products partially processed inside the national territory, as for example the programs of public purchases of food products produced locally, the programs for subsidizing national exports, or the programs of conditional transfers to households for the purchase of local products.

## L. Calendar for the submission of programs and budget proposals

The budget calendar can be seen in the following table.

Activity	Date	Status
Approval and Promulgation of the Major Planning Options Law		√
Budget Days seminar		√
Circular on the preparation of the State Budget	22-07-2022	√
Submission of Proposals for Budget Programs	05-08-2022	
Analysis and evaluation of the entities' budget proposals	17-08-2022	
Submission of budget programs to the Council of Ministers	01-09-2022	
Submission of the draft GSB to the Council of Ministers	15-09-2022	
Preparation and finalization of the budget books	29-09-2022	
Presentation of the draft GSB Law	01-10-2022	
Approval of the GSB Law	15-11-2022	
Promulgation of the GSB Law	December	
Publication of GSB Law		
Preparation of the Execution Decree-Law of the State Budget		
Presentation of the GSB Execution Decree-Law to the Council of Ministers		
Enactment of the Decree-Law executing the GSB		
Publication of the GSB Execution Decree-Law		

SEAFAs should submit a full budget appropriation proposal before 05-08-2022. SEAFAs technical teams involved in the preparation of proposals are encouraged to contact their respective focal points at the Ministry of Finance if they need technical assistance or have questions about the interpretation of this circular.

## M. Focal Points at the Ministry of Finance

To support and facilitate the preparation, drafting and submission of the GSB 2023, the Directorate General of Planning and Budget has designated a Focal Point for each of the SEAFAs. The detailed list is presented in Appendix VIII.

Issued in Dili on July 22, 2022

/s/

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Minister of Finance