# IX CONSTITUTIONAL GOVERNMENT

## Proposed Law No. ____ /VI
## Framework for the General State Budget and Public Financial Management

## Statement of reasons

Law no. 2/2022 of 10 February, on the General State Budget Framework and public financial management, was approved with the aim of streamlining public management and, at the same time, increasing transparency, responsibility, accountability and control of state services and entities.

The experience of applying this law shows that there is a need to make a significant change to the procedure for framing the General State Budget (GSB), the General State Account (GSA) and the budgets and accounts of the subsectors that make them up, including their preparation, approval, execution and reporting, the financial regime of the services and entities of the Public Administrative Sector and the regimes of public financial management, responsibility and budgetary control.

The new budget framework law introduces innovations in order to make the procedure for preparing the General State Budget more understandable for the Public Administration, more transparent and informative not only for the National Parliament, but also for the population in general.

The government intends to provide the National Parliament with a set of up-to-date, clear and complete information that will allow this sovereign body to be equipped with a set of tools that will enable it to make an effective assessment of the budget proposal and to closely and rigorously monitor public spending and revenue. In short, the law seeks to improve financial reporting and the quality of budgetary information.

The new Framework Law on the General State Budget and Public Financial Management ensures that program budgeting is effectively focused on achieving results. This objective contributes significantly to the Public Administration's focus on pursuing the public interest, while also giving concrete, quantifiable and assessable content to the principle of economy, efficiency and effectiveness, while simultaneously increasing budgetary transparency. The IX Constitutional Government believes that this reform initiates true program budgeting in Timor-Leste.

It is also intended to ensure that the deadlines for presenting the different stages of the budget process are compatible with the date on which governments take office.

Not least, it is necessary to take on board the Court of Appeal's decision regarding the integration of balances during budget execution.

The Budgetary Framework Law contained in this proposed law is not a surgical amendment to some aspects of the budgetary process, and is therefore different from the current law and the amendment made by the previous government to the version of the law in force.

The IX Constitutional Government believes that this Law provides a new legal framework, improving the legislative framework and quality of budgetary policy, in line with international best practice.

As stated in the Government Program, the IX Constitutional Government intends to reform public finance management, creating a system of interconnection between the budget and planning, which aims to define the objectives, targets and impacts of public service to the population in the short, medium and long term, as well as monitoring and evaluating this interconnection. Changing the laws is only the first step towards an effective budgetary framework. It is essential to improve public expenditure management processes, and the government is working hard to do so.

The approval of the new Law on the Framework of the General State Budget and Public Financial Management is an essential step towards making the Public Finance Management Reform a reality.

Thus,

The Government submits the following proposed law to the National Parliament, pursuant to Article 97(1)(c) and Article 115(2)(a) of the Constitution of the Republic:

# Proposed Law No. …../2024

# Of ____of ____

# Framework for the General State Budget and Public Financial Management

Law no. 2/2022 of 10 February, on the General State Budget and Public Financial Management, was approved with the aim of streamlining public management and, at the same time, increasing transparency, responsibility, accountability and control of state services and entities.

Despite the recent approval of this law, its implementation in the current context has revealed weaknesses with regard to important processes in the budget cycle, including planning, budgeting, execution and reporting. There is therefore a need to approve a new legal regime that regulates the stages of the budget cycle and the rules of financial management, which is in line with the best international practices in terms of transparency and, at the same time, is well adapted to the reality of state services and entities.

On the one hand, the planning process is simplified and improved through the introduction of a budget strategy statement, which must be presented by the government to the National Parliament for information. This document is crucial in terms of budget planning, as it defines the medium-term budget objectives and priorities, resource allocation, risk management, expenditure and revenue analysis, as well as the definition of budget ceilings.

On the other hand, concepts related to each financial regime are clarified, insofar as financial autonomy stems from the ability to generate its own revenue to finance the respective expenditure, with the exception of financial autonomy resulting from a constitutional imperative. Thus, this new regime includes as budgetary services and entities those that are considered to be services without administrative and financial autonomy and those services and funds with financial autonomy and defines their powers in budgetary and financial management terms.

It is also important to establish greater discipline in the area of public debt, reducing the number of entities that can contract loans and creating an obligation for entities with budgetary autonomy to consult the member of the government responsible for finance before contracting debt on behalf of the state.

As decided by the Court of Appeal in 2022, the integration of balances during budget execution remains prohibited for services that do not have financial autonomy, and this restriction is also extended to services and entities with financial autonomy in order to increase budgetary discipline and respect parliamentary authorization.

Lastly, it is necessary to simplify the rules on budget execution, moving the regulation of such matters to a decree-law, to be approved by the government, in compliance with the Constitution's provisions on the government's competence in the area of budget execution.

Thus,

Pursuant to Article 95(2)(q) of the Constitution of the Republic, the National Parliament hereby decrees the following to be valid as law:

## TITLE I Initial provisions

### CHAPTER I Object and scope

#### Article 1. Object

This law establishes the framework for the General State Budget (GSB), the General State Account (GSA) and the budgets and accounts of the subsectors that comprise them, including their preparation, approval, execution and reporting, the financial regime of the services and entities of the Public Administrative Sector and the public financial management, accountability and budgetary control regimes.

### Article 2. Scope of application

1. The provisions of this law apply to the services and entities of the Public Administrative Sector, which is made up of the following subsectors:
   a) The Central Administration, which includes:
      i. The State and the bodies, services and funds, generically referred to in this law as Central Administration services, without legal personality distinct from the State legal person, which make up the Direct Administration;
      ii. Public legal persons other than the State, without the form of a company, foundation or association, generically referred to in this law as Central Administration entities, which make up the Indirect Administration.
   b) Social Security, which includes the National Social Security Institute (*Instituto Nacional de Segurança Social* or INSS) I.P. and the Social Security Reserve Fund (*Fundo de Reserva da Segurança Social* or FRSS) I.P., which are public legal persons distinct from the State without the form of a company, foundation or association, but whose integration into the Social Security subsector determines, for the purposes of this law, their exclusion from Central Administration and Indirect Administration;
   c) The Special Administrative Region of Oe-Cusse Ambeno (RAEOA), including the services and entities managed or supervised by it.
2. The following are not included in the State Budget
   a) The funds of the Social Security Reserve Fund I.P. which make up the capitalization system of the social security system, including the asset portfolio and its operational management;
   b) The Petroleum Fund of Timor-Leste, its budget and accountability being regulated by special legislation;
   c) The Central Bank of East Timor, whose budget and accountability are regulated by special law;
   d) public legal persons having the nature and form of a company, foundation or public association.
3. Without prejudice to what is referred to in paragraph a) of the previous number, the funds of the Social Security Reserve Fund are part of the Social Security assets and are relevant for national accounting purposes.
4. The financial flows between the departments and entities that make up the State Budget and those referred to in paragraph 2 of this article shall form part of the budgetary perimeter.

## Chapter II BUDGET PRINCIPLES

### Article 3. Annuality and multi-annuality

1. The GSB, including the budget of the subsectors that comprise it, is annual.
2. The budget year corresponds to the calendar year.
3. Without prejudice to paragraph 1, the GSB must be framed in a multiannual budget strategy which must take into account:
   a) Macroeconomic data in a medium-term perspective;
   b) Program budgeting on a multi-annual basis;
   c) The sustainability of public finance and the Social Security system in the short, medium and long term.
4. The provisions of paragraph 1 do not affect the possibility of, until 31 January of the following year, if they complete the payments authorized and registered until 31 December.

### Article 4. Unity and universality

1. The GSB is unitary and comprises the universality of revenues and expenses of services and entities that make up the Public Administrative Sector.
2. The services and entities of Public Administrative Sector cannot execute expense that is not foreseen or registered in the GSB or authorized in accordance with the law.

### Article 5. Budget balance

The GSB, including the budget of the subsectors that it integrates, must present a budgetary balance or surplus, predicting the resources necessary to finance all commitments, assumed or to be assumed in the respective budget year.

### Article 6. Pursuance of the public interest

1. To the entities covered for the scope of application of the present law during the preparation and execution of the budget pursue the public interest, with respect to the legally protected rights and interests of citizens.
2. Without prejudice to the provisions of the previous number, all public expenditure is directed for the pursuit of the public interest.

### Article 7. Economy, efficiency and effectiveness

1. The assumption of commitments and the incurrence of expenditure by services and entities of the Public Administrative Sector are subject to the principles of economy, efficiency and effectiveness.
2. Economy is understood as the promotion of increased productivity by achieving similar results with lower expense
3. Efficiency is understood as the use of minimum of resources to ensure the provision of public services
4. Effectiveness is understood as the quantity of positive impacts in the society from the public services provided.

### Article 8. Transparency

1. The preparation, the approval and the execution of GSB, including the budgets of the subsectors that comprise it, are subject to the principle of transparency.
2. All information relative to budgetary implementation and execution is publicly accessible.
3. Public access must be guaranteed, in form timely, reliable, complete, up to date, understandable, at least, to the following elements:
   a) GSB Proposal;
   b) Supporting documentation for the GSB proposal;
   c) GSB Law;
   d) Reports on the implementation of the State Budget during the budget year;
   e) General State Account; and
   f) Report of the opinion of the Chamber of Auditors on the GSA.

### Article 9. Intergenerational equity

The GSB must ensure the equitable distribution of costs and benefits between generations, not disproportionately burdening current and future generations.

### Article 10. Specification

1. The GSB must adequately specify the expected revenues in it and the expenses inscribed therein.
2. Revenues are specified by organic and economic classification.
3. Expenses are specified by organic classification, by program and subprogram, by economic classification and by functional classification.
4. Organic classification consists of grouping of the expenses for the service or entity of the Public Administrative Sector that carries out the expenditure, whose divisions are called titles and, within these, chapters.

5. Economic classification consists of grouping of revenues and expenses by their economic nature, whose divisions they are called categories and, within of these, of rubrics.
6. Functional classification consists of grouping of the expenses by the different functions of governance, whose divisions they are called of divisions and, within of these, of groups.
7. The Government can establish levels of disaggregation additional to the budget classifiers.
8. The Government can establish additional forms of specification of the budgetary information.
9. Budgetary credits that allow for the existence of allocations for confidential use or for secret funds are null and void, without prejudice to special regimes of use of funds approved by law that are exceptionally justified by reasons of national security.
10. The structure of the budgetary classifiers must follow international norms and standards and shall be regulated by the Government through Government Decree.

### Article 11. No compensation

1. The GSB revenues are forecast based on the full amount in which they are assessed, without any deduction for charges of collection or of any other nature, without prejudice to the provisions of paragraphs 3 to 5.
2. The GSB expenses are recorded in full and without deduction of any kind, without prejudice to the provisions of the following paragraphs.
3. The budgetary registration of financial flows resulting from associated operations management of the State treasury, the Social Security treasury and the treasury of RAEOA is carried out in accordance with the following rules:
   a) Revenues obtained from financial derivatives operations are deducted from current expenses of the same operations, with the respective balance always entered as revenue;
   b) Interest received from debt securities is deducted from accumulated interest paid in acquisition of same type of values, being the respective balance always entered as revenue;
   c) The expense of financial assets is deducted from value of the sale of assets financial that preceded it;
   d) The amounts of revenues and expenses integrate to the commissions inherent to the operations and other associated costs.
4. The budget entry for tax revenue corresponds to the amounts actually collected minus the revenue foregone as a result of tax benefits and the amounts of refunds and reimbursements.
5. The provisions of paragraphs 3 and 4 are without prejudice to the individualized accounting of all financial flows, even if they are merely book entries, associated with the operations referred to therein.

### Article 12. Non-consignment

1. The product of a revenue cannot affection the coverage of a specific expense.
2. The following are excluded from the provisions of the preceding paragraph:
   a) Revenues intended to fund Social Security, under the following terms:
      i) The receipts of contributory regime of breakdown and capitalization are allocated to covering expenses under the contributory regime;
      ii) Up to 5% of the expected annual revenue from social contributions is allocated to expenditure on the operational management of the security reserve fund integrated into the capitalization system;
      iii) All other Social Security revenue is allocated to the following responsibilities of the budgeted terms.
   b) Revenues which correspond to transfers originating from States or foreign bodies, if agreed with them;
   c) Income from donations, inheritances and bequests from individuals who, by their will, require

them to be allocated to cover certain expenses;

d) Revenue that is exceptionally, in a reasoned manner, and by legislative act to cover specific expenses.

3. Exceptionally, revenue may be earmarked in the legislative act that creates or specifically regulates that type of revenue, which expressly includes the respective duration.

## Title II. Financial regime for services and entities of the Public Administrative Sector

### Article 13. Financial regime for services and entities of the Public Administrative Sector

1. The financial regime of the services and entities of the Public Administrative Sector defines the respective level of budgetary, financial and patrimonial autonomy.
2. The Public Administrative Sector is made up of:
   a) Services without financial autonomy;
   b) Services with financial autonomy;
   c) Services and funds with financial autonomy and their own revenue.
3. Services without financial autonomy are the services that make up the Direct Administration, with the exception of ministries, secretariats of state that are not part of ministries, services and entities that support the heads of other sovereign bodies and services and entities that enjoy financial autonomy by constitutional imperative.
4. These are services with financial autonomy:
   a) The ministries and secretariats of state not integrated into ministries;
   b) Entities that enjoy such financial autonomy by constitutional imperative, such as the Presidency of the Republic, the National Parliament, the Courts, the Attorney General's Office, the Ombudsman for Human Rights and Justice and the National Electoral Commission;
   c) Municipal authorities.
5. These are services and funds with financial autonomy and their own revenue:
   a) The services and entities that have the capacity to collect and apply their own revenue to expenditure, also comprising the capacity to hold and manage their own assets, that do not take the form of a company, foundation or public association and that make up the State's Indirect Administration;
   b) The services and entities that make up the Social Security subsector;
   c) The services and entities that make up the subsector of RAEOA;
6. The Government shall define the financial regime of the services and entities of the Public Administrative Sector, by means of a separate statute.

### Article 14. Regime applicable to services without financial autonomy

1. Services without financial autonomy have the ability to:
   a) Propose the respective budget appropriations;
   b) Include, in a separate chapter, the budget of the respective ministry or secretariat of state that is not part of a ministry, in the case of directorates and other direct administration services;
   c) Propose the management of the respective budget appropriations;
   d) Incur the expenditure necessary to carry out their duties, under the terms of the respective regulations;
   e) Manage their assets.
2. Departments without financial autonomy shall enjoy administrative autonomy under the terms of the law.

### Article 15. Rules applicable to departments with financial autonomy

1. Departments with financial autonomy are empowered to:

a) Prepare their own budget, under the terms defined in this law and in the circular for the preparation of the State Budget;

b) Manage the budget appropriations contained in their own budget;

c) Hold their own bank account, if their legal nature allows it;

d) Carry over the balance of assigned revenue from the previous financial year, by entering it in the General State Budget;

e) Incur the expenditure necessary to carry out its duties, under the terms of the respective regulations;

f) Manage the assets assigned to it, under the terms of the law.

2. Departments with financial autonomy have their own title in the State Budget;

3. The management body of the departments with financial autonomy has the power to carry out administrative acts, namely authorizing expenditure, entering into commitments and authorizing payments, within the legally defined limits.

### Article 16.
### Regime applicable to departments and funds with financial autonomy and their own revenue

1. Departments and funds with financial autonomy and their own revenue have the power to:
   a) Prepare their own budget, under the terms defined in this law and in the circular for preparing the State Budget;
   b) Manage the budget appropriations contained in their own budget;
   c) Hold its own bank account, under the terms of the law;
   d) Record as its own revenue the income resulting from its specific activities and from the administration and disposal of its assets;
   e) Carry over the management balance of its own revenue from the previous financial year, by entering it in the General State Budget;
   f) Incur the expenditure necessary to carry out its duties, under the terms of the respective regulations;
   g) Manage the assets assigned to it and own its own assets, if its legal nature so allows, administer and dispose of them freely, under the terms and subject to the authorizations provided for by law.
2. Departments and funds with financial autonomy and their own revenue have their own title in the State Budget.
3. Without prejudice to the provisions of paragraph e), the institutions that make up the Social Security subsector may carry over the balance of their own revenue and apply it to expenditure relating to transfers from the INSS to the FRSS.
4. The management body of services and funds with financial autonomy and their own revenue has the power to carry out administrative acts, namely the authorization of expenditure, the assumption of commitments and the authorization of payments, within the legally defined limits, without prejudice to the powers of supervision and oversight that fall to the respective member of the Government.

### Article 17. Budgetary autonomy

1. The services and entities that make up Social Security enjoy budgetary autonomy, with an autonomous budget integrated into the State Budget and other budgetary, financial and accounting powers, under the terms of this law.
2. The services and entities that make up RAEOA enjoy budgetary autonomy, with an autonomous budget integrated into the State Budget and other budgetary, financial and accounting powers, under the terms of this law.
3. Municipalities shall enjoy budgetary autonomy and shall have their own finances, the management of which shall be the responsibility of their respective bodies, under terms to be defined in their own law.

# Title III. General State Budget

## Chapter I. Nature and content

### Article 18. Nature

The State Budget is approved by a legislative act known as the State Budget Law, which is a forward-looking document that presents all the annual income and expenditure of the Public Administrative Sector and sets the ceiling for expenditure to be incurred by the respective departments and entities during the budget year.

### Article 19. Contents

1. The State Budget includes the budgets of all the services and entities that make up the Public Administrative Sector, including services without financial autonomy, services with financial autonomy and services and funds with financial autonomy and their own revenue, presenting the Central Administration budget, the Social Security budget and the budget of RAEOA individually.
2. The State Budget must include the appropriations necessary to meet obligations arising from law, international law, contract or final court decision which must be paid during the respective budget year, as well as sufficient revenue to cover this expenditure.
3. An appropriation entitled "Contingency Reserve", amounting to no less than 2% and no more than 5% of the total value of expenditure, must also be entered in the State Budget.

### Article 20. Budgeting

1. GSB revenue, including that of the respective subsectors, shall be budgeted up to the second level of economic classification.
2. GSB expenditure, including that of the respective subsectors, shall be budgeted up to the first level of the organic classification and the second level of the functional structure by programs and to the second level of the economic and financial classifications.
3. Each title of the organic classification corresponds to a service with financial autonomy or to a service and fund with financial autonomy and its own revenue.
4. In addition to the titles provided for in the previous paragraph, a title called "General State Appropriation" is entered in the State Budget, managed by the member of the Government responsible for finance, corresponding in particular to general revenue and expenditure on:
   a) Contingency Reserve;
   b) Liabilities with loans issued by the State;
   c) Transfers to Social Security; and
   d) Transfers to RAEOA.
5. The breakdown of income and expenditure in the Social Security budget is by non-contributory social security scheme, contributory pay-as-you-go social security scheme and by administration.
6. Revenue and expenditure shall be budgeted on a cash basis.

### Article 21. Program budgeting

1. Without prejudice to the provisions of the previous article, the State Budget shall be structured into programs.
2. Program budgeting is a structured approach to budget preparation, which links the entry of appropriations in the GSB to their relationship with the programs, sub-programs and activities set out in the annual plan and medium-term plan of the respective service or entity of the Public Administrative Sector.

3. The program structure consists of grouping expenditure into programs, which correspond to general objectives aimed at producing results, whose divisions are called sub-programs, which correspond to specific objectives aimed at producing results, and within these, activities, which correspond to a set of actions that contribute to producing results.
4. Programs define general objectives to be achieved.
5. Sub-programs are linked to a program and define specific objectives to be achieved.
6. Activities are linked to a sub-program and detail the processes or tasks that must be carried out to produce results.
7. Each program, sub-program and activity is accompanied by performance assessment indicators, which directly measure the performance of the main processes or tasks that make up the program, sub-program or activity.
8. The structure of budget programs is organically based.
9. The regulations governing the structure of budget programs shall be approved by government decree.

### Article 22. Content of the budgets included in the State Budget

1. The Central Administration budget includes the budgets of all services and entities of the Public Administrative Sector not included in the budgets of other subsectors.
2. The Social Security budget includes the budget of the National Social Security Institute, INSS, which includes the budget of the contributory pay-as-you-go Social Security scheme, the budget of the non-contributory Social Security scheme and the budget of the INSS administration, and the budget of the Social Security Reserve Fund, FRSS, which in turn includes the budget of the FRSS administration, excluding the budget of the contributory capitalization Social Security scheme.
3. The Social Security budget must include the necessary appropriations for the payment of benefits within the scope of the social protection provided for the eventualities covered by the regime and other applicable laws and the costs of administering the Social Security system, as well as sufficient revenue to cover these costs.
4. The budget of RAEOA shall include the budgets of all bodies, services and entities of RAEOA.

## Chapter II Budgetary planning

### Article 23. Budget Strategy Statement

1. By the end of June each year, the Government shall send a Budget Strategy Statement to the National Parliament for information, containing at least the following elements:
   a) A view of recent macroeconomic and fiscal developments;
   b) Macroeconomic projections for the following budget year and the following four years;
   c) Budget forecasts, including total revenue, expenditure, deficit, and debt, for the following budget year and at least the following four years;
   d) Description of the main policy measures planned by the government for the following budget year and for the years of the respective legislature;
   e) Fiscal forecasts for the Public Administrative Sector, and respective subsectors, for the following budget year and for the following four years;
   f) Explanation of the methods and assumptions used for the macroeconomic and fiscal forecast;
   g) Comparison of the macroeconomic and fiscal projections with the forecasts made by international organizations and independent entities, accompanied by an explanation of any significant differences;
   h) Comparison between the projections of the macroeconomic and fiscal indicators included in the previous year's Budget Strategy Statement with the results of these indicators and an explanation of any significant differences;
   i) Statement of financial risks, which should include:

   i. The results of sensitivity analysis based on different assumptions in relation to the main macroeconomic and financial indicators;
   ii. Information and analysis of the exposure of the services and entities of the Public Administrative Sector to contingent liabilities, including those resulting from guarantees, costs resulting from legal cases, as well as from other sources, and to loans and advances;
   iii. Any other relevant information, resulting from the analysis of the information obligatorily made available to the government department responsible for finance, at its request, by any service and entity of the Public Administrative Sector, public company, Central Bank and any other entity that contracts a loan, guarantee or advance with the State.

j) Limit on the total expenditure ceiling of the Public Administrative Sector for the following budget year and for the following four years;

k) Limit on Expenditure of the various sub-sectors for the following budget year and for the following four years;

l) The multiannual budget programming establishes the reference ceiling for the debt of the Public Administrative Sector on 31 December of each year, expressed in absolute value and as a percentage of gross domestic product.

2. The National Parliament shall examine the Budget Strategy Statement within 15 days of receiving it.

### Article 24. Elements of budgetary planning

The proposed State Budget Law reflects the financial component of national priorities defined on the basis of the following elements:

a) Strategic Development Plan;

b) Government Program;

c) Medium-term plans;

d) Annual action plans of the services and entities of the Public Administrative Sector;

e) Budget Strategy Statement; and

f) Any other political and strategic documents of the Government.

### Article 25. Medium-term plan and annual action plan

1. The services and entities of the Public Administrative Sector shall draw up or update medium-term plans each year, which shall consist of annual action plans for the following budget year and the four subsequent years, which shall include the programs, sub-programs and activities of the medium-term plan that are to be implemented during those budget years and an indication of their cost.
2. The medium-term plans of the services and entities of the Public Administrative Sector must be aligned with government priorities and multiannual budget programming, and must respect the program structure.
3. The services and entities of the Public Administrative Sector shall also identify the results expected from the implementation of the identified programs and define performance assessment indicators.
4. The annual action plan for the following budget year must be accompanied by the justification for the continuation of existing policies and/or the implementation of new policies, with reference to the performance of the programs in previous years, as well as an explanation of how the respective budget allows for the achievement of the program's objectives and the provision of the services planned for that budget year.
5. The annual action plan for the following budget year must also be accompanied by the procurement plan for that budget year.
6. The entry of appropriations in the State Budget in the title relating to a specific service or entity of the Public Administrative Sector is dependent on the entry of the activity to be financed by that expenditure in the annual action plan for that budget year of that service or entity.

7. The plans referred to in this article shall be regulated by the Government, by separate statute.

### Article 26. Preparation of proposals

1. The program proposals of the services and entities of the Public Administrative Sector must be aligned with the annual plan for the following budget year.
2. The budget proposals of the services and entities of the Public Administrative Sector must include the appropriations necessary to meet all the obligations of the service, entity or subsector, structured in accordance with the programs approved by the Council of Ministers and must be aligned with the annual action plan for the following budget year.

## Chapter III. General State Budget Law

### Article 27. Structure

1. The State Budget Law is made up of articles and budget tables.
2. The proposed State Budget Law shall have the same content and structure as the State Budget Law.
3. The proposed State Budget law shall be accompanied by the report, the budget development books and the information items.

### Article 28. Articulation of the State Budget Law

1. The articles of the State Budget Law shall consist of at least an initial chapter, a general chapter and a chapter with final provisions, and may contain, among others, chapters relating to the Central Administration budget, the Social Security budget and the budget of RAEOA.
2. The initial chapter presents the purpose and scope of the State Budget Law.
3. The general chapter contains:
   a) The approval of the budget tables;
   b) Authorization for the collection of taxes, fees and contributions by the state and the services and entities of the Public Administrative Sector;
   c) Approval of the authorization to transfer from the Petroleum Fund;
   d) Approval of the maximum amount that the State, including Social Security and RAEOA, may borrow, as well as the general conditions to which the respective operations must be subject;
   e) Approval of the maximum amount that the State may guarantee and lend, as well as the general conditions to which the respective operations must be subject;
   f) Approval of transfers between subsectors.
4. The chapter on the Social Security budget includes, among other provisions, the approval of the transfer of balances to the FRSS.
5. The chapter relating to the budget of RAEOA shall include, among other provisions, the approval of the transfer of balances to the Special Development Fund.
6. The chapter with final provisions shall lay down the rules on the entry into force and effect of the State Budget Law.

### Article 29. Budget tables of the State Budget Law

1. The State Budget Law contains the following budget tables:
   a) Table I - Revenue of the Public Administrative Sector, by subsectors;
   b) Table II - Expenditure of the Public Administrative Sector, by subsector;
   c) Table III - Revenue of the Central Administration subsector, by economic classification;
   d) Table IV - Expenditure of the Public Administrative Sector, by functional classification;
   e) Table V - Central Government subsector expenditure, by organic classification and structured by programs;

f) Table VI - Central Administration subsector expenditure, by economic classification;
g) Table VII - Social Security subsector revenue, by economic classification, total and by regime and administration;
h) Table VIII - Expenditure of the Social Security subsector, by organic classification and structured by programs;
i) Table IX - Social Security subsector expenditure, by economic classification, total and by regime and administration;
j) Table X - Revenue from the Oe-Cusse Ambeno Special Administrative Region subsector, by economic classification;
k) Table XI - Expenditure of the sub-sector of RAEOA, by organic classification and structured by programs;
l) Table XII - Expenditure of the Oe-Cusse Ambeno Special Administrative Region sub-sector by economic classification.

2. The Government may submit additional tables.
3. The Government may present, for reference only, the figures for previous and subsequent budget years.

### Article 30. Presentation of the proposed State Budget Law

1. The Government shall submit to the National Parliament, in physical and computerized form, by 1 October of each year, the proposed State Budget Law for the following budget year, accompanied by the report, the budget development books and the information, under the terms of this law.
2. The deadline in the previous paragraph and the other deadlines in the budget procedure shall not apply in years in which:
   a) The government in office on 1 October of that year has resigned; or
   b) The government in office on 1 October of that year took office between 2 May and 1 October of that year; or
   c) The legislature ends between 2 May and 30 November of that year.
3. In the cases provided for in the previous paragraph, the new Government shall submit the proposed State Budget law to the National Parliament within five months of taking office.
4. On the same date, the government must publish a simple information document on its official website, in Portuguese and Tetum, summarizing and making easy to understand the main points of the GSB proposal with the aim of informing citizens about its content and involving them in the budgetary process.

### Article 31. Proposed GSB Law Report

1. The report of the proposed State Budget Law contains the presentation and justification of the proposed budgetary policy.
2. The report on the proposed State Budget Law also includes an analysis of the main elements relating to:
   a) The projections of the main macroeconomic indicators with an influence on the State Budget and their evolution;
   b) The evolution of the financial situation of the Public Administrative Sector and its subsectors;
   c) The performance of budget execution in the previous financial year;
   d) The evolution and sustainability of the Petroleum Fund;
   e) The evolution and sustainability of the public debt;
   f) The state of treasury operations and Treasury accounts;
   g) The forecast of tax revenue and outgoing tax revenue;
   h) The general lines of budgetary policy and programs;
   i) Measures to rationalize budgetary management;
   j) Temporary and permanent budgetary policy measures;

k) Analysis of budgetary risks;
l) Information on contingent liabilities of the Public Administrative Sector;
m) Annual and multi-annual expenditure on public-private partnerships and the respective overall debt situation;
n) Information on arrears in the Public Administrative Sector; and
o) Other matters considered relevant to justifying the budgetary decision.

3. The report on the proposed State Budget Law also includes a multi-annual budget programming framework which presents:
   a) The revenue and expenditure projections for the Public Administrative Sector and the sub-sectors for the following budget year and the following four years;
   b) Public debt projections for the following budget year and for the following four years, in absolute values and as a percentage of gross domestic product;
   c) Projections of the value of the Petroleum Fund for the following budget year and for the following four years.
4. The report on the proposed State Budget law shall also include a comparative chart between the macroeconomic and budgetary forecasts used in the State Budget law for the previous financial year and actual developments, and any significant differences shall be explained in a reasoned manner.

### Article 32. Budget development books

1. The proposed State Budget Law shall be accompanied by the following budget development books:
   a) The budget book of revenue and expenditure of the services and entities of the Central Administration subsector;
   b) Budget book on revenue and expenditure of the services and entities of the Social Security subsector;
   c) Budget book of revenue and expenditure of the Oe-Cusse Ambeno Special Administrative Region sub-sector.
2. The budget development books present the revenue and expenditure of each service and entity, specified up to the maximum levels of disaggregation, in accordance with the program structure and the organic and economic classifications.

### Article 33. Information

1. The proposed State Budget Law shall be accompanied by the following information:
   a) The financial and asset situation of the State and the services and entities of the Public Administrative Sector;
   b) Situation of treasury operations and accounts of the Treasury and of the services and entities of the Public Administrative Sector;
   c) Information on budget programs, including performance assessment indicators;
   d) Information on the performance of the programs in the previous budget year;
   e) Financial situation and assets of the Social Security Reserve Fund;
   f) Financial statement of the Petroleum Fund of Timor-Leste;
   g) Estimated Sustainable Income for the budget year itself and the previous budget year;
   h) Independent auditor's report certifying the amount of the estimates of the Estimated Sustainable Income referred to in the previous paragraph;
   i) Estimated reduction in the Estimated Sustainable Income in subsequent budget years, due to a transfer from the Petroleum Fund of an amount greater than the Estimated Sustainable Income, if this is provided for in the proposed GSB law;
   j) Independent auditor's report certifying the estimates of the reduction in the Estimated Sustainable Income referred to in the previous paragraph;
   k) Number of workers in the Public Administrative Sector, by service and entity and by nature of the

relationship;

l) Annual plans of the services and entities of the Public Administrative Sector;

m) Multiannual commitments of the services and entities of the Public Administrative Sector;

n) External commitments and compulsory expenditure of the services and entities of the Public Administration Sector;

o) Situation of public debt and treasury operations of the Treasury and of the services and entities of the Public Administrative Sector, identifying the loans contracted, the specific conditions and the interest and amortization payments made on account of each loan;

p) Individualized information on expenditure on public-private partnerships;

q) Individualized information on loans and guarantees granted by the state;

r) Financial situation and assets of companies, foundations and public associations or those with state participation;

s) Forecast of tax revenue and foregone tax revenue;

t) Forecast of credits of modified or extinct services or entities; and

u) Other information deemed necessary by the government.

2. The proposed State Budget Law is also accompanied by the following information on Social Security:
   a) Forecast of contributory revenue, allowing the amount of gross revenue and the transfer to the FRSS which can be verified;
   b) Situation of the treasury operations and accounts of the Social Security subsector;
   c) Breakdown of annual expenditure by scheme and by benefit; and
   d) Updated long-term projection containing the cost of deferred benefits and contributions from workers and employers.
3. The proposed GSB law is also accompanied by information on the Special Development Fund of RAEOA and its investments.
4. Whenever the proposed GSB law proposes authorization for a transfer from the Petroleum Fund above the Estimated Sustainable Income, the proposal shall also be accompanied by the justification provided for in article 9(d) of Law no. 9/2005, of 3 August, as amended by Laws no. 12/2011, of 28 September, and 2/2022 of 10 February.

### Article 34. Publication and dissemination

1. The Government shall annually publish the report, the budget development books and the information on the State Budget within 30 days of the entry into force of the State Budget law.
2. The Government shall publish all documents that are necessary to ensure adequate disclosure and transparency of the State Budget and its implementation, namely on the website of the government department responsible for finance or others indicated for this purpose.
3. The Government shall publish a simple information document, in both Portuguese and Tetum, summarizing and making easy to understand the main points of the State Budget with the aim of informing the country's citizens about its content and involving them in the budgetary process.
4. The government shall also publish updated information on the financial and asset situation of the Social Security Reserve Fund funds managed on a capitalization basis, within 30 days of the entry into force of the State Budget Law.

### Article 35. Duration

1. As a rule, the GSB law is valid for one year, from 1 January of each year to 31 December of the same year.
2. The GSB law for a given year always takes effect on 1 January of that year, even if it is published after that date.

3. If the new State Budget law has not been published on 1 January, the validity of the State Budget law for the previous year, with the amendments that have been approved, is automatically extended, by virtue of this article, until the new State Budget law comes into force.
4. The extension of the validity of the State Budget Law implies the implementation in that year of a State Budget similar to the State Budget implemented in the previous year, to which all the rules applicable to the State Budget approved for that year apply, with the necessary adaptations.
5. The extension of the validity of the GSB law covers the articles, tables and authorizations for the collection of taxes, fees and contributions, as well as the rules on implementation approved in a separate statute.
6. The extension of the validity of the State Budget law also covers the approval of the transfer from the Petroleum Fund for the part of the transfer relating to the Estimated Sustainable Income, the amount of which corresponds to the amount set in the previous year.
7. The approval of the transfer from the Petroleum Fund in excess of the Estimated Sustainable Income follows the terms of article 9 of Law no. 9/2005, of 3 August, republished by Law no. 12/2021 of 28 September, as amended by this law.
8. If the National Parliament does not approve the transfer referred to in the previous paragraph, the appropriations of the services and entities of the Public Administrative Sector contained in the State Budget law extended under the terms of paragraph 3 shall be reduced proportionally, with the exception of appropriations:
   a) Necessary to fulfill obligations arising from law, international law or contract known at the time of the extension of the validity of the GSB law for the previous budget year;
   b) Necessary to fulfill obligations arising from a court decision and to make payments related to legal costs and procedural expenses.
9. The extension of the validity of the State Budget Law does not cover the maximum annual amount of medium and long-term public debt that the State may contract, set in accordance with Article 59.
10. Any amounts and limits provided for in the extended State Budget Law may be implemented in their entirety without any limitation arising from their implementation in the previous budget year.
11. Amendments to the extended State Budget Law shall only take effect in relation to the period of the extension.
12. Without prejudice to the provisions of paragraph 4, the Government may approve complementary budget execution rules by decree-law during the extension of the duration of the State Budget Law.

#### Article 36. GSB Amendment Law

Any amendment to the State Budget that does not consist of a budgetary amendment within the competence of the Government shall be approved by a law of the National Parliament, referred to as the State Budget Amendment Law.

## Title IV. Budget execution and public financial management

### Chapter I. Budget execution

#### Article 37. Budget execution rules

The Government shall approve the rules for implementing the State Budget Law by decree-law within 30 days of its publication.

#### Article 38. Budget implementation

1. 1. The implementation of the State Budget shall be carried out with regard to revenue, namely by:
   a) Settlement and collection of taxes;
   b) Settlement and collection of fees and contributions, pecuniary penalties and default interest as provided for by law;

c) Realization of transfers from the Petroleum Fund;
d) Payment of transfers provided for in the State Budget;
e) Settlement and collection of legally earmarked revenue;
f) Realization of income from assets;
g) Acceptance of loans;
h) Realization of financial investments and any other capital income;
i) integration of Social Security management balances, as provided for by law;
j) accepting donations, inheritances and legacies;
k) carrying out other legal or contractual revenue collection operations.

2. The implementation of the State Budget takes place in terms of expenditure, namely
   a) through the regular release of credits or funds;
   b) the transfer of funds by the government department responsible for finance, on the basis of the budget appropriations provided for in the State Budget;
   c) application of the credits or funds referred to in the previous paragraph, as well as the funds collected by the services and entities of the Public Administrative Sector themselves, to expenditure;
   d) carrying out other legal or contractual expenditure operations.
3. A budget appropriation is considered to have been executed when the funds leave the sphere of the service or entity and enter the sphere of the beneficiary of the expenditure.

## Article 39. Responsibility

1. As far as revenue is concerned, the departments and entities of the Public Administrative Sector that settle and collect it are responsible for implementing the State Budget.
2. The following are responsible for implementing the State Budget, as far as expenditure is concerned:
   a) The members of the Government, as far as the respective ministry is concerned;
   b) The member of the Government responsible for finance, with regard to the General State Appropriation;
   c) The management body of services without financial autonomy that are not ministries, with regard to the respective services and entities, without prejudice to the management power of the respective member of the Government;
   d) The management body of services with financial autonomy and of services and funds with financial autonomy and their own revenue, in relation to the respective services and entities;
   e) The INSS, with regard to the Social Security budget;
   f) The President of the Authority of RAEOA, with regard to the budget of RAEOA;
   g) The holders of managerial positions and the employees of the departments responsible for the financial management of the services and entities of the Public Administrative Sector, with regard to the respective services and entities.
3. Departments with financial autonomy and departments and funds with financial autonomy and their own revenue must be part of the departments responsible for financial management.
4. The departments responsible for the financial management of ministries and secretariats of state that are not part of ministries shall be responsible for the financial management of Public Administrative Sector services that do not have the financial autonomy of the respective ministry or secretariat of state.
5. The members of the Government shall ensure the coordination of the budget execution of the respective ministry or secretariat of State not integrated into a ministry and of the services of the Public Administrative Sector without financial autonomy within the scope of the respective ministry or secretariat of State and shall monitor the budget execution of the services and funds with financial autonomy and their own revenue that are part of the Indirect Administration within the scope of the respective ministry or secretariat of State.

6. The officials referred to in paragraphs 1 and 2 shall be liable, as the case may be, politically, financially, civilly, criminally and disciplinarily for the acts and omissions they perform in the exercise of their budget execution duties, under the terms of the Constitution of the Republic, this law and other applicable legislation, which establish the assumptions and terms of political and civil liability and typify criminal and financial infractions, as well as the respective sanctions.
7. Without prejudice to the specific ways in which the other forms of liability referred to in the previous paragraphs are made effective, financial liability is made effective by the Audit Chamber of the High Administrative, Tax and Audit Court, under the terms of articles 42 to 55 of Law no. 9/2011, of 17 August, amended by Laws no. 3/2013, of 7 August, and Laws no. 1/2017, of 18 January, 2/2022 of 10 February, and 21/2023 of 27 December, and other applicable legislation.

### Article 40. Release and transfer of credits or funds

1. The government department responsible for finance releases credits or funds from the State Budget to be used for expenditure by the services and entities of the Public Administrative Sector.
2. Credits are released by allowing the ministry, secretariat of state not part of a ministry, or service without financial autonomy to use credits from the Treasury account.
3. Funds are released by transferring them to the bank account of departments and funds with financial autonomy and their own revenue.
4. The release of funds from the State Budget to the Presidency of the Republic, the National Parliament and the Courts and their support services and entities is made in twelfths every six months.
5. Transfers of funds from the State Budget to the Social Security budget and to the budget of RAEOA are made in twelfths every six months.
6. The transfer of funds from the State Budget to inject capital into entities in the state's business sector is made following a request from the responsible member of the Government to the government department responsible for finance and must comply with the formalities defined by the government department responsible for finance and does not need to be formalized by contract.
7. The statute that establishes the rules governing the implementation of the State Budget shall define the procedure and regularity of the release of credits or funds.

### Article 41. Contingency Reserve

1. The contingency reserve is a specific appropriation intended to cover urgent and unforeseen expenditure.
2. The use of the contingency reserve depends on the service or entity making the request justifying the urgency and unforeseeability of the expenditure in question.
3. The management of the contingency reserve and its use is the responsibility of the member of the Government responsible for finance, and such use is subject to prior approval by the Prime Minister.

### Article 42. Registration of operations

1. The services and entities of the Public Administrative Sector shall record all budgetary operations and shall keep a physical and digital record of these operations for at least ten years after they take place.
2. In particular, the following operations are recorded:
   a) The settlement and collection of revenue;
   b) Commitment of expenditure;
   c) Checking that the budget has been entered and allocated;
   d) Making the commitment;
   e) Settlement of expenditure;
   f) Authorizing payment; and
   g) Making the payment.

### Article 43. Accounting system

1. The accounting system of the Public Administrative Sector structures budgetary and financial information in such a way as to enter, classify and record the elements of the budgetary statements and financial statements.
2. The services and entities of the Public Administrative Sector shall organize:
   a) Budgetary accounting for income and expenditure, on a cash basis, when cash inflows and outflows occur;
   b) Financial accounting for assets, liabilities, income and expenditure.
3. The services and entities of the Public Administrative Sector prepare budget statements and financial statements, individual and consolidated, that provide a true and fair view of budget execution, financial position, changes in financial position, performance and cash flows.
4. Budgetary accounting follows the structure and classifications laid down in this law.
5. Financial accounting follows the Chart of Accounts for the Public Administrative Sector.
6. The accounting system of the Public Administrative Sector follows international public accounting standards and is approved by the Government by Decree-Law.

### Article 44. Budgetary and financial information systems

1. The services and entities of the Public Administrative Sector shall adopt budgetary and financial information systems that allow for the recording of operations, the organization of budgetary and financial accounting and the reporting of information to the government department responsible for finance.
2. The budgetary and financial information systems of the services and entities of the Public Administrative Sector must ensure compatibility with the information systems of the government department responsible for finance and with the planning information system.
3. For the purposes of complying with the provisions of the preceding paragraphs, the budgetary and financial information systems of the services and entities of the Public Administrative Sector shall be approved by the government department responsible for finance.

### Article 45. Performance reporting and evaluation

1. The Government shall provide updated information on the performance of the budget programs and budget execution of the Public Administrative Sector on a dedicated website.
2. Every quarter, the government shall send the performance report on the budget programs and the cumulative budget execution for the respective year to the National Parliament, no later than two months after the end of the quarter, and shall make it available online.
3. The quarterly report referred to in the previous paragraph includes at least:
   a) Complete information on its budget execution, including commitments entered into, payments authorized and made, revenue settled and collected and the updated budget execution forecast for the entire year, accompanied by a report;
   b) If they hold bank accounts, complete information on the balances of deposits or other financial investments and their respective returns, as well as reasoned information on cash in hand, if any;
   c) If they have borrowing capacity, complete information on financing operations, including loans and repayments made, as well as those planned up to the end of each year;
   d) Complete information on arrears.
4. The report on the performance of budget programs issued at the end of the fourth quarter, under the terms of the previous paragraph, shall be called the annual report on the performance of budget programs.

5. Without prejudice to the provisions of the preceding paragraphs, the government department responsible for finance shall prepare and publish, by the end of August each year, information on the monitoring of budget execution and the macroeconomic situation for the first half of the year in question, expressly noting any deviations from the objectives and limits set out in the State Budget.
6. The Government shall regulate the reporting and performance assessment procedures by Decree-Law.

### Article 46. Budget execution regime during the extension of the duration of the Budget Law

1. During the period in which the GSB law is extended, expenditure shall comply with the rules laid down in this article, as well as the rules laid down in this law which do not contradict them.
2. Expenditure during the period of the extension of the validity of the State Budget Law is based on expenditure plans prepared by the departments and entities of the Public Administrative Sector which ensure that all payments due during the budget year are met, taking into account the activities provided for in the respective annual plans.
3. The budget appropriations to be implemented during the period of the extension of the validity of the State Budget law are defined on the basis of the appropriations entered in the extended State Budget law.
4. The budget appropriations are divided into twelfths and each twelfth is used to cover one month's expenditure.
5. The transfer from the Petroleum Fund provided for under the terms of this law shall be made at the regular rate of one twelfth per month.
6. The revenue and expenditure operations carried out under this article shall be charged to the accounts for the respective budget year and must be included in any State Budget approved for that year.
7. The duodecimal system provided for in paragraph 4 shall not apply to the following expenditure, which shall be implemented as required:
   a) Obligations arising from law, international law, contract and court decision known at the time of the extension of the duration of the State Budget;
   b) Social benefits due to beneficiaries of the Social Security system;
   c) Financial investments arising from operations associated with the cash management of the State, Social Security and RAEOA;
   d) Expenditure from the Contingency Reserve;
   e) Expenditure on the supply of water, sanitation, electricity, fuel and telecommunications;
   f) Purchase of medicines, medical supplies and health services and expenditure on preventing and combating national and international epidemics and pandemics;
   g) Reconstruction, repair, cleaning and other works as a result of natural and human disasters.
8. The Government shall approve the rules governing the application of this article by means of a Government decree.

### Article 47.
### Budget execution regime before the Government program is examined or after its rejection

The budget execution regime provided for in the previous article shall apply to the period between the appointment of the Government and the appraisal of the Government's program, as well as to the period between the rejection of the Government's program and the appointment of a new Government.

### Article 48. Budget Amendments

1. Budget amendments are all acts of budget management within the competence of the Government that require shifting funds between budget appropriations.
2. Budget amendments may be made by the Government, under the terms and within the limits set out in this article, namely the following:
   a) Amendments consisting of the shift of funds between budget titles, when they originate in the

"General State Appropriation";

b) Changes consisting of an increase in the total expenditure of the Social Security Budget, or in the total expenditure of the INSS, when this is the result of:

   i. integration of the management balance of own revenue and its integration into expenditure, under the terms set out in Article 16(3);

   ii. an increase in the product of own revenue, namely social contributions and income, and its application to expenditure, related to transfers from the INSS to the FRSS capitalization scheme.

3. Without prejudice to the provisions of the previous article, budget shifts originating from the categories "salaries and wages" in the rubric "regular and permanent salaries and allowances", and "development capital" to other budget categories are prohibited.

4. The amendments provided for in this article, with the exception of those provided for in paragraph 2, may not exceed 20% of the value of the budget appropriation from which the amount is shifted.

5. The government is prohibited from making the following budgetary changes:

   a) An increase in the total expenditure of the State Budget or its reduction, whenever there is a decrease in budgeted revenue;

   b) Increasing or reducing total expenditure in the Central Administration budget;

   c) The increase or reduction of total expenditure in the Social Security budget, with the exception of those referred to in paragraph 2(b);

   d) The increase in the total expenditure of the budget of RAEOA or its reduction, whenever there is a decrease in budgeted revenue;

   e) An increase in the total expenditure of a title, with the exception of the provisions of paragraph 2;

   f) The shift of funds between titles, provided that these funds do not originate in the "General State Appropriation" or in the transfer of funds from the INSS to the FRSS;

   g) The increase in the maximum amount that the State and the other services and entities of the Public Administrative Sector can borrow, guarantee and lend;

   h) Modification of the articulated wording of the State Budget Law.

6. The government decree-law establishing the rules for implementing the State Budget shall establish the bodies responsible for approving budget amendments.

### Article 49. Publicizing and publishing amendments

Budget amendments shall be communicated to the National Parliament in writing and published on the website of the government department responsible for finance by the end of the second month following each quarter.

## Chapter II. Public financial management

### Section I. General Rules

### Article 50. Treasury unit

1. Without prejudice to the provisions of the following paragraphs, management of the treasury of the Public Administrative Sector obeys the principle of treasury unity, which consists of centralizing and maintaining public monies in the State's central treasury, with the aim of ensuring sufficient cash and cash equivalents to settle obligations as they fall due, maximize the return on available cash and allow for the efficient management of financial risks.

2. The Central Administration's external peripheral services are exempt from complying with the treasury unity principle.

3. The public funds of RAEOA must be centralized and kept in RAEOA's own treasury, autonomous from the State's central treasury.

4. The principle of treasury unity applies to the Social Security sub-sector through the centralization and maintenance of Social Security monies in its own treasury, autonomous from the State's central treasury.

### Article 51. Budgetary balances

1. The overall balance of the State Budget, the budgets of Central Administration departments and entities, the Social Security budget and the budget of RAEOA shall be zero or positive.
2. The current balance of the State Budget, the budgets of central government departments and entities, the Social Security budget and the budget of RAEOA must be zero or positive.
3. The actual balance of the Social Security budget must be zero or positive.
4. The overall balance is the difference between revenue and expenditure.
5. The current balance is the difference between current revenue and current expenditure.
6. The actual balance corresponds to the difference between actual revenue and actual expenditure, which includes all revenue and all expenditure with the exception of that relating to financial assets and liabilities and management balances from previous years.

### Article 52. Budgetary surpluses

1. Surpluses from the implementation of the State Budget, the budgets of Central Government departments and entities, the Social Security budget and the budget of RAEOA, calculated at the end of the financial year, shall be classified as management balances from the previous financial year.
2. Surpluses from the implementation of the Social Security budget shall revert to the FRSS.

### Article 53. Public debt

1. The debt of the Public Administrative Sector must meet a sustainability threshold that does not jeopardize its medium and long-term solvency or its ability to meet its commitments.
2. The total amount of the Public Administrative Sector's debt includes loans, leasing contracts and any other forms of indebtedness to financial institutions.
3. The appropriations necessary for the amortization and payment of interest on public debt must be entered in the State Budget and may not be altered to be inconsistent with the amount of the commitments falling due in that budget year.
4. Expenditure on the payment of interest and the amortization of public debt shall take priority over any other expenditure.

### Article 54. Segregation of functions

1. Revenue and expenditure shall be executed in accordance with the principle of segregating the functions of validation and collection, in the case of the former, and authorization and payment, in the case of the latter.
2. The segregation of functions referred to in the previous paragraph may be established between different departments and entities or between different employees of the same department and entity.

## Section II. Revenue

### Article 55. Collection of revenue

1. No revenue may be paid or collected unless it is legal.
2. All revenue must be correctly entered in the budget before or after it is collected.
3. Revenue may be settled and collected in excess of the amounts provided for in the respective budget entry.
4. The rules governing the execution of revenue shall be approved by the Government.

### Article 56. General revenue

1. General revenue is revenue arising from:
   a) Transfers from the Central Administration budget;
   b) Taxes, unless otherwise provided by law;
   c) Fees, unless otherwise provided by law;
   d) Loans taken out by the State;
   e) Income from state assets, loans and financial investments held by the state and any other income from state capital and the proceeds from its sale or encumbrance;
   f) Transfers from foreign states and organizations, unless otherwise agreed with them;
   g) The balance of general revenue from the previous financial year.
2. Any other revenue so qualified by law or not expressly qualified as own revenue shall also be general revenue.

### Article 57. Own revenue

1. Revenue arising from collections resulting from the specific activity of the service or entity and its assets and which are expressly qualified as own revenue, under the terms of the respective regulations, shall be own revenue.
2. The following, among others, are considered own revenues
   a) Taxes assessed and/or collected by the service or entity and so qualified by law;
   b) Fees paid or collected by the service or entity and so qualified by law;
   c) Income from own assets, loans and financial investments held by the department or entity and any other capital income of the department or entity, as well as the proceeds from their sale or encumbrance;
   d) Transfers from foreign states or organizations, if so agreed with them;
   e) Donations, inheritances and legacies from private individuals which, by their will, should be considered own revenue of a given department or entity;
   f) Management balances of own revenue.
3. Revenue derived from social contributions, financial penalties and interest on arrears collected by the INSS is own revenue.
4. Revenue deriving from fees, penalties and interest on late payments levied by the Oe-Cusse Ambeno Special Administrative Region is own revenue.
5. Revenue derived from transfers from the Central Administration sub-sector to the Social Security sub-sector and to RAEOA sub-sector is also own.
6. Own revenue must be used to cover the expenses of the service, entity or subsector itself and must be exhausted before using funds from Treasury transfers.
7. The use of revenue provided for in the previous paragraph does not apply to the Social Security subsector.

### Article 58. Management balance

1. The balance of general revenue from the previous financial year shall be returned to the Treasury and recorded as general revenue for the following financial year.
2. The calculated balance that is not entered in the State Budget must be entered as revenue collected over and above the amounts provided for in the respective budget entry.
3. The balance of revenue allocated to departments with financial autonomy and the balance of own revenue of departments and funds with financial autonomy and own revenue shall be carried over to the following financial year, subject to entry in the State Budget.

## Article 59. Contracting Public Debt

1. Whenever the state needs to raise revenue to meet its commitments and expenses, it can contract public debt, under the terms of this law and in accordance with the legislation on public debt.
2. The State Budget establishes for each budget period the maximum amount of medium and long-term public debt that the State, including through the Central Administration, Social Security and RAEOA, may contract, as well as the maximum term of these loans.
3. For the purposes of the previous paragraph, medium and long-term public debt means debt contracted to be fully repaid in the financial years following the financial year in which it was generated.
4. The contracting of medium and long-term public debt is the responsibility of:
   a) The Council of Ministers, after receiving an opinion from the ministry responsible for finance, in the case of public debt benefiting the Central Administration;
   b) The INSS, without prejudice to the powers legally conferred on the FRSS, following a binding opinion from the ministry responsible for finance, in the case of public debt benefiting Social Security;
   c) The President of the Authority of RAEOA, after a binding opinion from the ministry responsible for finance, in the case of public debt benefiting RAEOA.
5. Regardless of the provisions of the State Budget Law, the services and entities that make up the subsectors of Central Administration, Social Security and RAEOA, represented by the respective management body or top manager, as the case may be, may contract short-term debt, understood as debt contracted to be fully amortized by the end of the budget year in which it was generated.

## Section III. Treasury

## Article 60. Public monies

1. Public monies are all available cash or cash equivalents, in whatever form, owned or held by the services and entities of the Public Administrative Sector.
2. Monies owned or held by the services and entities of the Oe-Cusse Ambeno Special Administrative Region sub-sector are called public monies of the Oe-Cusse Ambeno Special Administrative Region and follow their own regime.
3. Monies owned or held by the services and entities of the Social Security sub-sector are called Social Security monies and follow their own regime.
4. No one may keep or maintain in their possession public money, public money of RAEOA or Social Security money, except in accordance with the law.
5. No one may misuse public money, public money of RAEOA or social security money and dispose of or use it in an improper, illegitimate or illegal manner.

## Article 61. Central State Treasury

1. The services and entities of the Public Administrative Sector are obliged to centralize and keep all their cash and cash equivalents and financial investments, regardless of their origin or nature, including their own revenues, with the State's central treasury and to carry out all fund movements through it.
2. The services and entities of the Public Administrative Sector that collect public money are part of the State's central treasury collection network, so that the revenue they settle and collect can be received, accounted for, controlled and deposited immediately.
3. The State's central treasury deposits public funds in bank accounts held by the government department responsible for finance or jointly by the latter and the services and entities of the Public Administrative Sector, preferably with the Central Bank of Timor-Leste, and may choose to deposit with national commercial banks if it wishes to benefit from services not offered by the Central Bank of Timor-Leste.

4. The central treasury of the State must ensure that there are sufficient funds to meet the commitments made by the services and entities of the Public Administrative Sector in a timely manner, as well as to maximize the return on the monies in its possession.
5. For the purposes of the previous paragraph, the State's central treasury shall draw up a treasury plan that forecasts the financing needs of the services and entities of the Public Administrative Sector throughout the budget year.
6. The State's central treasury is responsible for the temporary investment of public money in short-term, low-risk and liquid financial instruments, with the aim of ensuring effective management of cash surpluses.

### Article 62. Treasury of the Special Administrative Region of Oe-Cusse Ambeno (RAEOA)

1. The RAEOA treasury shall be managed by RAEOA and shall deposit the public monies of RAEOA in bank accounts held by RAEOA, preferably with the Central Bank of Timor-Leste, and may choose to deposit in commercial banks if it wishes to benefit from services not offered by the Central Bank of Timor-Leste.
2. The RAEOA treasury shall ensure that there are sufficient funds to meet the commitments undertaken by the RAEOA sub-sector in a timely manner, as well as to maximize the return on the monies in its possession.
3. For the purposes of the previous paragraph, the RAEOA treasury shall draw up a treasury plan that provides for the financing needs of the subsector of RAEOA throughout the budget year.
4. The RAEOA treasury shall be responsible for the temporary investment of public monies of RAEOA in short- and medium-term, low-risk and liquid financial instruments, with the aim of ensuring effective management of cash surpluses.

### Article 63. Social Security Treasury

1. The Social Security treasury is managed by the INSS and deposits Social Security monies in bank accounts held by the INSS, with the Central Bank of Timor-Leste or with commercial banks according to needs and taking into account the respective costs.
2. The Social Security treasury must ensure that there are sufficient funds to meet the commitments assumed by the Social Security subsector in a timely manner, as well as to maximize the return on the monies in its possession.
3. For the purposes of the previous paragraph, the Social Security treasury shall draw up a treasury plan that forecasts the financing needs of the Social Security subsector throughout the budget year.
4. The Social Security treasury is responsible for the temporary investment of Social Security monies in short- and medium-term, low-risk, liquid financial instruments, with the aim of ensuring effective management of cash surpluses.
5. Short-term financial resources managed within the scope of the FRSS are not subject to the single treasury system.

## Section IV. Expenditure

### Article 64. Expenditure

1. No expenditure may be incurred unless it is legal and based on a law, instrument of international law, contract or court decision.
2. All expenditure must be correctly entered in the budget before it is incurred.
3. Expenditure must be incurred in the following successive and mandatory stages:
   a) Authorization of expenditure;
   b) Checking that the budget has been entered in the accounts;
   c) Commitment;
   d) Settlement of expenditure;

e) Authorization of payment; and

f) Making the payment.

4. The rules applicable to the stages of expenditure shall be approved by the Government.

### Article 65. Authorization of expenditure

1. No commitment may be entered into unless the respective expenditure has been previously authorized through the responsible Public Administrative Sector services and entities under the terms of the law.
2. The authorization of multi-annual expenditure must also verify that the amount of expenditure to be incurred in each of the following budget years is not disproportionate to the value of the respective budget allocation in the budget year itself, without prejudice to its justification.

### Article 66. Verification of budget entry and commitment

1. Verification of budget entry consists of establishing whether there is a budget appropriation in the budget of the department or entity in the respective program and with the economic classification equivalent to the type of expenditure to be incurred.
2. Verification of budget commitment consists of checking whether the amount of a given item of expenditure is equal to or less than the unused amount of the respective budget appropriation and, if this is the case, deducting from the balance of the respective budget appropriation the amount equivalent to the expenditure to be incurred.
3. In the case of multi-annual expenditure, the budget entry only takes into account the amount of expenditure to be incurred in the budget year itself.

### Article 67. Commitments

1. No payment may be authorized unless the respective commitment has been previously entered into in accordance with the law.
2. A commitment is the obligation to make one or more payments to third parties in return for the execution of work or supply of goods and services or in fulfillment of an obligation arising from law, contract, international law or judicial decision.
3. The services and entities of the Public Administrative Sector can enter into annual commitments, which are commitments consisting of the obligation to make payments only in the budget year in which the commitment is made, and multi-annual commitments, which are commitments consisting of the obligation to make payments in more than one budget year or in a budget year other than the year in which the commitment is made.
4. Expenditure relating to a multi-annual commitment to be made in a budget year other than the year in which the commitment is made must be entered in the State Budget for that other budget year in accordance with Article 19(2).

### Article 68. Validation of expenditure

Validation of expenditure consists of determining the obligation and payment deadline, identifying the beneficiary, verifying the beneficiary's entitlement and, where applicable, the capacity and legitimacy of the representative, and determining the exact amount of the payment to be made, as well as recording the obligation in the accounts.

### Article 69. Authorization of payment

No payment may be made unless the previous steps have been verified and it has been previously authorized by the responsible Public Administrative Sector services and entities under the terms of the law.

### Article 70. Making the payment

Once the previous steps have been completed, the payment is made by the flow of funds and their delivery to the beneficiary or their representative.

### Article 71. Previous year's expenditure

1. Expenses relating to authorized expenditure and commitments entered into in previous years for which payment has not yet been made shall be met from the State Budget in force when the payment is made.
2. The provisions of the previous paragraph are without prejudice to the possibility of completing, by 31 January of the following year, payments authorized and registered by 31 December.

### Article 72. Remuneration expenses

1. The government department responsible for finance shall be responsible for paying remuneration, as well as taxes, social security contributions for which the employer and employee are responsible, and other associated contributions and withholdings, in respect of holders of political office, governing bodies, management and senior management positions and employees of the services and entities of the Public Administrative Sector, following authorization by the respective governing body and based on the appropriations entered in the respective budgets.
2. The funds for remuneration expenses, as well as taxes, social security contributions for which the employer and employee are responsible and other associated contributions and deductions, are entered in their own appropriations in the budget of the respective service or entity of the Public Administrative Sector, with the funds of ministries, secretariats of state that are not part of ministries and services without financial autonomy being entered in the chapter relating to the department responsible for the financial management of the ministry or secretariat of state.
3. The body with executive powers of the INSS is responsible for paying remuneration, as well as taxes, social security contributions for which the employer and employee are responsible and other associated contributions and withholdings, in respect of members of governing bodies and management and senior positions and employees of the services and entities of the Social Security subsector, based on the appropriations entered in the Social Security budget.
4. The body with executive powers of RAEOA shall be responsible for paying remuneration, as well as taxes, social security contributions for which the employer and the employee are responsible, and other associated contributions and deductions, in respect of members of governing bodies and managerial and executive positions and employees of departments and entities in the subsector of RAEOA on the basis of the appropriations entered in the budget of RAEOA.
5. Late payment of remuneration shall not release employees from full compliance with their legal and contractual duties.

## Section V. Other financial management operations

### Article 73. Granting of guarantees and loans

1. The State may, exceptionally and on grounds of public interest, grant guarantees and loans to legal persons, within the maximum limit set in the State Budget and with the approval of the Council of Ministers.
2. The requirements for the granting of guarantees by the State and the respective procedure shall be regulated by law.

### Article 74. Restitution

1. Revenue collected by the services and entities of the Public Administrative Sector without a right to such collection shall be reimbursed.
2. Reimbursement shall be settled and paid in accordance with rules applicable to other public expenditure.
3. Special reimbursement regimes may be provided for by law, including for tax and duty revenue and customs revenue.
4. The right to reimbursement is lapses three years from the date of collection of the sum to be refunded, unless a shorter period is legally applicable.
5. The period referred to in the previous paragraph shall be interrupted or suspended under the general terms of interruption or suspension of the statute of limitations.

### Article 75. Recovery

1. Amounts that have been unduly paid by the services and entities of the Public Administrative Sector shall be reimbursed or offset, and may also be reversed from the bank account of the beneficiary or their representative where it was deposited when the payment refers to a period after the beneficiary's death.
2. Amounts that have been unduly paid to employees of the services and entities of the Public Administrative Sector should, if possible, be offset against future payments of the same nature.
3. In duly justified exceptional cases, where immediate payment would involve a disproportionate effort for the debtor, contrary to the principle of good faith, the member of the Government responsible for finance may authorize payment in instalments.
4. Amounts that have been unduly paid by Social Security are repaid by payment or compensation, and may also be reversed from the bank account of the beneficiary or their representative where it was deposited when the payment relates to a period after the beneficiary's death.
5. In duly justified exceptional cases, where immediate payment implies a disproportionate effort for the debtor contrary to the principle of good faith, the member of the Government responsible for the social security area may authorize payment in installments.
6. Recovery of sums unduly paid by RAEOA shall be made by payment or offsetting, and may also be reversed from the bank account of the beneficiary or their representative where it was deposited when the payment relates to a period after the beneficiary's death.
7. The right to reimbursement lapses 10 years from the date of payment of the amount to be reimbursed, unless a shorter period is legally applicable.
8. The period referred to in the previous paragraph shall be interrupted or suspended under the general terms of interruption or suspension of the statute of limitations.
9. The Government may, by means of its own statute, regulate the provisions of this article.

## Title V. General State Account (GSA)

### Article 76. Nature and content

1. The GSA is an accounting document that annually presents all revenue collected and all expenses incurred by the services and entities of the Public Administrative Sector during the budget year.
2. The GSA includes the accounts of the services without financial autonomy, the services with financial autonomy and the services and funds with financial autonomy and own revenue, presenting the account of the Social Security subsector and the account of RAEOA autonomously.

### Article 77. Structure

1. The GSA consists of a report and tables and is accompanied by informative elements.
2. The GSA report contains a presentation and analysis of the main elements relating to:
   a) The evolution of the main macroeconomic indicators during the budget execution period;
   b) The evolution of the financial situation of the Public Administrative Sector and its subsectors;
   c) The implementation of and changes to the State Budget;
   d) Other matters relevant to the presentation and justification of the GSA.

### Article 78. Informative Elements

The GSA shall be accompanied by the following informative elements:

   a) Consolidated budget statement and financial statement of the Public Administrative Sector;
   b) Budget statements and financial statements of the services and entities of the Public Administrative Sector;
   c) Financial statements of the Petroleum Fund of Timor-Leste;

d) Financial statements of the FRSS, relating to the capitalization regime of the social security system, which must be presented as an annex to the account of the Social Security subsector;

e) The financial and asset situation of the State and the services and entities of the Public Administrative Sector;

f) Situation of treasury operations and accounts of the Treasury and the services and entities of the Public Administrative Sector;

g) Budgetary changes, including the use of the contingency reserve;

h) Overall state indebtedness situation, with specific information by sector, public company and public-private partnership;

i) State of public debt and treasury operations, identifying the loans taken out, the specific conditions and the interest and amortization payments made on account of each loan;

j) Individualized information on expenditure on public-private partnerships;

k) Individualized information on credits and guarantees granted by the state;

l) Financial and asset situation of companies, foundations and public associations or those with state participation;

m) Number of employees in the Public Administrative Sector, by service and entity and by nature of employment;

n) Overall amount of transfers and subsidies to entities outside the Public Administrative Sector;

o) Detailed information on all beneficiaries of public subsidies and the amounts received; and

p) Credits satisfied by payment in kind or by offsetting, subject to consolidation, disposal, conversion into capital or any other form of mobilization, extinguished by confusion or prescription and annulled by court decision or for any other reason.

### Article 79. Preparation

1. Within three months of the end of the budget year, Central Government departments and entities shall submit their respective accounting documents to the member of the Government responsible for finance.

2. The executive body of the INSS shall submit the account of the Social Security sub-sector and the respective accounting documents to the member of the Government responsible for the area of social security for approval, who shall send it to the member of the Government responsible for the area of finance within three months of the end of the budget year.

3. The management bodies of RAEOA shall submit the account of the sub-sector of RAEOA and the respective accounting documents to the Prime Minister for approval, who shall send it to the member of the Government responsible for finance within three months of the end of the budget year.

### Article 80. Presentation

1. The Government shall submit the GSA to the National Parliament for approval and to the Audit Chamber of the High Administrative, Tax and Audit Court for an opinion, within five months of the end of the budget year.

2. The Audit Chamber of the High Administrative, Fiscal and Audit Court shall forward its opinion on the GSA to the National Parliament within three months of receiving it.

### Article 81. Appreciation and approval

The National Parliament shall assess the GSA, with a view to its possible approval, within one month of receiving the opinion of the Audit Chamber of the High Administrative, Fiscal and Audit Court, referred to in paragraph 2 of the previous article, and shall determine, if necessary, the effectuation of responsibilities under the legal terms.

### Article 82. Publication

1. Once approved, the GSA shall be published in the appropriate series of the Official Gazette, together with the opinion of the Audit Chamber of the High Administrative, Fiscal and Audit Court.
2. The Government shall ensure that the full content of the GSA is published annually within 30 days of its approval.

## Title VI. Budgetary Control

### Article 83. Control of budget execution

1. The implementation of the Budget is subject to administrative, political and judicial control, the purpose of which is to confirm the correctness and adequacy of the accounting records and to verify the legality, economy, efficiency and effectiveness of public expenditure and compliance with the set objectives.
2. Control takes place prior to, concurrently with and after budget execution operations.
3. The control bodies have powers of control over the services and entities of the Public Administrative Sector, as well as over any public or private entities, in cases where they benefit from transfers, subsidies or other financial aid granted through the State Budget and these powers are essential for the control of budget execution.

### Article 84. Administrative control

1. Administrative control is the responsibility of the service and entity of the Public Administrative Sector, the management, tutelage and superintendence bodies, the government department responsible for finance and the inspection, control and audit services and is carried out under the terms of the Constitution of the Republic, this law and other applicable legislation.
2. Administrative control includes the carrying out of occasional and regular actions to verify compliance with the legal requirements for implementing the State Budget, and focuses on:
   a) The correctness and veracity of the accounting records;
   b) The legality, economy, efficiency and effectiveness of expenditure; and
   c) Compliance with budget programs.
3. Without prejudice to the provisions of the previous paragraphs and the internal auditing powers of each entity, the government department responsible for finance or the inspection, control and auditing services of the Public Administrative Sector may carry out financial audits as part of their administrative control.
4. Without prejudice to the provisions of the following paragraph, administrative control includes any public or private entities that receive funding from the State Budget, to the extent strictly necessary to control budget execution.
5. The Government shall monitor and supervise the accounts of public companies, as well as the other entities included in the state business sector, under the terms of the respective regulatory regime.
6. The Government shall have internal control systems and procedures for the execution of the State Budget, aimed at preventing and/or identifying the occurrence of errors and irregularities.

### Article 85. Political control

1. Political control shall be the responsibility of the National Parliament and shall be carried out under the terms of the Constitution of the Republic, this law, the Rules of Procedure of the National Parliament and other applicable legislation.
2. Within the scope of political control, the National Parliament shall monitor the implementation of the State Budget and decide on the GSA.
3. The Government shall submit information to the National Parliament on a quarterly basis, no later than two months after the end of each quarter, on:
   a) The cumulative execution of the State Budget;
   b) The use of the contingency reserve;

c) Budgetary changes approved by the Government; and

d) Public debt management and borrowing operations.

4. The National Parliament shall hold regular debates on the implementation of the State Budget in the presence of the members of the Government.

**Article 86. Jurisdictional Control**

1. Jurisdictional control shall be the responsibility of the Audit Chamber of the High Administrative, Tax and Audit Court and shall be carried out in accordance with the provisions of the Constitution of the Republic, this law and other applicable legislation, as well as the other courts, namely the administrative and tax courts and the judicial courts, within the scope of their respective powers.
2. Within the scope of jurisdictional control, the Audit Chamber of the High Administrative, Tax and Audit Court oversees the implementation of the State Budget and issues an opinion on the GSA.
3. Each year, the National Parliament may ask the Audit Chamber of the High Administrative, Fiscal and Audit Court to carry out at least two audits of services and entities in the Public Administrative Sector.
4. The Government may annually request the Audit Chamber of the High Administrative, Fiscal and Audit Court to carry out at least two audits of services and entities in the Public Administrative Sector.

**Title VII. Final Provisions**

**Article 87. Repealing rule**

1. Law no. 2/2022 of 10 February, as amended by Laws no. 17/2023 of 29 August and 21/2023 of 27 December, is hereby repealed.
2. The following amendments introduced by the law referred to in the previous paragraph remain in force:
   a) Amendment to the Petroleum Fund Law, pursuant to article 113 of Law no. 2/2022 of 10 February;
   b) Amendment to the Organic Law of the Audit Chamber of the High Administrative, Tax and Audit Court, pursuant to article 114, as amended by Law no. 21/2023 of 27 December.
   c) Amendment to the Public Debt Regime, pursuant to article 116 of Law no. 2/2022 of 10 February;
   d) Amendment to the Law Creating RAEOA, pursuant to article 117, as amended by Law no. 18/2023 of 30 November.
   e) Amendment to the Statute of RAEOA, pursuant to article 118 of Law no. 2/2022 of 10 February;
   f) Amendment to the Social Security Contribution Scheme, pursuant to article 119 of Law no. 2/2022 of 10 February;
   g) Amendment to the Statutes of the National Social Security Institute, pursuant to article 120 of Law no. 2/2022 of 10 February that Constitutes the Social Security Reserve Fund and defines the respective management model, under the terms of article 121 of Law no. 2/2022 of 10 February.

**Article 89. Regulations**

The Government shall approve, within six months, the regulations necessary to implement this law.

**Article 89.**(sic) **Entry into force and effects**

This law shall enter into force on the day following its publication, taking effect on 1 January 2025.

**Approved on ________, of ________, 2024.**

**The Prime Minister**

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**Kay Rala Xanana Gusmão**

**The Minister of Finance,**

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**Santina JRF Viegas Cardoso**