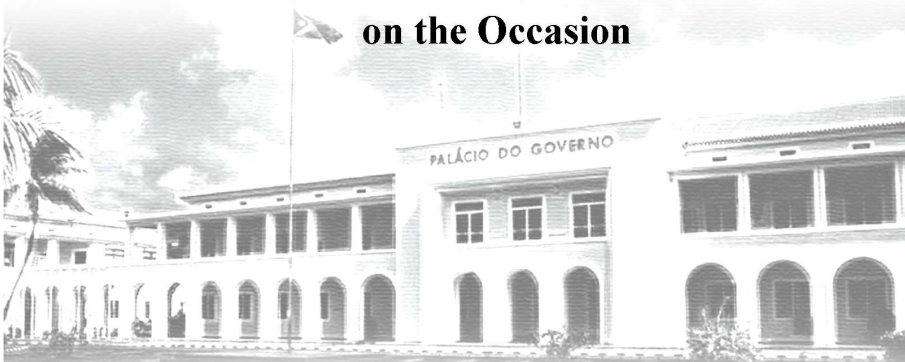




**PRIMEIRO  
MINISTRO**  
VIII GOVERNO CONSTITUCIONAL

**Speech of HE Prime-Minister Republic  
Democratic of Timor-Leste,  
H.E. Taur Matan Ruak  
on the Occasion**



**Presentation of the 2020 General  
State Budget Draft Law**

National Parliament, December 2nd, 2019



Palácio do Governo,  
Avenida Presidente Nicolau Lobato,  
Dili, Timor-Leste



Your Excellency,

Presidente of the National Parliament, Mister Arão Noé de Jesus;

Your Excellencies,

Vice Presidents, Secretary and Deputy Secretaries of the National Parliament;

Your Excellencies,

Ladies and Gentlemen Deputies from all Political Benches;

Excellencies, Dear Colleagues,

Members of the VIII Constitutional Government;

Distinguished Guests;

Ladies and Gentlemen:

Before I begin my presentation, I would like, on behalf of the VIII Constitutional Government and myself, to convey our great dismay at the sudden passing away of the late Deputy, Mr Gilman Exposto dos Santos.

Taking the opportunity of the presence of the União Democrática Timorese (UDT) new Deputy, whom we welcome, I would like to present, through the Parliamentary Bench, our heartfelt condolences to all Family Members, Friends and Members of the Party, vowing renewed courage and faith, in this moment of deep grief and sorrow.

It is with a great honour and responsibility sense that, on behalf of the Eighth Constitutional Government, I present to the National Parliament, for the discussion and voting, **the General State Budget Draft Law for the fiscal year of 2020.**

I take this opportunity to renew my warm and fraternal greetings to the President of the National Parliament and the Distinguished Deputies of this Nation, and at the same time, reiterate my respect and high appreciation for your work and the successive renewal of political trust in this Government. In addition, allow me, through you, to greet all Timorese who are accompanying us through media.

The General State Budget is the main instrument for implementation of the measures and the public policies that will dictate the governance for the next year, and intend to guarantee the continuity of the building process of a Middle-High Income Country, in accordance with the Development Strategic Plan 2011-2030, with the Government Program, discussed and approved at this Parliamentary Chamber, and in the fulfilment of the commitments to our citizens.

Just over a year ago, the Timorese decided that it was time to turn the page, it was time to return to the full normalcy and to opt for a new and strong investment drive, in order to stimulate private sector activity, our economy growth and our People welfare.

In these eighteen months of the mandate, the balance we made is frankly positive!

We have been able to overcome the uncertainties and gain the hope and trust of Timorese and our civil society organizations,

around an ambitious government project that aims to promote a climate of political, financial and economic stability, throughout our national territory.

We tried to earn the trust of our People and most of our democratic institutions, despite the obstacles that the government is still facing and the difficulties originated from the lack of the full formation of the government structure, framework that, despite all, did not prevent our economy from gradually recovery, towards growth levels similar to those that we had until 2016.

During the current year, the economy shows signs of recovery and acceleration, which are clearly visible. The robust growth in our currently estimated Non-Petroleum Gross Domestic Product, currently estimated at 5.1%, gives us confidence and increased expectations of achieving 7.2% **economic growth** in 2020, in full compliance with the Government commitments to People and to the National Parliament, through its program.

The political and social stability, that the Government has promoted, fostered the growth of the activity of our national economy and will allow in the future gradual improvement of the living conditions of our people, reflected in the upturn in household consumption, which is expected to grow by 3% in 2020, contributing to a significant reduction in the **Poverty Rate**, this year, to 31.8%, which represents less ten percentage points than in the 2014 fiscal year.

These results that encourage us, aren't only merit or achievement of the Government, but from all those who, throughout this one and a half year, contributed to peace, political and social stability in our Country.

Therefore, by recognizing the importance of political and social stability that the Government seeks to reach compromise solutions between all State institutions, in order to create conditions that will honour its firm commitment to continue working in reducing the **Unemployment Tax** (which is a real social scourge, especially among the younger layers of our population) through the proposed investment in the General State Budget for education, training, capacity development and technical qualification of Timorese human resources, including through the creation of a Workforce Excellence Training Centre, in Hera, and thus continue to contribute to the downward trend in unemployment in our country.

The investments that the Government intends to carry out through the General State Budget and the budget reinforcement of the Human Capital Development Fund (FDCH) will help our national workforce to meet the demands of competence and excellence that the labour market requires to all workers, which will certainly contribute to achieve, in the short term, the ambitious goal of creating 60,000 new jobs.

The Government is aware that will not be easy to achieve all the ambitious goals proposed, just in one year, but I can assure you that it is our firm intention to stay the direction we have set, and that deserved the support of the National Parliament, so that, fraternized in a spirit of loyal institutional cooperation and in full respect for each other's constitutional responsibilities, we can achieve the goals set by the Government Program, by the end of the current legislature.

Excellency, President of the National Parliament

Ladies and Gentlemen

The State continues to be the main engine of growth and economic development, as well as being the main responsible and guarantor of justice, inclusion, peace and tolerance, social protection for the most vulnerable groups, welfare and quality of life for our People, and guarantor of equal opportunities and of gender equality.

Given the multiple responsibilities that the State assumes, namely in the social plan, the Government cannot ignore its obligation to continue implementing the 2011-2030 Strategic Development Plan and the 2030 Roadmap for the implementation of the Sustainable Development Goals.

Only this way, and with the help of all, it will be possible for the Government to transform our beloved Homeland then into an increasingly modern, rich, strong, secure, fair and caring country, capable of offering equal opportunities to all citizens and without forgetting or leaving behind any of them, particularly those in a situation of greater fragility or economic or social vulnerability.

The goals set out in our Government Program and the clear commitments we have made to our citizens, urge us to intensify efforts in achieving the great national goal of ***Freeing the People from Misery and Hunger.***

Achieving this national goal is absolutely important for us, in order to ensure the unity of our people and the prosperity of our Homeland.

Therefore, the Government cannot fail to recognize the existence of sharp differences between the development levels of the various portions of our national territory, namely between rural, urban areas and between our capital, Dili, and the rest of the country, acting to attenuate and progressively eliminate the deep differences that continue to exist and ensuring a more cohesive territory and Timorese society.

Our Constitution of the Republic states, in article 6, paragraph i) that “the State has, as a fundamental objective, to promote the integrated and harmonious development of the sectors and regions and the fair distribution of the national product”. It is absolutely urgent that the Government comply with the Fundamental Law of our Republic, and take all appropriate measures to achieve that fundamental objective, that this Law has set for the State.

In this regard, the Government submits for the discussion and approval of the National Parliament, a General State Budget for 2020 with an estimated public expenditure of **USD\$ 1,950 million** (one billion and nine hundred and fifty million US dollars).

This budget proposal, now submitted to consideration of the National Parliament, was developed after extensive groundwork and public consultations, in the context of Budget Days, carried out in accordance with the legal framework in force, and in the firm belief of its compliance.

The Government knows that for an estimated Petroleum Wealth of **USD\$ 17.891.8** (*seventeen billion, eight hundred and ninety-one million and eight hundred thousand dollars*), the Estimated Sustainable Income (ESI) of 3% will be **USD\$ 536.8** million. (five hundred and thirty-six million and eight hundred thousand dollars), about **USD\$ 7.8** million (seven million and eight hundred thousand dollars) higher than the 2019 one.

Although ambitious and bold, the current budget proposal has not failed to take into account the risks that are associated to it, particularly in the matters of the Petroleum Fund sustainability.

However, for the motivation on the decision to propose, to the National Parliament, the authorization of transferring from the Petroleum Fund the amount of **USD\$ 1.466.5** (one billion, four hundred sixty six million, five hundred thousand dollars), which will represent a transfer of **USD\$ 929.7** million (nine hundred and twenty nine million and seven hundred thousand dollars) above the Estimated Sustainable Income (ESI), prevailed the recognition of the necessity to continue focus on making strategic investments for the sustainability of our economy and the future of our country, as the need to strengthen public investment for the local and communitarian development, decisive for territorial cohesion and the improvement of the living conditions of our population.

The Government is deeply convinced that it is neither possible nor desirable to ignore the needs felt by the Timorese citizens, and it is absolutely fundamental and decisive for the future success of our Homeland, to intensify public investment in responding to the basic problems that are experienced daily by the citizens, both in terms of housing, roads, education and



qualification of new generations, access to the labour market, development of economic activity, among others.

We do not ignore the concerns that have been passed down, over the past weeks, by different national policy makers and different sectors of our civil society, in relation to the value of the transference from the Petroleum Fund that the Government is proposing to do, in the next fiscal year. However, governing implies to make complex and difficult decisions, always with reference to the prosecution of the public interest.

The Government respects and welcomes the point of views that where expressed by the most diverse personalities, through the media and social networks, understanding them as a manifestation of the vitality of our democracy and public opinion, as well as the love that all the Timorese have for their homeland, no matter how diverse and divergent these opinions and points of view, shared in the public space, may be.

At a time when many democracies are struggling with the alienation and disinterest of their citizens over the major issues of national interest, the Government is comforted by the vitality and intensity of the public debate that the budget proposal has generated in our public opinion, even if dissonant positions of ours may have been expressed.

On behalf of the Government, i would like to take this opportunity to assure all who have expressed concerns about the sustainability of the Petroleum Fund, that the risks associated with the budget proposal have been calculated, and that this budget proposal will not endanger the future livelihood of the Petroleum Fund, whose existence stems, as a matter of fact, from constitutional imperative.

The absence of aggravated risks to the sustainability of the Petroleum Fund can be, moreover, proved by the fact that the transfer amount that the Government currently proposes, to the National Parliament, for the year 2020, is indeed, around two hundred and eight million USD\$ dollars lower than the authorization that was provided for the transfer made in 2016.

In fact, through the article 4 of Law 1/2016, of 14 January, as amended by Law 11/2016, of 10 august, the National Parliament authorized the VI Constitutional Government to transfer USD\$ 1.674.5 (one billion, six hundred and seventy-four million and five hundred thousand US dollars), value that contrasts with the USD\$ 1.466.5 (one billion, four hundred and sixty-six million and five hundred thousand US dollars) that the VIII Constitutional Government proposes to next year.

As will easily be understood, if the sustainability of the Petroleum Fund had not been challenged then, there are no sufficiently strong or rational reasons to believe that it can be challenged by the transfer of a value that is two hundred and eight million dollars lower than that of 2016!

Excellency, President of the National Parliament,

Ladies and Gentlemen,

With the 2020 budget proposal, presented to the National Parliament, the Government intends to recover the existing levels of public investment prior to the beginning of the political impasse that resulted from the parliamentary elections held in 2017, since Timorese families and businesses so demand!

For a better and easier structuring and implementation of the Government Program, discussed and not rejected by this National Parliament, the Government delineate a strategy based on five budget guidelines, namely: the promotion of social welfare, social protection and citizenship; economic investment and public finance reform; the improvement of national connectivity; the consolidation and strengthening of defence, security and external relations; and the consolidation and strengthening of justice, democracy and human rights.

Contrary to some of the views that have been expressed by some policy makers, the budgetary guidelines that have been set by the Government do not constitute a different or alternative Government Program from the one discussed here, but rather a better way of doing so. structure, organize and implement the program options of this Executive and reflect them in the General State Budget for 2020.

The first of the budgetary guidelines, related to the promotion of social welfare, social protection and citizenship, has a proposed allocation of **USD\$ 862.658.263,00** (*eight hundred sixty-two million, six hundred and fifty-eight thousand, two hundred sixty three US dollars*) for investments in drinking water access and distribution networks and the basic sanitation network, in general improvement of housing, in access to education and training, in health, culture and heritage, in youth programs and sport, in promoting inclusion, protection and social solidarity with women, children and the elderly, people with disabilities and other vulnerable or at risk of exclusion social groups. The investment to be carried out within this budgetary guideline will also aim to enhance the historical role and current social role of former national liberation fighters and

to stimulate and disseminate the values of active citizenship and patriotism, in order to promote and consolidate our Nation and its freedom.

Under this first key priority, **the Social Capital Sector** will be the beneficiary of **twenty-nine percent (29%)** of funds allocated under this budget guideline, with **eleven percent (11%)** for Education, **thirteen percent (13%)** for Social Protection and **five percent (5%)** for Health.

Also within this priority, the Government proposes to implement new programs aimed at increasing **employment and self-sufficiency of citizens, building decent housing** for the most socially vulnerable citizens and former national liberation fighters, programs who are properly aligned with programmatic objectives for tackling poverty and improving the quality of life of the members of our local communities, and which must include investments in water access and water supply systems and basic sanitation networks; in the construction of health centres and health clinics; in supporting two thousand (2.000) college students; in the purchase of ambulances and vehicles for firefighters; in the construction and rehabilitation of schools and classrooms.

Recognizing the importance of, within this budgetary guideline, making investments that contribute to the dissemination of our homeland's values throughout the national territory, and the strengthening of our national identity, we propose the allocation of funds, in the 2020 General State Budget, directed at the construction of buildings to receive, under decent and technically appropriate conditions, TVTL and RTTL, the construction of television signal transmission towers and the

rehabilitation and construction of traditional “Uma Lulik” houses.

The legally established objectives for the **Human Capital Development Fund** coincide with the Government's programmatic objectives associated with this budget guideline, so, to this Fund, it is proposed to increase **nineteen point five percent** (19.5%) of the funds to be allocated, when compared to those foreseen in the General State Budget for this year. The approval of the proposed 2020 General State Budget, by the National Parliament, will thus represent not only continued public investment in vocational training programs, technical training, scholarships and other types of training, but a strong reinforcement of public investment in the growth of the qualifications of our human resources.

Under the **second budget guideline**, the Government envisages the allocation of USD\$ 204.554.784 (*two hundred four million, five hundred fifty-four thousand, seven hundred eighty-four dollars*) for **investment** in the country's **Economy and Public Finance**.

Regarding the **primary sector**, which occupies more than **seventy percent** (70%) of the Timorese population, the Government intends to focus its action not only on agriculture, but also on the transportation, distribution, packaging and storage of agricultural, fishery or forest products. In the **secondary sector**, the Government proposes to establish Public Private Partnerships (PPP) for the development of the national oil industry, as well as for the development of an extractive industry. In the **tertiary sector**, the Government intends to invest in supporting the development and expansion of the tourism and financial sectors.

To achieve the objectives associated with the third budget guideline, the Government proposes to the National Parliament the allocation of **USD\$ 317.686.517** (*three hundred seventeen million, six hundred eighty six thousand, five hundred and seventeen dollars*) to invest in the **improvement of National Connectivity**, namely for infrastructure development, specifically the Roads and Bridges Program; the electricity sector; the e-government; the *Tasi Mane* project; as well as other health, education, security and defence infrastructure programs, and also in a financial support system for urban and rural development.

The new measures in these areas also intend to speed up investment by the private sector and the job creation, supporting the agricultural sector, in particular by subsidizing the transport of local agricultural products, cooperatives and initiatives aimed at the creation of self-employment jobs, in particular by groups of women living in rural areas.

In order to promote connectivity, the Government also intends to invest in the acquisition of “Nakroma 2” and “Ró Barkasas”, to facilitate maritime transport on national territory, in the purchase of buses, to ensure the existence of public collective transport, and in stimulating new offers for civil aviation services.

Still within the framework of the third budget guideline, the Government will also support Timor-Leste's participation in Expo Dubai, which is seen as a very relevant opportunity for our country's international projection and for attracting foreign investment for our economy.

Within the **fourth budget guideline**, we propose to the National Parliament to invest **USD\$ 243 million** (*two hundred and forty-three million US dollars*) in order to pay due attention the State activities in crucial safeguard areas of national sovereignty, so that we can have increasingly transparent, efficient competent and professional defence and security institutions, which can be more active in preventing crime and any other situation that may endanger stability and social peace in our country.

The Government propose to the National Parliament, through the budget proposal, the allocation of subsidies to the Community Policing Councils (KPK), made-up of youth groups, the reinforcement of support to the Community Police and to the Border Police, and the acquisition of a maritime patrolling fleet, capable of protecting our maritime territory and our Exclusive Economic Zone.

Related to the **fifth line of the budgetary priority, concerning to the consolidation and strengthening of justice, democracy and human rights**, the Government proposes to the National Parliament to make an investment **of USD\$ 92 million** (*ninety-two million US dollars*) to the implementation of programs and measures to promote a more peaceful and inclusive society and the Democratic Rule of Law, access equality, speed, efficiency and proximity of the justice services and the coexistence of State justice (formal) and traditional justice.

The Government understands that the improvement of the organization model and functioning of the judicial sector is a key-factor, not only to the consolidation of our Democratic Rule of Law, but also to the necessary confidence of foreign to invest in our national economy.

Besides the investments to be made within the above budgetary guidelines, the Government proposes to the National Parliament, through the proposed 2020 General State Budget to make an investment of **USD\$ 202 million** (*two hundred and two million US dollars*) in order to improve new investments approval procedures, to create a more favourable environment for the development of the tourism industry, to create a more favourable environment for the development and implementation of communitarian projects, as well as to implement reforms in the administrative, fiscal and legislative areas, and also to improve budgetary management.

Finally, the Government proposes to allocate **one percent (1%)** of the General State Budget to the RAEOA/ZEESM Authority Budget, in order to ensure the normal functioning of its organs and services, and the implementation of its development projects.

Excellency, President of the National Parliament

Ladies and Gentlemen,

This is a new budget, for a new era, marked by changes that require, from us all, a better planning, follow-up, monitoring and evaluation of the achieved results in each budget year.

Continuing the public finance management reform, initiated during the mandate of the VI Constitutional Government, this Government presents to the National Parliament a budget



proposal that begins the implementation of a program budgeting process.

Contrary to what we would like, the budget proposal submitted for discussion by the National Parliament does not yet include any program budgeting classifiers. However, the transition for a new budget model requires prudence and a gradual evolution, in order to prevent the emergence of vicissitudes that may reflect negative consequences on the Public Administration's financial activity.

However, with this budget proposal, the Government and the National Parliament are taking a step towards the transition to a program budgeting model, given that the first test of this model is already included, although not imperatively, in Book 2, that accompanies the General State Budget proposal, with the establishment of budgetary programs.

The paradigm shift in the budgetary model seeks to enhance the results, the goals to be achieved, rather than the amount of the resources made available randomly in an institutional fiscal envelope, in the simple form of budget line or category.

The approval of the 2020 General State Budget proposal will thus represent another step on the path to modernizing public finance management, establishing a direct link between long-term strategic planning and short-term planning, at 137 (one hundred and thirty seven) annual execution programs, subsequently divided into 482 (four hundred and eighty-two) subprograms and 1.957 (one thousand nine hundred fifty-seven) activities.

This exercise will cover 86 (eighty-six) public entities (ministries, public bodies and autonomous agencies) that forms the State universe, which now will assume important responsibilities in the implementation and performance evaluation of 29 (*twenty-nine*) Social projects, 23 (*twenty-three*) Economic projects, 44 (*forty-four*) Infrastructure- related projects and 41 (*forty-one*) Institutional-nature projects.

The presentation of these projects will allow us to open a promising new form of budgeting debate, by replacing the discussion of budget ceilings (defined in the heading and categories), in which there is an excessive valuation of the budget execution degrees, by the discussion on the objectives that should be achieved, for our citizens and economy benefit.

In view of the information provided in the supporting documents for the budget proposal, i cannot hide or fail to share with the Honourable Members, my hope that we can be able to start a new form of discussion around of the General State Budget, concentrating ourselves more in the advantages to the people and companies that will result from the implementation of the budget, than in the amount of money that is spent annually by public administration agencies and services.

It is time for us to shift from focusing on the amount of expenditure executed by Public Administration agencies and services, to focusing on assessing the quality of spending that is being executed, as this quality assessment can only be made by reference to the greater or lesser impact in improving our citizens quality of life, or in growing our economy.

Excellency, President of the National Parliament

Ladies and Gentlemen,

From the point of view of budget expenditure financing, the Government expects to raise **USD\$ 210.500** millions (*two hundred and ten million and five hundred thousand US dollars*) of domestic revenues in 2020, following the positive trend resulting from the country's microeconomic performance, private sector better performance, continuation of Government public works contracts and the introduction of new fiscal instruments.

The Government also plans to use the Estimated Sustainable Income, estimated at **USD\$ 536.800 million** (*five hundred and thirty-six million and hundred thousand US dollars*), to be transferred from the Petroleum Fund).

However, given that non-oil tax revenues and Estimated Sustainable Income are still insufficient to fund the General State Budget for 2020, the Government proposes to the National Parliament, to be authorized to make a transfer of **USD\$ 929.700 millions** (*nine hundred and twenty-nine million and seven hundred thousand US dollars*) above the Estimated Sustainable Income, to enable the anticipation of investments, in order to finance basic infrastructure and human capital valorisation activities, essential for the country's long-terms growth.

In order to ensure full coverage of the budget expenditure proposed to the National Parliament for the next fiscal year, the Government intends to obtain loans, whose funds will be used to finance key infrastructure projects with relatively low

interest rates and considerable grace periods, as well as mobilize the estimated Treasury Account Balance of **USD\$ 200 million** (*two hundred million dollars*).

Finally, in order to help the country achieving its expected results, the Government relies on the usual availability of all Development Partners, as well as on a strong commitment to strengthening bilateral and multilateral friendship and cooperation relations, promoting the regional and international integration of the country and facilitating the access of people, companies and organizations to the system and international markets.

Excellency, President of the National Parliament

Ladies and Gentlemen,

There are the main measures that I briefly highlight in the presentation of this General State Budget proposal for the fiscal year 2020.

According to the commitment made by the VIII Constitutional Government, the proposal for the General State Budget resulted from an enormous effort of dialogue and from a great concern with families and companies.

With this proposal, we value citizens, especially the Youth and the Groups considered to be the most vulnerable and needy, but we also value the companies, investors and civil society forces, that are part of our vibrant economy.

This dialogue, which began several months ago, is not exhausted and the Government is still available and open to

discuss proposals that could make improvements to the document, as long as they allow the achievement of the objectives sets out in the Government Program, which was discussed and not rejected by National Parliament.

I believe that all Parliamentarians will make a constructive contribution to this budgetary process, which will certainly count on the presence, participation and active contribution of the different members of the Government.

I am sure that, together, we will be able to find the best and most sustainable solutions, by achieving best results, consolidating our victories and overcoming the challenges that our country faces.

For an increasingly, modern, developed and prosperous Timor-Leste!

May God Bless us all!

Thank you very much.