



**P R I M E
M I N I S T E R**

**ADDRESS BY
HIS EXCELLENCY PRIME MINISTER
KAY RALA XANANA GUSMÃO
ON THE PRESENTATION OF THE
2025 STATE BUDGET PROPOSAL**

National Parliament, Dili

6 November 2024



Palácio do Governo
Avenida Marginal
Dili, Timor-Leste

Your Excellencies
Madam Speaker of Parliament
Deputy Speakers of Parliament

Distinguished Members of Parliament
Distinguished Members of Government

Ladies and Gentlemen,

It is always an honour to address this distinguished Parliament as we come together to discuss the future of our country.

The Government is confident that today it presents a strategic and balanced State Budget proposal for 2025. We consider that contributions from Distinguished Members of Parliament could further enhance its representativeness.

The democratic debate in the coming days will surely benefit our people. As such, we must make our best efforts.

In this year, marking the 25th anniversary of our historic Popular Consultation, it is crucial to remember our commitment to the Timorese people. The commitment to freedom and independence is realised only through the consolidation of our democracy and national development.

As His Holiness Pope Francis remarked during his recent, unforgettable visit to Dili, “*the best and most beautiful thing about Timor-Leste is its people.*”

In preparing the budgets for 2025 to 2029, the Government aims to foster social, economic, and infrastructure development to improve the standard of living for the people of Timor-Leste. We will create conditions for our wonderful people to thrive with joy, stability, and harmony in all aspects of life.

As such, today we find ourselves at a crucial moment in our nation's history. The 2025 State Budget I present to you is more than a mere collection of figures and allocations: it is a declaration of intent, an ambitious vision for the future, and a concrete roadmap for addressing challenges and seizing opportunities.

The theme "**Investment in Strategic Infrastructure, Economic Strengthening, and Enhancing Citizen Well-being**" illustrates this social contract. With a proposed total budget of **US\$ 2.617 billion**, we are prepared to take significant steps in improving public services, driving economic growth, and laying the foundations for a prosperous future.

This budget is designed to ensure that the benefits of our nation's growth and development are enjoyed by all Timorese citizens, wherever they live and whatever their social standing.

It is a budget by the people and for the people.

Last year, I stated that **2024 would be a year of addressing weaknesses** identified in public sector institutions, systems, and processes. **In turn, 2025 will be a year of implementation.**

At a time when the global economy faces unprecedented uncertainties – from the consequences of the pandemic to rising inflation, wars, and geopolitical tensions – our government has crafted a budget that considers the people's needs in this context of vulnerability to external factors.

We have focused not only on immediate recovery but also on building resilient policies and measures that will allow Timor-Leste to thrive in the long term.

This means investing in productive sectors such as infrastructure, education, health, social and environmental protection, and the petroleum sector. These are the pillars on which we will build a prosperous and just society.

It is my duty, ladies and gentlemen, and the duty of this Government, to be transparent about our national public resources. It is well known that, in the absence of new resources, the Petroleum Fund will be depleted within a decade.

But this should not demoralise us, much less lead to demagogic and irresponsible political statements. On the contrary, it should be a unifying factor, motivating us to work hard in the search for alternative solutions for the people and by the people.

And that is what this budget represents – not only **fiscal sustainability reforms**, but also concrete investments that allow for economic diversification.

I therefore invite you, Distinguished Members of Parliament, to join these efforts of the Government to deliberate on the nation's sustainable future.

Madam Speaker of Parliament
Distinguished Members of Parliament

Our investments in infrastructure, totalling **\$654 million**, of which \$440 million are allocated to development capital, are not limited to building roads and bridges – they aim to connect our people, enable commerce, and create opportunities.

When we speak of infrastructure, we must also emphasise the importance of sustainable water resource management, reducing public health risks, and protecting the environment, particularly in densely populated urban centres. In this regard, the Government has committed **\$26 million** to Water, Sanitation, and Hygiene initiatives across several municipalities, focusing on infrastructure development and maintenance.

The planned implementation of a fibre optic cable later this year is expected to drive economic growth, improve economic indicators, and enable the development of new industries previously unimaginable. To this end, we will allocate **\$2.5 million** for the fibre optic installation project and **\$5 million** for its management through the Infrastructure Fund. The approval of Starlink satellite internet service licences will also improve connectivity where fibre optic is unavailable.

Additionally, we must leverage the resources that nature gave us for growth and prosperity. We will invest **\$40.5 million** in the petroleum and mineral resources sector and advance the Greater Sunrise development with an investment of **\$12 million**.

As you know, we continue to work diligently to establish permanent land and maritime boundaries with Indonesia. This is a national priority, not only to complete our long struggle for sovereignty but also for the legal and technical security over resources in the maritime territory under our jurisdiction. Among other things, this will also enable us to implement sustainable Blue Economy policies.

Earlier this year, we formalised our accession to the World Trade Organization. Next year, we aim to become a member of ASEAN. Both organisations open new markets and new opportunities, which we must use wisely and responsibly.

As I have said, 2025 will be a year of implementation, and we have no time to waste in harnessing alternative resources for our development.

In the 2025 fiscal year, the Government has strategically allocated a total of **\$40.8 million** to boost the agricultural, fisheries, livestock, and forestry sectors. This aims to stimulate small and medium enterprises (SMEs), increase local production, reduce import dependency, and promote innovation. We believe in the power of our private sector to drive growth and create jobs, which is why we are empowering entrepreneurs, particularly in agriculture and infrastructure.

With these funds, we are telling our farmers, our business owners, and aspiring entrepreneurs: the Government believes in you, and we are here to support your success. We know that true economic strength comes from within, and we are committed to developing local industries that can withstand the test of time.

The Government has also allocated **\$23.3 million** under the Economic Investment and Diversification program to strengthen the commerce and industry sector, focusing on critical infrastructure investments that will strengthen our economic foundation. Through the Infrastructure Fund, we will allocate **\$4.6 million** to build new markets in Ainaro, Maliana, Loes, and Manatuto and modernise the municipal markets of Baucau and Ermera to stimulate local business growth, create jobs, and enhance economic resilience.

Moreover, we will invest in the National Business Incubation Centre in Dili and conduct feasibility studies and detailed engineering projects for a new industrial park in Liquiçá and shopping centres in Manleuana and

Taibesse. These initiatives are aimed at attracting investment, stimulating economic activity, and generating job opportunities.

This project will be accompanied by a national internship programme to provide practical experience for young professionals through professional development centres at both national and municipal levels, including the RAEOA (Special Administrative Region of Oe-Cusse Ambeno). Investments in training centres and the construction of new facilities in Lautém, Covalima, and Aileu will ensure that our workforce is equipped to meet the country's growing economic demands.

Your Excellencies
Ladies and Gentlemen

The Government aims to improve the well-being of all citizens, investing **\$741 million**, or 35% of the consolidated budget, in social capital. It is also crucial to support our most vulnerable populations. By allocating **\$190 million** to our veterans, we honour their sacrifice and recognise that the freedom and peace we enjoy today were won through their courage.

In addition to the transfer to the National Liberation Combatants Fund, we will **transfer \$124 million to Social Security**.

If we are unable to provide well-being to all through internal resources, we must seek alternative solutions. We have allocated **\$8.1 million** for medical treatment abroad.

The 2025 State Budget also aims to strengthen the Bolsa da Mãe programme with an additional \$1 million, bringing the total to **\$7 million**. An additional **\$2 million** is allocated to conditional health and nutrition subsidies for pregnant women and children.

However, our investments are not limited to social welfare. We are planting the seeds for the future through substantial investments in education. With **\$17.2 million** dedicated to scholarships and vocational training, we are preparing the next generation of Timorese leaders,

innovators, and agents of change. The success of our nation rests on the shoulders of our youth, and we are committed to equipping them with the tools they need to succeed.

Approximately **\$145.8 million** will be invested in education, distributed across various agencies, including the construction and renovation of educational infrastructure, teacher training, and improvement of the education management system.

This government believes that education is the great equaliser, and we will continue to make it a top priority.

We will also improve health services across the country, allocating around **\$92.2 million** and investing in the National Hospital and Referral Hospitals, as well as constructing and rehabilitating community health posts and centres. With an investment of about **\$14 million**, we will address essential medicine and medical equipment needs.

Let me be clear: this budget reflects our government's unwavering commitment to good governance. We will ensure that public funds are managed with the utmost transparency and accountability.

We are **strengthening public finance management systems**, enhancing internal audit mechanisms, and ensuring that the execution of this budget is closely monitored. Corruption and mismanagement have no place in the future of Timor-Leste. We owe it to the people to ensure that every cent allocated in this budget serves its intended purpose and produces results that improve our citizens' lives.

Distinguished Members of Parliament
Ladies and Gentlemen

As we continue to decentralise governance, we are empowering our municipalities with the resources they need to lead their own development. After just over a year in office, various actions, including improving the

regulatory framework for decentralisation, have been implemented to support this process.

Timor-Leste's decentralisation strategy is being implemented in three phases: administrative decentralisation, institutional administrative decentralisation, and territorial administrative decentralisation.

We are in the second phase, which involves deepening the autonomy of Municipal Authorities by strengthening their capacity in financial, asset, and human resource management, and enabling them to generate revenue.

The **\$40 million** increase allocated to local authorities will enable them to implement projects that reflect their communities' specific needs. This government believes in the power of local leadership, and we trust that our local governments will use these funds wisely to benefit their citizens.

Your Excellencies

With a proposed total budget of **\$2.617 billion**, we will make critical investments in public services, infrastructure, economic growth, and social protection for our most vulnerable citizens. This budget reflects our government's long-term vision, as outlined in the Strategic Development Plan (SDP) 2011-2030, while also addressing today's urgent needs.

Distinguished Members of Parliament
Ladies and Gentlemen

Despite global challenges, Timor-Leste's economic outlook for 2025 remains promising. Non-oil real GDP growth is expected to increase to 4.1%, up from 3.7% in 2024. This growth is driven by targeted public investments and private sector recovery, both of which are essential for sustained economic growth. Concurrently, inflation is expected to decrease to 2.2%, improving purchasing power for our people and stabilising the cost of living.

Our fiscal strategy is focused on prudent and sustainable expenditure, emphasising capital expenditure in infrastructure, expanded social protection programmes, and human capital investments. These priorities will help ensure that economic growth benefits all regions and all citizens of Timor-Leste.

The consolidated budget for 2025 of the Central Administration and RAEOA (Special Administrative Region of Oe-Cusse Ambeno) amounts to **\$2.125 billion**, representing a 12% increase over the previous year. This increase is a clear demonstration of our commitment to infrastructure development and the improvement of public services.

As I have said, achieving long-term sustainable growth requires continued economic diversification. The **\$310 million** allocated to the Infrastructure Fund will address critical areas such as road and bridge infrastructure, electricity, airport infrastructure development, public transport, and public services.

One of the main obstacles to infrastructure investment is the issue of land ownership disputes. For 2025, we have created a specific allocation under the Ministry of Justice to resolve these challenges. By accelerating the resolution of land disputes and clarifying land ownership, we will create a more favourable environment for public and private investment in essential infrastructure projects.

Since taking office in 2023, our government has adopted a cautious approach to loans and external financing. Following a thorough analysis, we decided to cancel some loan agreements and continue to evaluate others. This cautious approach reflects our commitment to fiscal responsibility and long-term sustainability.

We must ensure that all financial commitments align with our development goals and do not place undue burdens on future generations.

While we are cautious, we remain open to leveraging financing options for essential projects that directly contribute to our national priorities.

To ensure the efficient execution of this budget, we will continue to strengthen public finance management systems. This includes implementing new procurement procedures to improve capital execution rates and reduce project delays. Transparency and accountability remain the cornerstones of our governance model, and we are committed to ensuring that all citizens have access to information on how public funds are spent.

We will also strengthen internal audit mechanisms to prevent corruption and ensure that all financial practices comply with international standards. Our goal is to build a government that is transparent, accountable, and responsive to its people's needs.

I must acknowledge that government execution was relatively moderate during the first half of this year. However, in recent months, development capital has increased. As a result, government execution to date is estimated at around 63%, with an expected increase by the end of the year.

We aim to achieve an execution rate of about 86% by 31 December 2024, representing a 9% increase over 2023. We are confident that execution will progressively improve, reaching no less than 90% by 2027, as a result of the public finance management reforms we are implementing.

Distinguished Members of Parliament
Ladies and Gentlemen,

This budget represents a turning point for our Nation. It is focused on investing in our future and ensuring that Timor-Leste emerges from the challenges we currently face as a stronger, more united, and more prosperous country.

This budget lays the foundations for a future that is promising, stable, and inclusive. Together, as a nation, we will realise the vision of a prosperous

Timor-Leste – a Timor-Leste where all citizens can live with dignity and have access to opportunities.

As we face global and internal challenges, we must remember that our strength lies in our unity and resilience.

Together, we will do everything to build that future – a future based on social justice, stability, and mutual trust.

Thank you very much.

Kay Rala Xanana Gusmão.