

Parliament approves Framework Law for General State Budget and Public Finance Management in final global vote

DILI, 02 April 2025 (TATOLI) – The Framework Law for the General State Budget (GSB) and Public Financial Management (PFM) was approved in a final global vote by the National Parliament in a plenary session on Tuesday, with 38 votes in favor, 1 against, and 19 abstentions.

With this approval, Committee C of the National Parliament, which deals with public finance matters, will conclude the final wording to submit to the President of the National Parliament before delivering the law to the President of the Republic for promulgation.

Following the approval of the law, the Finance Minister, Santana José Rodrigues F. Viegas Cardoso, on behalf of the Government, especially the Ministry of Finance, expressed her deepest gratitude to all the members of Parliament who took part in the discussion of the law.

Minister Cardoso stated that the government continues to request Parliament's oversight, as this law will be used in preparing the 2026 General State Budget.

It's recalled that on October 2, 2024, the Council of Ministers approved the Public Financial Management Law presented by Minister Cardoso.

This Law, which replaces Law No. 2/2022 of February 10th, aims to strengthen public finance management by introducing improvements to the budgetary process.

“As part of the Public Finance Management Reform set out in the Program of the 9th Constitutional Government, the Law promotes greater interconnection between the budget and planning, ensuring more efficient and transparent management of state resources,” read a statement.

The Law Proposal seeks to improve the transparency and effectiveness of public financial management and ensure that state resources are used more efficiently, focusing on results that benefit the population.

The main objectives include:

Simplifying and Improving Budget Planning: The new Law introduces a budget strategy statement, which the Government must present to the National Parliament. This document guides medium-term budget planning, defining objectives and priorities, spending limits, risk management, and resource allocation.

Transparency and Accountability: The draft Law Proposal seeks to increase transparency in the budgetary process by providing Parliament and the public with more information. This would allow for an effective assessment of the budget proposal and close and rigorous monitoring of public spending and revenue.

Focus on Results and Efficiency: This draft Law Proposal aims to ensure that programme budgeting effectively focuses on achieving results. It also aims to ensure that public spending is directly linked to the fulfilment of concrete objectives, promoting greater economy, efficiency, and effectiveness in using public resources.

Strengthening Budgetary Discipline: The new Law establishes stricter rules for public financial management, including limiting the number of entities that can take out loans and prohibiting the integration of budget balances for entities without financial autonomy, in line with a decision by the Court of Appeal.

Adjustment to budget deadlines: The aim is to ensure that the deadlines for presenting the budget are compatible with the start of each new Government's term of office, allowing for better alignment between the political and budget cycles.

Alignment with International Best Practices: The draft Law Proposal reflects international best practices in public financial management, aiming to modernise and adapt Timor-Leste's budget process to the demands of an evolving administrative and financial context.