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## **V CONSTITUTIONAL GOVERNMENT**

**Proposed Law No. \_\_\_\_ of \_\_\_\_ PPL 2/III (I)**

[As submitted to Parliament on 18 December 2012.]

### **General State Budget for 2013**

The General State Budget for 2013 covers all revenue and expenditure of the State of Timor-Leste.

Annex I of the General State Budget Law for 2013, hereinafter GSB, establishes the estimated total revenue of GSB January to December 2013 from all sources: petroleum, non-petroleum, tax revenue, non-tax revenue and borrowing. The estimated total revenues are \$2,987.8 million U.S. dollars.

Annex II of the General State Budget Law establishes all budget appropriations, systematized as follows:

1. \$160.257 million for Salaries and Wages;
2. \$461.744 million for Goods and Services;
3. \$236.473 million for Public Transfers;
4. \$47.150 million for Minor Capital;
5. \$891.895 million for Capital Development.

Excluding autonomous funds and services, special funds, special funds and borrowing, total appropriations are \$862.047 million.

The State Treasury account includes all revenue and expenses from autonomous funds and services, including Electricity of Timor-Leste (EDTL), the Airport and Air Navigation Administration of Timor-Leste (ANATL), the Port Authority of Timor-Leste (APORTIL - Including the Berlin-Nakroma), the Institute of Equipment Management (IGE) and Administrative Service for Medicines and Medical Equipment (SAMES). Revenues from these categories are included in budget lines for their own receipts from autonomous funds and services in Annex I, with the budget of proposed expenditures listed in Annex III.

The total estimated expenditure for the self-financed autonomous funds in 2013 is \$140.147 million, of which \$117.302 million will be transferred from the state budget in order to subsidize expenses exceeding their own receipts.

The total budget appropriation for the Infrastructure Fund, including Loans, is \$752.877 million and \$709.289 million excluding loans. The balance carried over from the year 2012, under the law, is \$444.351 million.

The total budget appropriation for the Human Capital Development Fund is \$42.448 million, of which the value of \$8.549 million corresponds to the balance carried over from the year 2012, according to the law.

The total estimated expenditure of the GSB is \$1,797.519 million.

The maximum total approved for public borrowing, in 2013, is \$43.6 million.

Non-petroleum revenues are estimated at \$146.3 million.

Thus, the fiscal deficit is \$1,651.2 million, of which \$1,197.8 million will be financed from the Petroleum Fund \$43.6 million from public borrowing and \$409.8 million in the balance carried forward from Special Funds.

The Government presented to the National Parliament, under Articles 97.1(c) and 145.1 of the Constitution of the Republic, the following Proposed Law:

## **Chapter 1**

### **Definitions and approval**

#### **Article 1**

##### **Definitions**

For the purposes of this Act, the following definitions apply:

- a) **“Expenditure Category”** - "The expenditure are grouped under the following five categories: Salaries and Wages; Goods and Services, Public Transfers; Minor Capital and Capital Development, in which:
  - i) **“Salaries & Wages”** - "The amount a Body can spend with Salaries and Wages for holders of political office, and permanent, temporary and part-time civil servants;
  - ii) **“Goods and Services”** - The amount a Body can spend to acquire Goods and Services;
  - iii) **“Public Transfers”** - "The amount a Body can spend on public grants and consigned payments;
  - iv) **“Minor Capital”** -The amount a Body can spend on acquisition of Minor Capital goods;
  - v) **“Capital Development”** - The amount a body can spend on Capital Development projects.
- b) **“Expenses paid by Revenues”** - Expenses supported by the revenues of autonomous funds and services, provided that the amount does not to exceed the total revenues that were received in the relevant Treasury accounts;
- c) **“Budget Appropriation”** - Maximum amount specified in the GSB for a body towards the payment of a designated expenditure;
- d) **“Body / Bodies”** - The generic term adopted in budgeting to indicate the public administration sector under budget discipline, according to the Classification into titles such as: Office of President of the Republic, National Parliament, Government (Office of the Prime Minister, Presidency of the Council of Ministers, Ministries and Secretaries of State), Courts and Attorney General of the Republic, as well as other institutions listed in Annex II;
- e) **“Expenditure Items”** - The individual expenditure items within each category of expense, based on the structure of coding of expenditure accounts maintained by the Treasury.

#### **Article 2**

##### **Approval**

This Law approves the General State for the period from 1 January 2013 to 31 December 2013, as well as:

- a) Total revenues by groups including the revenues of autonomous funds and services, special funds and borrowing, listed in Annex I to this law, of which it is an integral part
- b) The total expenditure by groups including the amounts to be transferred from the General State Budget for autonomous funds and services in 2013, listed in Annex II to this law, of which it is an integral part;
- c) The total expenditure of autonomous funds and services to be funded from their own revenues and subsidies from the General State Budget are listed in Annex III to this law, of which it is an integral part;
- d) The total expenditure corresponding to appropriations for the Fund for Infrastructure, for 2013, including balances carried forward and expenditure financed with resources from public borrowing, are listed in Annex IV to this law, of which it is an integral part;
- e) The total expenditure corresponding to appropriations for the Human Capital Development Fund for 2013, including balances brought forward are listed in Annex V to this law, of which it is an integral part.

## **Chapter II**

### **Revenues**

#### **Article 3**

##### **Taxes**

During 2013, the Government is authorized to collect taxes and other tributary impositions as included in tax legislation currently in force.

## **Chapter III**

### **Authorization to transfer from the Petroleum Fund**

#### **Article 4**

##### **Authorized limit for credit to the GSB**

Under the terms and for the purposes of Article 7 of Law no. 9/2005 of 3 August, as amended by Law no. 12/2011 of September 28, the amount of withdrawals from the Petroleum Fund for 2013 shall not exceed \$1,197.8 million and will be carried out in compliance with Articles 8 and 9 of the aforementioned law.

## **Chapter IV**

### **Constitution of Public Debt**

#### **Article 5**

##### **Maximum Amount of Authorized Debt**

1. In order to meet financing needs related to construction of strategic infrastructure for the development of the country, the Government is hereby authorized, in accordance with Article 20 of Law no. 13/2009 of 21 October and Article 3 of Law no. 13/2011 of 28 September, to resort to concessional external borrowing up to the maximum amount of \$223.5 of millions, with a maximum term of 40 years.
2. Without prejudice to the provisions of the previous article, in 2013, funding from loans shall not exceed \$43.6 million.

## **Chapter V**

### **Budget Execution**

#### **Article 6**

##### **Payment of Taxes on Imports by Government**

The Treasury is authorized to establish and implement an accounting mechanism for registering and controlling revenues and expenses, corresponding to the payment of taxes on imports done by Bodies or on their behalf.

#### **Article 7**

##### **Whole of Government Appropriations**

According to clear and precise criteria established for public expenditures, the Government specifies in the budget the following expenditures as Whole of Government, to be managed by the Ministry of Finance:

- a) Counterpart Fund;
- b) External Audit;
- c) Contingency Reserve;
- d) International Organization Membership Fees;
- e) Payment of pensions to former office holders and former members of organs of Sovereignty;
- f) Construction of Integrated Border Posts;
- g) Fund contributed to Institutions of Social Character;
- h) Provision for the G7+;
- i) Provision for Regulation of Telecommunications;
- j) Service for Business Registration and Verification;
- k) Provision for the Impact of Special Regimes;
- l) Major Project Secretariat;

m) Provision for Legal Services.

**Chapter VI**  
**Autonomous Services and Funds and Special funds**

**Article 8**  
**Their Own Revenues**

1. The anticipated revenue to be collected by Autonomous Services and Funds are set out in Annex I.
2. Expenses resulting from transfers from the Government to Autonomous Services and Funds, as well as their anticipated expenses, are set out in Annex II.
3. The budgets for Expense Categories related to Autonomous Services and Funds that are financed by their own revenues are set out in Annex III.
4. The appropriations from the Infrastructure Fund are set out in Annex IV.
5. The appropriations from the Human Capital Development Fund are set out in Annex V.
6. Expenditure Authorization Notices in favor of Autonomous Services and Funds, from their own revenues may only be authorized after the state receives the respective revenues, and such authorizations must be of equal or lesser value.

**Chapter VII**  
**Final Provisions**

**Article 9**  
**Funding through independent donors**

1. Each Body can establish agreements with independent donors to provide additional or complementary resources to the funding in the budget allocations of this Law, after the mandatory advice from the Minister for Finance.
2. This funding must be managed in accordance with the directives issued by the Ministry of Finance and with donor requirements.

**Article 10**  
**Responsibility**

1. Unsuitable contracts signed by political office-holders generate political, financial, civil and criminal responsibility, under Article 46 of Law No 13/2009 of 21 October on Budget and Financial Management.
2. For the purposes of carrying out the financial responsibility under the preceding paragraph, it is considered that the office-holder comes to an undue payment, subject to condemnation in replacement of the corresponding amount. under Article 44 and the following of Law No. 9/2011 of 17 August.

**Article 11**  
**Entry into force**

This law shall enter into force on the day following its publication, with effect from January 1, 2013.

Approved by the Council of Ministers on December 10, 2012.

The Prime Minister,  
/ S /  
Kay Rala Xanana Gusmão

## Annex I

### Estimated revenues to be collected, Loans and balances of Special Funds in the 2013 General State Budget of The Democratic of Timor-Leste (U.S. \$millions)

**Table I - Estimates of revenue and Loans**

<b>1</b>	<b>Total Revenue</b>	<b>2987.8</b>
<b>1.1</b>	<b>Petroleum Revenue</b>	<b>2797.9</b>
1.1.1	Petroleum Profit taxes	1137.8
1.1.2	Timor Sea Taxes (including Kitan)	318.4
1.1.3	Income Taxes	395.6
1.1.4	Additional Profit Taxes	395.6
1.1.5	Other Petroleum Taxes and Fees	61.7
1.1.6	Petroleum Fund Interest	488.8
<b>1.2</b>	<b>Non-Petroleum Revenue</b>	<b>146.3</b>
1.2.1	Direct Taxes	41.8
1.2.2	Indirect Taxes	64.0
1.2.3	Fees and Other Revenues	14.5
1.2.4	Revenue from Social Games	0.3
1.2.5	Sales of Rice	2.5
1.2.6	Sales of Local Products	0.3
1.2.7	Interest on Treasury Account	0.1
<b>1.3</b>	<b>Donors</b>	<b>0.0</b>
<b>1.4</b>	<b>Revenue received by Autonomous Agencies</b>	<b>22.8</b>
<b>1.5</b>	<b>Loans</b>	<b>43.6</b>

**Table II - Funding and revenue**

Non-oil revenues	146.3
Transfers from the Petroleum Fund	1197.8
Loans	43.6
Balance carried forward in the Consolidated Fund of Timor-Leste	0.0
Infrastructure Fund Balance	401.3
Human Capital Development Fund Balance	8.5
<b>Total</b>	<b>1797.5</b>

*[La'o Hamutuk did not scan the 12-page Annex II]*

### Annex III

#### Autonomous Funds which are partially funded by their own revenues, within the RDTL General State Budget for 2013 (U.S. \$'000)

	Expenses	Own revenues	Government Subsidy
<b>ANATL</b>			
Salaries and Wages	298		
Goods and Services §	301		
Minor Capital	38		
Development Capital	0		
Transfers	0		
<b>Total</b>	<b>637</b>	<b>1404</b>	<b>-767</b>
<b>APORTIL (including Berlin-Nakroma)</b>			
Salaries and Wages	136		
Goods and Services §	2,698		
Minor Capital	9		
Development Capital	0		
Transfers	0		
<b>Total</b>	<b>2,843</b>	<b>3,277</b>	<b>-434</b>
<b>EDTL</b>			
Salaries and Wages	2,316		
Goods and Services §	129,270		
Minor Capital	0		
Development Capital	0		
Transfers	0		
<b>Total</b>	<b>131,586</b>	<b>17,868</b>	<b>113,718</b>
<b>IGE</b>			
Salaries and Wages	1,059		
Goods and Services §	3,176		
Minor Capital	0		
Development Capital	0		
Transfers	0		
<b>Total</b>	<b>4,235</b>	<b>0</b>	<b>4,235</b>
<b>SAMES</b>			
Salaries and Wages	408		
Goods and Services §	324		
Minor Capital	114		
Development Capital	0		
Transfers	0		
<b>Total</b>	<b>846</b>	<b>296</b>	<b>550</b>
<b>Total Self-Funded Autonomous Funds</b>	<b>140,147</b>	<b>22,845</b>	<b>117,302</b>

# Annex IV

## Budgeted Expenditures for 2013 (U.S. \$'000)

### Infrastructure Fund

Programs / subprograms	Salaries and Wages	Goods and Services	Public Transfers	Development Capital	Minor Capital	Total Expenditure	Balance carried over from 2012 to 2013	Total Final Expenditure
<b>Total Including Loans</b>				<b>308,526</b>		<b>308,526</b>	<b>444,351</b>	<b>752,877</b>
<b>Total Excluding Loans</b>				<b>308,026</b>		<b>308,026</b>	<b>401,263</b>	<b>709,289</b>
<b>Total Loans</b>				<b>500</b>		<b>500</b>	<b>43,088</b>	<b>43,588</b>
<b>Programs Excluding Loans</b>								
<b>Agriculture</b>				<b>4,199</b>		<b>4,199</b>	<b>5,754</b>	<b>9,953</b>
Irrigation				4,199		4,199	5,754	9,953
<b>Water and Sanitation</b>				<b>2,800</b>		<b>2,800</b>	<b>8,598</b>	<b>11,398</b>
Master Plan				2,800		2,800	8,598	11,398
<b>Urban and Rural Development</b>				<b>500</b>		<b>500</b>	<b>7,076</b>	<b>7,576</b>
Urban and Rural Development				500		500	7,076	7,576
<b>Electrical energy</b>				<b>163,866</b>		<b>163,866</b>	<b>10,038</b>	<b>173,904</b>
Electrical energy				163,866		163,866	10,038	173,904
<b>Roads</b>				<b>47,470</b>		<b>47,470</b>	<b>68,504</b>	<b>115,973</b>
Roads				47,470		47,470	68,504	115,973
<b>Bridges</b>				<b>6,491</b>		<b>6,491</b>	<b>13,837</b>	<b>20,329</b>
Bridges				6,491		6,491	13,837	20,329
<b>Airports</b>							<b>9,467</b>	<b>9,467</b>
Airports							9,467	9,467
<b>Ports</b>				<b>975</b>		<b>975</b>	<b>10,000</b>	<b>10,975</b>
Ports				975		975	10,000	10,975
<b>Informatics Equipment</b>				<b>4,700</b>		<b>4,700</b>	<b>5,791</b>	<b>10,491</b>

Informatics Equipment	4,700	4,700	5,791	10,491
<b>Public buildings</b>	<b>12,110</b>	<b>12,110</b>	<b>36,881</b>	<b>48,991</b>
Public buildings	12,110	12,110	36,881	48,991
<b>Education</b>	<b>2,505</b>	<b>2,505</b>	<b>9,882</b>	<b>12,387</b>
Schools	2,505	2,505	3,937	6,442
Universities			5,945	5,945
<b>MDG</b>	<b>-15,504</b>	<b>-15,504</b>	<b>103,517</b>	<b>88,013</b>
Water and Sanitation	-15,504	-15,504	24,504	9000
Housing			79,013	79,013
<b>Health</b>	<b>326</b>	<b>326</b>	<b>2,324</b>	<b>2,650</b>
Hospital / Clinic	326	326	2,324	2,650
<b>Security and Defense</b>	<b>13,120</b>	<b>13,120</b>	<b>7,780</b>	<b>20,900</b>
Security and Defense	13,120	13,120	7,780	20,900
<b>Social Solidarity</b>	<b>1,300</b>	<b>1,300</b>	<b>363</b>	<b>1,663</b>
Monuments	1,300	1,300	363	1,663
<b>Tasi Mane</b>	<b>37,950</b>	<b>37,950</b>	<b>101,452</b>	<b>139,402</b>
Airports	11,000	11,000	6,620	17,620
Roads and Bridges	8,475	8,475	25,565	34,040
Oil and Gas	18,475	18,475	69,267	87,742
<b>Preparation for Design and Supervision of New Projects</b>	<b>25,218</b>	<b>25,218</b>		<b>25,218</b>
Preparation for Design and Supervision of New Projects	25,218	25,218		25,218
<b>Programs Including Loans</b>				
<b>Water and Sanitation</b>			<b>20,000</b>	<b>20,000</b>
Sewers			20,000	20,000
<b>Roads</b>	<b>500</b>	<b>500</b>	<b>23,088</b>	<b>23,588</b>
Roads	500	500	23,088	23,588



**Annex V**

**Budgeted Expenditures for 2013 (U.S. \$'000)**  
**Human Capital Development Fund**

**In 2013**

<b>Programs</b>	<b>Salaries and Wages</b>	<b>Goods and Services</b>	<b>Public Transfers</b>	<b>Development Capital</b>	<b>Minor Capital</b>	<b>Total Expenditure</b>	<b>Balance Carried over from 2012 to 2013</b>	<b>Total Final Expenditure</b>
<b>Total</b>		<b>33,899</b>				<b>33,899</b>	<b>8,549</b>	<b>42.448</b>
Professional training		4,250				4,250	593	4,843
Technical training		3,100				3,100		3,100
Scholarships		16,862				16,862	6,398	23,260
Other Types of training		9,687				9,687	1,558	11,245