

Presidency of the Council of Ministers

Eighth Constitutional Government

Press Release

Meeting of the Council of Ministers on September 14th, 2022

The Council of Ministers met, at the Government Palace, in Dili.

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The Council of Ministers approved the **Draft of the 2023 General State Budget (GSB) Law**, presented by the Minister of Finance, Rui Augusto Gomes.

The revenues of the Administrative Public Sector amount to US\$ 3,156,922,141, while the expenditures of the Administrative Public Sector amount to US\$ 3,155,715,306, including the National Liberation Fighters Fund and the budgets of Social Security and the Special Administrative Region of Oe-Cusse Ambeno (RAEOA). The expenses of the services and entities of the Central Administration amount to US\$ 2.8 billion. Planned Social Security expenses are US\$ 235.7 million and the RAEOA expenditure is US\$ 120 million.

Excluding the National Liberation Combatants Fund, 33% of the budget will be allocated to the institutional framework, 35% to social capital, 11% to economic development, 18% to infrastructure development and 3% to the contingency fund.

The draft Law Proposal foresees some changes in the excise tax rates, compared to the rates defined in the 2022 General State Budget, namely:

Sugar and confectionery products will now have a tax rate of US\$ 1 per kilogram;

Waters containing added sugar or other sweetening agents or flavoured waters and other non-alcoholic drinks, except fruit or vegetable juices will now have a tax rate of US \$3 per litre;

The tax rate to be applied to tobacco and other tobacco products is increased from US\$ 50 per kilogram to US\$ 100 per kilogram;

Cars over US\$ 10,000 will be taxed at a rate of 10%, those over US\$ 25,000 will be taxed at a rate of 25% and those over US\$ 50,000 will be taxed at a rate of 30%.

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Government approves 2023 State Budget Proposal with the amount of US \$3,16 billion

Yesterday, September 14th, 2022, the Minister of Finance, Rui Augusto Gomes, presented to and approved by the Council of Ministers the Draft 2023 General State Budget (GSB) Law, with a total amount of \$3.16 billion. This approved amount represents a reduction of 8% in budget compared to the 2022 Rectified Budget which in real terms corresponds to \$264 million.

The total amount of expenditures \$3.16 billion is equal to the amount of expenditures defined in the annual Law on Grand Planning Options (Lei das Grandes Opções do Plano) which was promulgated in June 2022 by the President of the Republic, José Ramos-Horta. It consist of the budget for Central Administration, \$2.8 billion, which also includes the \$1 billion for the National Liberation Combatants Fund; \$235.7 million for Social Security, and \$120 million for RAEOA.

The 2023 GSB Proposal will be distributed to 109 State Entities and to finance 49 Programs through 275 measures, organized across 16 strategic areas: Agriculture, Livestock, Fisheries and Forestry; Economy and Employment; Tourism; Rural Development and Housing; Environment; Petroleum and Minerals; Electricity and Renewable Energy; National Connectivity; Water and Sanitation; Education and Training; Health; Inclusion and Social Protection; Culture and Heritage; State Reform; Defense and National Security; International Relations and Foreign Policy.

Social Capital accounts for 36% of the budget

Excluding the \$1 billion for the National Liberation Combatants Fund, \$771.7 million which corresponds to 36% of the budget will be allocated to the social capital sector, which includes health, education and social protection. The Institutional Framework takes up an amount of \$706.1 million from the budget for its operations, which corresponds to 33% of the budget; Infrastructure Development is \$380.3 million which corresponds to 18%; Economic Development receives \$230.6 million which corresponds to 11% of the budget.

Nutrition Program receives US \$10 million

For 2023, the Government will propose to the National Parliament the amount of \$10 million for nutrition, which represents a four-time increase compared to this year's allocation.

The Government will submit the Proposed 2023 Budget Law to the National Parliament in early October. The Budget discussion will take place in November and the approved Budget Law will be sent to the President of the Republic for promulgation in December.

This new calendar follows the calendar set by the new Public Finance Management (PFM) Law, the foundation of the PFM reform which was promulgated by the former President of the Republic, Francisco Guterres Lú-Olo in February 2022 – an important milestone of the Eighth Constitutional Government led by the Prime-Minister, General Taur Matan Ruak.

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