

VIII CONSTITUTIONAL GOVERNMENT

Proposal for Law no. / V

Framework of the General State Budget and public financial management

EXPLANATORY STATEMENT

The reform of public financial management has been a stated goal for successive national governments.

In this sense, the Program of the VIII Constitutional Government establishes as a priority the Tax Reform and the Management of Public Finances, stating that *"The reform of public finance management will be carried out through financial diversification in the areas of income and expenses, improving procurement and strengthening financial decentralization and budgeting based on the program."*

One of the essential elements of tax reform and of public financial management is the revision of Law No. 13/2009 of 21 October on Budget and Financial Management. This diploma enshrined in the legal system of Timor-Leste, for the first time after the approval of the Constitution of the Republic, the legal regime of the General State Budget and the rules that govern budget execution and public financial management. Its approval represented an important effort at national regulations for the General State Budget and public financial management, after the first decade in which UNTAET financial legislation remained in force. However, although the aforementioned diploma adapted the budgetary process to the political-administrative structure established in the Constitution of the Republic, it largely reproduces the norms contained in United Nations legislation.

At this time, Law No. 13/2009, of 21 October, has been in force for over a decade and has hardly been changed. Throughout this period, several limitations were identified, both due to the national experience of implementing the law and due to the evaluation of the financial management regime carried out by several international organizations, namely within the scope of the *Public Expenditure and Financial Accountability (PEFA) Assessment* of the World Bank Group, which in this period held two exercises in 2013 and 2018, and of the *Article IV Consultation* by the International Monetary Fund, which was done five times, in 2010, 2011, 2016, 2017 and 2019.

Now, the legislation should serve primarily as a facilitator of financial management and not as an obstacle to the development of state functions, so it is urgent to overcome the limitations that have prevented the state from fully executing the General State Budget. The change in the legal framework of the General State Budget and public financial management is also an opportunity to incorporate best international practices in terms of budgeting and transparency, when appropriate to the Timorese reality.

The changes necessary to respond to these limitations, taking into account their volume, suggest the approval of a new diploma and the repeal of Law No. 13/2009, of 21 October. The proposal now presented chooses to make substantial changes in some essential aspects of the fiscal framework and public financial management, while in other aspects, in which no need for change was identified, it chose to accept the existing law and practice, which often has no legal consecration.

These are to underline the changes to clearly define the Public Sector and Public Administrative Sector and the perimeter of the State Budget, program budgeting, the multiannual budget programming and modifying the budget calendar.

The definition of the Public Sector adopts the organizational structure of the Public Sector used internationally and based on the *Government Finance Statistics Manual* of the International Monetary Fund, which will make national accounts comparable with those of other countries.

The perimeter of the State Budget includes the Public Administrative Sector, having opted for a formal criterion, which includes the state budget and the various public legal persons of the state legal person

status in the form of company, foundation or association and excludes public legal persons other than the State legal person in the form of a company, foundation or association, which is the most common practice at the international level. This will make it possible to have a global view of all public expenditure through the State Budget, but also to promote the reduction of public funding from entities not included in the State Budget, which, even when owned by the State, must evolve towards a situation of self-sustainability.

The proposal also enshrines program budgeting as a means of preparing and organising the General State Budget. Program budgeting has, in recent decades, been adopted by more and more countries. It allows the priorities defined in the different national planning documents to be clearly reflected in the State Budget. To this end, program budgeting links the allocation of appropriations in the State Budget to their relationship with the activities provided for in the annual plan of each service and entity. Thus, the budget undertakes to present not only the expenditure to be carried out, but also the objective to be achieved with this expense, which will permit evaluation of the efficiency and the effectiveness of public spending and hold services and entities responsible for failure to meet their objectives.

Notwithstanding the adoption of program budgeting, the Government continues to present budget information by organic and economic classifications, as well as by the new functional classifier, in order to increase the amount of information presented and improve its quality.

Program budgeting establishes bottom-up budgeting, that is, budget allocations are determined by the activities provided for in the annual plan of each service and entity. This creates pressure for increased public spending, because services want to carry out more activities to meet their objectives. It is, therefore, necessary to create top-down budgeting instruments, that is, to limit the expenditure that can be realized to the revenue that the State expects to charge in a given year.

In this sense, the draft creates multi-year financial programming, which integrates the new Law of Great Planning Options to be approved by the National Parliament at the beginning of the annual budgetary process. The multi-year financial programming presents limits and projections for the budget year and for the following four years, which are binding for the budget year and indicative for the remaining years, which must be observed by the Government when preparing the General State Budget.

The General State Budget has successively entered into force after the expected date of 1 January, which happened in recent years, in 2016, 2018, 2019 and 2020. The delay in the entry into force of the State Budget involves using the duodecimal system and substantially complicates budget execution, with negative consequences for the population. It is intended, therefore to slightly move up the date of presentation of the General State Budget to October 1, in order to guarantee its entry into force by January 1, with respect for the period of appraisal and voting on the proposed law by the National Parliament and appraisal and promulgation by the President of the Republic.

The approval of the new law on the framework of the General State Budget and public financial management, being the first and most important step in the context of the reform of public financial management, does not include all the necessary changes. The implementation of this diploma will have to be complemented with the approval of regulatory diplomas, namely as regards the structure of programs and budget classifiers, the plan of Accounts for the Public Administrative Sector, the State collection system, the Central State Treasury regime, powers to authorize expenditure and the guarantee and loan regime, with the alteration of certain legal regimes that regulate specific aspects of public financial management, to adapt and harmonize them with the new law, and also with the adaptation of processes and systems for budget implementation and the public financial management, in particular in the Ministry of Finance, with the training of workers involved in these operations and the production of support manuals.

Thus, the Government submits to the National Parliament, under the terms of article 97.1(c) and article 115.2(a) of the Constitution of the Republic, the following draft law:

Law No. / V

of of

Framework for the General State Budget and Public Financial Management

Law no. 13/2009, of 21 October, on Budget and Financial Management, enshrined in the legal system of Timor-Leste, for the first time after the approval of the Constitution of the Republic, the legal regime of the General State Budget and the rules governing budget execution and public financial management. This diploma, in response to the needs posed at that time, by a nascent public administration, outlined a simple budget regime strongly concentrated in the State.

After more than a decade since the approval of this law, it is now possible to evaluate its implementation and identify the limitations that it presents for the modernization of Timor-Leste's public finances. It is therefore important to establish a new legal regime for the General State Budget and public financial management that responds to the practical needs of budget management in the Public Administrative Sector and that incorporates the best international practices in terms of budgeting and transparency, when appropriate to the context of Timor-Leste.

The current proposal has two objectives: to streamline public management and, at the same time, to increase transparency, responsibility, accountability and control of the services and entities of the Public Administrative Sector. The achievement of these objectives is expressed by reinforcing the transparency of public management by establishing program budgeting and by establishing the elaboration of more financial information on a more regular basis and the clarification of the powers and obligations of each service and entity of the Public Administrative Sector, thus allowing for a better determination of responsibilities and more flexible public management rules, as well as their adaptation to the specific circumstances of each moment and the promotion of greater budgetary stability by incorporating multi-annual programming.

As provided for in the Constitution of the Republic, the General State Budget foresees all public revenues and expenses, that is, all revenues and expenses for services and entities of the Public Administrative Sector. However, in compliance with constitutional and legal obligations providing for the financial autonomy of certain sub-sectors, namely Social Security and the Special Administrative Region of Oe-Cusse Ambeno, which present autonomous budgets within the General State Budget and are exempt from some rules applicable to most services and entities.

The creation of an adequate, complete and coherent legal regime makes it necessary to proceed to define several concepts, namely related to the structure of the Public Sector, of the different sub-sectors and of the budgetary entities, which removes conceptual doubts and enables clarification of the scope of the General State Budget. In this way, the organizational structure of the Public Administrative Sector is established, from a financial perspective, and the rules applicable to each public entity are established.

The organic growth of administrative structures and the creation of new autonomous entities make it impossible for public management to be almost completely concentrated in members

of the Government, as it has been to date. In this sense, two financial regimes for services and entities of the Public Administrative Sector are established, both granting a higher degree of management autonomy than the current regimes.

The content of each financial regime is defined in detail, for the first time, thus clarifying the budgetary and financial powers of each entity and the budgetary and financial powers of its management bodies.

As regards the budgetary principles, the same principles with some improvements are maintained, by adding the principle of economy, efficiency and efficacy that should guide public spending and allow evaluation by these parameters.

As for budgetary rules, the treasury unit is strengthened, which will increase the efficiency of managing public money and maximize its return, and new rules are established regarding the current balance and public debt, to prevent future imbalances in public finances.

One of the most important innovations included in this law is program budgeting, which changes the way budget allocations are defined in order to link them to the objectives and measures defined in the annual and medium-term plans of the services and entities of the Public Administrative Sector, which will enable better assessment of the fulfilment of their respective functions.

Budgeting is also to be carried out from a multi-year perspective through the adoption of multi-annual budgetary planning, which presents the revenue and expenditure forecasts for the following budget year and the four subsequent years.

The process of budget execution and financial management is clarified, describing in detail all budget operations and identifying the entity responsible for their execution.

The logic centered on prior control is abandoned, which is replaced by a logic of *a posteriori* control, giving greater freedom to the services and entities of the Public Administrative Sector in the execution of the expenditure, but making them politically, financially, disciplinary and criminally responsible for deviations and non-compliance.

The law considerably increases the information that the Government is obliged to present, both within the scope of the draft law of the General State Budget, as well as within the scope of the General State Accounts, as well as throughout budget execution. This information conveys a much more accurate image of public finances and will allow the National Parliament and the Chamber of Accounts to better exercise their monitoring and inspection duties.

Finally, taking into account the delays in the entry into force of previous laws of the General Budget of the State, the law moves up the date of presentation of the draft General State Budget Law to October 1, in order to guarantee its entry into force by January 1 of the following year, with respect to the deadline for appraising and voting on the proposed law by the National Parliament and for appraising and promulgating by the President of the Republic.

Thus, the National Parliament decrees, pursuant to Article 95.2(q) of the Constitution with the force of law, the following:

**TITLE I
INITIAL PROVISIONS**

**CHAPTER I
THE OBJECT AND SCOPE**

**Article 1
Object**

This law sets out the framework of the General State Budget (GSB), the General State Accounts (GSA) and the sectoral budgets and accounts that comprise them, including preparation, approval and implementation, the financial system of services and entities of the Public Administrative Sector and the systems of control and fiscal responsibility.

**Article 2
Scope of application**

The State Budget presents the budget estimates of services and entities of the Public Administrative Sector, being composed of the Central Administration budget, the Social Security Budget and the budget of the Special Administrative Region of Oecusse Ambeno.

**CHAPTER II
BUDGET PRINCIPLES**

**Article 3
Unity and universality**

1. The GSB is unitary, consisting of a single regulatory instrument and comprising the totality of the revenues and expenses of the services and entities of the Public Administrative Sector.
2. The services and entities of the Public Administrative Sector cannot collect revenues or execute expenses that are not foreseen or registered in the GSB.

**Article 4
Annuality and multi-annuality**

1. The GSB is annual.
2. The budget year corresponds to the calendar year.
3. Without prejudice to paragraph 1, the GSB shall be framed in a multi-annual budgetary strategy that takes into account:
 - a) Macroeconomic data from a medium-term perspective;
 - b) The budgeting of programs from a multi-annual perspective;
 - c) The sustainability of public finances and the Social Security system in the short, medium and long term.
4. The provisions of paragraph 1 shall not preclude the possibility of an additional period of budget implementation, under the terms foreseen in the Government decree establishing the rules for the execution of the State Budget.

Article 5

Budgetary stability and sustainability

The GSB must be balanced or have a surplus, providing the necessary resources to finance all commitments, made or to be made.

Article 6

Economy, efficiency and effectiveness

The assumption of commitments and the realization of expenditure by services and entities in the Public Administrative Sector are subject to the principles of economy, efficiency and effectiveness, involving the use of minimal resources to ensure quality public services in the ongoing attempt to achieve better results with less expenditure and the use of the most appropriate resources to achieve the defined objective

Article 7

Transparency

1. The preparation, approval and execution of the State Budget are subject to the principle of transparency.
2. All information related to budget implementation and execution is public and must be accessible to citizens and to the services and entities responsible for monitoring and oversight, namely the draft GSB law, the GSB law, the GSA and all changes to the GSB, as well as all documents that compose and accompany them.
3. The information made available under the terms of the previous paragraph must be timely, reliable, complete, current, understandable and internationally comparable.

Article 8

Responsibility

1. The State is responsible for fulfilling the commitments undertaken by it and its services.
2. Legal entities with legal personality distinct from the legal status of the State are responsible for the fulfilment of the commitments they have undertaken.
3. Holders of political posts, the holders of management positions and leadership and workers in the Public Administrative Sector are responsible for budget execution operations authorized by them and/or executed by them, in accordance with the law.

Article 9

Intergenerational equity

1. The GSB must ensure an equitable distribution of costs and benefits between generations, without disproportionately burdening future generations.
2. In particular, compliance with the principle of intergenerational equity in relation to budgetary cost must be verified and substantiated:
 - a) Public works;
 - b) Investment in human capacity;
 - c) Financial liabilities;
 - d) The State's business sector;
 - e) Public-private partnerships;

- a) The Social Security system and other social benefits.
3. The report and informative elements accompanying the GSB law proposal must present information on the future impacts of the expenses and revenues identified in the previous paragraph.

Article 10 **Program budgeting**

1. The GSB is structured into programs.
2. Program budgeting is a structured approach to budget preparation, which links the allocation of appropriations in the GSB to its relationship with the programs, subprograms and activities provided for in the annual plan and in the medium-term plan of the respective service or entity of the Public Administrative Sector.
3. The structure for programs consists of the grouping of expenditure by programs, which are general objectives with a view to producing results, the divisions of which are called sub-programs, which are specific objectives with a view to producing results, and within these activities, which are a set of actions that contribute to the production of results.
4. The programs are linked to the existing national development plan and the Government Program and define general objectives to be achieved.
5. Subprograms are linked to a program and define specific objectives to be achieved.
6. The activities are linked to a subprogram and detail the processes or tasks that must be carried out to produce results.
7. Each program, subprogram and activity is accompanied by performance assessment indicators, which directly measure the performance of the main processes or tasks that constitute the program, subprogram or activity.
8. The structure of the budgetary programs has an organizational (organic) basis.
9. The regulation of the structure of budget programs is approved by Government decree.

Article 11 **Specification**

1. The GSB must sufficiently specify the revenue provided for therein and the expenses entered therein.
2. The revenues are specified by organizational and economic classifications.
3. Expenses are specified by organizational classification, program, economic classification and functional classification.
4. The organizational classification consists of the grouping of revenues and expenses by the service or entity in the Public Administrative Sector that collects the revenues or carries out the expenses, the divisions of which are called titles and, within these, chapters.
5. The economic classification consists of the grouping of income and expenses by their economic nature, whose divisions are called categories and, within these, headings.
6. The functional classification consists of the grouping of expenses by the different functions of governance, whose divisions are called divisions and, within these, groups.
7. The Government can establish levels of supplementary breakdown of budget classifications.

8. The Government may establish additional ways of specifying budget information.
9. Budget credits that allow for the existence of appropriations for confidential use or for secret funds shall be null and void, without prejudice to special arrangements for the use of legally provided funds that are exceptionally justified for national security reasons.
10. The structure of budget classifications is approved by Government decree.

Article 12
Non-compensation

1. The revenues of the GSB shall be provided for by the full amount in which they are assessed, without any deduction for collection costs or of any other nature, without prejudice to the provisions of paragraph 3.
2. The expenses of the GSB are recorded by their full amount and without deduction of any kind, without prejudice to the provisions of the following paragraph.
3. The budget line for the financial flows arising from operations associated with the management of the State treasury and the Social Security treasury and the management of the assets portfolio of the Social Security Reserve Fund (FRSS) shall be made in accordance with the following rules:
 - a) Revenues from financial derivative transactions are deducted from current expenses for the same transactions, the balance of which is always recorded as revenue;
 - a) Interest received on debt securities is deducted from the accrued interest paid on the acquisition of the same type of value, the respective balance always being recorded as revenue;
 - b) Expenditure on financial assets is deducted from the value of the sale of financial assets that preceded it.
4. The provisions of the previous paragraph do not prejudice the individual accounting record of all financial flows, even if merely book-entry, associated with the level of operations referred to.

Article 13
No consignment

1. The proceeds from a revenue cannot be used to cover a specific expense.
2. Exceptions to the provisions of the previous paragraph:
 - a) The revenue allocated to the financing of Social Security, in the following terms:
 - i) Income from the contributory distribution and capitalization regime is allocated to cover the expenses of the contributory regime;
 - ii) Up to 5% of the estimated annual revenue from social contributions is allocated to Social Security administration expenses;
 - iii) The other Social Security revenues are allocated to the responsibilities of the schemes under the budgeted terms.
 - b) Revenue corresponding to transfers from foreign States or organizations, if agreed with them;
 - c) Revenue from donations, inheritances and legacies of individuals which, at their discretion, should be allocated to cover certain expenses;

- d) Revenue which, exceptionally, is substantiated by a legislative act and is intended to cover specific expenses.
3. The assignment of revenue by legislative act must be generic and regular, permanent and be included in the legislative act which creates this type of revenue.

CHAPTER III BUDGETARY RULES

Article 14 Treasury unit

1. The management of the Public Administrative Sector treasury follows the principle of treasury unity, which consists of the centralization and maintenance of public funds in the Central Treasury of the State, with the objective of ensuring sufficient financial resources to settle obligations as they arise, maximizing the return on the available treasury and enabling the efficient management of financial risks.
2. The principle of treasury unity applies to Social Security and the Special Administrative Region of Oe-cusse through the centralization and maintenance of the funds of Social Security and the Special Administrative Region of Oe-Cusse Ambeno in their own treasuries, autonomous from the State Central Treasury.
3. In exceptional cases, duly justified, the member of Government responsible for the area of finance may authorize certain services and entities of the Public Administrative Sector to be exempted from the principle of treasury unity.

Article 15 Budget Balances

1. The overall balance of the GSB, the budgets of services and entities of the Central Administration, the budget of Social Security and the budget of the Special Administrative Region of Oe-Cusse Ambeno must be zero or positive.
2. The current balance of the GSB, the budgets of services and entities of the Central Administration, the budget of Social Security and the budget of the Special Administrative Region of Oe-Cusse Ambeno must be zero or positive, unless the context of the period to which the budget refers justifiably does not allow it.
3. The effective balance of the Social Security budget must be zero or positive, unless the context of the period to which the budget refers justifies or does not allow it.
4. The overall balance corresponds to the difference between revenue and expenditure.
5. The current balance corresponds to the difference between current revenue and current expenditure.
6. The effective balance corresponds to the difference between the effective revenue and the effective expense, which includes all income and all expense with the exception of that relating to financial assets and liabilities and management balances from previous years.
7. The report on the proposed State Budget law presents the justification referred to in paragraphs 2 and 3.

Article 16

Budget surplus

1. The surpluses in the execution of the GSB, the budgets of the services and entities of the Central Administration, the Social Security budget and the budget of the Special Administrative Region of Oe-Cusse Ambeno are qualified as management balance from the previous financial year and are recorded as revenue for the following financial year.
2. The surpluses of the execution of the GSB are preferentially applied to amortization and payment of interest on the public debt and to the financing of the Contingency Reserve.
3. Surpluses in the execution of the Social Security budget revert to the FRSS.
4. Without prejudice to the provisions of the preceding paragraph, the surpluses in the execution of the Social Security budget may be included in the following budget year in the amount strictly necessary to ensure that there is no break in the treasury.

Article 17

Public Debt

1. The debt of the Public Administrative Sector must meet a threshold of sustainability that does not jeopardize the medium and long term solvency of the Public Administrative Sector or its ability to meet its commitments.
2. The Government establishes in the multiannual budgetary programming the maximum reference limit for Public Administrative Sector debt, on December 31 of each year, expressed as a percentage of the gross domestic product.
3. The total amount of Public Administrative Sector debt includes loans, leasing contracts and any other forms of indebtedness with financial institutions, as well as all other debts to third parties arising from budgetary operations.

TITLE II

PUBLIC SECTOR

Article 18

Public sector

1. The Public Sector is made up of the Public Administrative Sector and public legal persons distinct from the State in the form of a company, foundation or association.
2. The State Budget integrates the financial flows existing between the services and entities integrated in the State Budget and public legal entities distinct from the State legal entity in the form of a company, foundation or association.

TITLE III

PUBLIC ADMINISTRATIVE SECTOR

CHAPTER I

ORGANIZATION

Article 19

Public Administrative Sector

The Public Administrative Sector is composed of the following subsectors:

- a) The Central Administration;

- b) Social Security;
- c) The Oe-Cusse Ambeno Special Administrative Region;
- d) The Municipalities.

Article 20
Central administration

Central Administration comprises:

- a) The State and the organs, services and funds, hereinafter generically called services, without legal personality distinct from the legal entity of the State, that compose the Direct Administration;
- b) Public legal entities distinct from the State legal entity without the form of company, foundation or association, which make up the Indirect Administration.

Article 21
Social Security

Social Security is composed of the National Institute of Social Security (INSS) and the FRSS, which are public legal persons distinct from the legal entity of the State without taking the form of a company, foundation or association, but whose integration into Social Security determines their exclusion from Central Administration and Indirect Administration.

Article 22
Oe-Cusse Ambeno Special Administrative Region

The Oe-Cusse Ambeno Special Administrative Region is a territorial legal entity governed by public law covering the geographic area of Oe-Cusse Ambeno, composed of the authority of the Special Administrative Region of Oe-Cusse Ambeno, its President, the Advisory Council of the Special Administrative Region of Oe-Cusse Ambeno and the services and entities directed or supervised by them.

Article 23
Municipalities

The municipalities are the legal entities of the territory with representative bodies that constitute local government, whose budgetary regime is defined in the law implementing them.

CHAPTER II
SPECIAL ARRANGEMENTS

Article 24
Timor-Leste Petroleum Fund

1. The Petroleum Fund of Timor-Leste is a public State fund without legal personality.
2. Without prejudice to its nature, the Petroleum Fund of Timor-Leste does not form part of the GSB, its budget and accountability being regulated by special legislation.
3. Without prejudice to the provisions of the previous paragraph, the GSB presents for information purposes all budgetary and financial information related to the Petroleum Fund of Timor-Leste, as well as the financial flows between it and the GSB.

Article 25

Central Bank of Timor-Leste

1. The Central Bank of Timor-Leste is a legal person governed by public law that acts as the monetary authority of Timor-Leste.
2. Without prejudice to its nature, the Central Bank of Timor-Leste is not a member of the GSB, its budget and presentation of its accounts being regulated by special legislation.
3. Without prejudice to the provisions of the preceding paragraph, the GSB presents, for information purposes, all budgetary and financial information related to the Central Bank of Timor-Leste, as well as the financial flows between it and the GSB.

CHAPTER III

FINANCIAL REGIME

Article 26

Financial regime of services and entities of the Public Administrative Sector

1. The financial regime of Public Administrative Sector services and entities is the set of rules that define the budgetary, financial and patrimonial capacity of these services and entities.
2. There are two financial regimes applicable to the services and entities of the Public Administrative Sector:
 - a) Limited financial autonomy regime;
 - b) Extended financial autonomy regime.
3. The services that make up the Direct Administration enjoy limited financial autonomy, with the exception of ministries, secretariats of state not integrated in ministries, services and entities that support the holders of sovereign bodies and services and entities that enjoy limited financial autonomy by constitutional imperative.
4. The ministries, secretariats of state not integrated in ministries, services and entities supporting the holders of sovereign bodies, services and entities enjoying extended financial autonomy by constitutional imperative, the services and entities comprising the Indirect Administration, Social Security, the Special Administrative Region of Oe-Cusse Ambeno and, insofar as they exist, the municipal authorities and administrations, enjoy extended financial autonomy.
5. The member of Government responsible for finance may grant extended financial autonomy to services that under the terms of the previous paragraphs should enjoy limited financial autonomy, when this contributes to the improvement of public financial management.
6. The annual statement of the financial regime of each service and entity in the Public Administrative Sector is included in the circular of preparation of the State Budget.

Article 27

Limited Financial Autonomy Scheme

1. The system of limited financial autonomy consists of the capacity of the service:
 - a) To propose to the respective member of the Government the respective budget allocations;

- b) To integrate in a separate chapter the budget of the respective Ministry or Secretariat of State not integrated in Ministry;
 - c) Propose to the respective member of Government the management of the respective budget allocations;
 - d) To manage the assets that are attached to it.
2. The regime of limited financial autonomy also involves the power of the respective governing body to carry out definitive and enforceable administrative acts of day-to-day management, without prejudice to the governing powers of the respective member of the Government.

Article 28

Regime of Extended Financial Autonomy

1. The system of extended financial autonomy consists of the capacity of the service or entity to:
 - a) Prepare its own budget, within the constraints defined in this law and in the GSB preparation circular;
 - b) Have its own title in the GSB;
 - c) Manage the budget appropriations included in its own budget;
 - d) Hold its own bank account, if its legal nature so permits;
 - e) Record as its own revenue, the revenue resulting from their specific activities and from the management and sale of its assets;
 - f) Carry forward the balance from the management of its own revenue established in the previous financial year;
 - g) Undertake borrowing, if its legal nature allows, under the terms and with the authorizations provided for by law;
 - h) Manage assets and own assets, if its legal nature so permits, to administer and dispose of them freely, under the terms and subject to the authorizations provided for by law.
2. The system of extended financial autonomy also consists in the power of the respective governing body to carry out definitive and enforceable administrative acts of day-to-day management, including authorizing expenditure, taking on commitments and authorizing payments, within the legally defined limits, and define the activities of the service or entity, without prejudice to the powers of supervision and superintendence that fall to the respective Government member.

Article 29

Social Security

Social Security enjoys broad financial autonomy and an autonomous budget integrated in the State Budget.

Article 30

Oe-Cusse Ambeno Special Administrative Region

The Oe-Cusse Ambeno Special Administrative Region enjoys broad financial autonomy and an autonomous budget integrated into the GSB.

**TITLE IV
GENERAL STATE BUDGET**

**CHAPTER I
NATURE AND CONTENT**

**Article 31
Nature**

The GSB is a document of a provisional nature, with the status of a law, which annually presents all revenues and expenditures of the Public Administrative Sector and defines the maximum limit of expenditures to be carried out by Public Administrative Sector services and entities during the budget year.

**Article 32
Content**

1. The GSB includes the budgets of all services and entities in the Public Administrative Sector, with limited financial autonomy and with extended financial autonomy, presenting autonomously the Central Administration budget, the Social Security budget and the budget of the Special Administrative Region of Oe-Cusse Ambeno.
2. In the GSB, the necessary appropriations for the fulfillment of obligations resulting from law, international law, contract or final judicial decision whose payment must occur during the respective budget year, as well as sufficient revenues to cover these expenses, are mandatorily registered.
3. An appropriation entitled Contingency Reserve, of an amount not less than 2% of total expenditure, is also mandatorily entered in the GSB to cover urgent and unforeseen expenses.
4. The rules in the articles of the GSB law are limited to what is strictly necessary for the execution of budgetary and financial policy.
5. Without prejudice to the provisions of the preceding paragraph, the GSB law may approve changes to the value of tax rates, import customs duties and Social Security contributions and changes to the value of withholding tax rates, as well as waivers, exemptions and suspensions.

**Article 33
The budget**

1. The budgeting of the revenue is conducted to the second degree of economic classification.
2. The budgeting of expenditures in the state budget is carried out up to the first degree of the organizational classification and program structure and to the second degree of the economic and functional classification.
3. Each title in the organizational classification corresponds to a service or entity that enjoys broad financial autonomy.
4. In addition to the titles provided for in the previous paragraph, a title called "General State Appropriation", managed by the member of Government responsible for finance, corresponding, inter alia, to general revenue and expenditure, shall be included in the GSB in the budget of the Central Administration:

- a) Contingency Reserve;
 - b) Liabilities for loans secured by the State;
 - c) Transfers to Social Security;
 - d) Transfers to the Special Administrative Region of Oe-Cusse Ambeno.
5. In exceptional cases, duly justified in the draft law of the State Budget, the member of Government responsible for finance may authorise the inscription in the organic classification of titles and special chapters.
 6. The specification of the income and expenses of the Social Security budget is also carried out by the non-contributory Social Security system, the contributory Social Security system, contributory social security capitalization system and by administration.
 7. The budgeting of revenues and expenses is carried out on a cash basis, when the inflow and outflow of funds takes effect.

CHAPTER II CENTRAL ADMINISTRATION BUDGET

Article 34 Content

The Central Administration budget includes budgets for all services and entities in the Public Administrative Sector not included in the other subsectors.

CHAPTER III THE SOCIAL SECURITY BUDGET

Article 35 Content

1. The Social Security budget shall include the INSS budget, which integrates the budget of the contributory Social Security scheme, the budget of the non-contributory Social Security scheme, the administration budget and the FRSS budget, which integrates the budget of the contributory capitalization Social Security scheme.
2. The Social Security budget must include the appropriations necessary for the payment of benefits within the scope of the social protection provided for the eventualities covered by the scheme and other applicable laws and the expenses of the administration of the Social Security system, as well as sufficient revenue to cover those expenses.

CHAPTER IV THE BUDGET OF THE SPECIAL ADMINISTRATIVE REGION OF OE-CUSSE AMBENO

Article 36 Content

The budget of the Special Administrative Region of Oe-Cusse Ambeno includes the budgets of all the bodies, services and entities of the Special Administrative Region of Oe-Cusse Ambeno.

**CHAPTER V
GENERAL STATE BUDGET LAW**

**Article 37
Structure**

The GSB law consists of the articles and the budget tables.

**Article 38
Articulated**

1. The articles of the GSB law are composed, at least, of an initial chapter, a general chapter and a chapter with final provisions, which may contain chapters related to the Central Administration budget, the Social Security budget and the budget of the Special Administrative Region of Oe-Cusse Ambeno.
2. The opening chapter presents the objective and scope of the GSB law.
3. The general chapter contains, in particular:
 - a) Approval of the budget tables;
 - b) Authorization for the collection of taxes, fees and contributions by the State and by the services and entities of the Public Administrative Sector;
 - c) Approval of the maximum amount that the State and the services and entities of the Public Administrative Sector can borrow, as well as the general conditions to which the respective operations must be subject;
 - d) Approval of the maximum amount that the State and the services and entities of the Public Administrative Sector can guarantee and lend, as well as the general conditions to which the respective operations must be subject;
 - e) Approval of transfers between subsectors.
4. The chapter with final provisions must provide for rules regarding the entry into force and the effect of the GSB law.
5. The chapter on the Social Security budget contains, inter alia, the approval of the transfer of balances to the FRSS.

**Article 39
Budget tables**

1. The State Budget law contains the following budget tables:
 - a) Table I - Revenue from the Public Administrative Sector, by sub-sector;
 - b) Table II - Public Administrative Sector Expenditure, by sub-sector;
 - c) Table III - Public Administrative Sector Expenditure, by functional classification;
 - d) Table IV - Central Administration Revenue, by economic classification;
 - e) Table V - Central Administration Expense, by organizational classification and structured by programs;
 - f) Table VI - Central Administration expenditure, by economic classification;
 - g) Table VII - Social Security Revenue, by economic classification, total and by regime and administration;

- h) Table VIII - Social Security Expenditure, by organizational classification and structured by programs;
 - i) Table IX - Social Security Expenditure, by economic classification, total and by regime and administration;
 - j) Table X - Revenue from the Oe-Cusse Ambeno Special Administrative Region, by economic classification;
 - k) Table XI - Expenditure of the Special Administrative Region of Oe-Cusse Ambeno, by organizational classification and structured by programs;
 - l) Table XII - Expenditure of the Special Administrative Region of Oe-Cusse Ambeno, by economic classification.
2. The Government may submit additional tables.
 3. The Government may present, for mere reference, the figures for previous and subsequent budget years.

CHAPTER VI PROPOSED GENERAL STATE BUDGET LAW

Article 40 Content and structure

1. The proposed State Budget law has identical content and structure of the State Budget Law.
2. The proposed State Budget law shall be accompanied by the report, the fiscal developments and informative elements.

Article 41 Report

1. The report on the proposed State Budget law contains the presentation and justification of the proposed budgetary policy.
2. The report on proposed State Budget law also includes an analysis of the main elements relating to:
 - a) Projections of the principal macroeconomic indicators that influence the State Budget and their evolution;
 - b) Evolution of the financial situation of the Public Administrative Sector and its sub-sectors;
 - c) Budgetary execution performance for the previous financial year;
 - d) Evolution and sustainability of the Petroleum Fund;
 - e) Evolution and sustainability of public debt;
 - f) Situation of treasury operations and Treasury accounts;
 - g) Forecast of tax revenue and outgoing tax revenue;
 - h) General guidelines of budgetary policy and programs;
 - i) Budget management rationalization measures;
 - j) Budgetary policy measures of a temporary and permanent nature;

- 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 their overall debt situation;
 - n) Information on overdue payments by the Public Administrative Sector;
 - o) Other matters considered relevant to the justification of the budgetary decision.
3. The report on the proposed State Budget law includes a comparative statement on the macroeconomic and budgetary forecasts used and the forecasts made by international reference bodies, and any significant differences found must be explained on a reasoned basis.
4. The report on the proposed State Budget law also includes a comparative statement on the macroeconomic and budgetary forecasts used in the State Budget law concerning the previous financial year and the actual developments, and any significant differences shall be explained on a reasoned basis.

Article 42 **Budgetary developments**

1. The proposed GSB law is accompanied by the following budgetary developments:
- a) The development of revenues and expenses for Central Administration services and entities;
 - b) The development of revenue and expenditure for Social Security;
 - c) The development of revenues and expenses for the Oe-Cusse Ambeno Special Administrative Region.
2. Budgetary developments present the revenues and expenses for each service and entity specified up to the maximum breakdown levels, according to the program structure and the organizational and economic classifications.

Article 43 **Informative elements**

1. The GSB law proposal is accompanied by the following informative elements:
- a) Financial situation and assets of the State and of the services and entities of the Public Administrative Sector;
 - b) Status of treasury operations and Treasury accounts and services and entities of the Public Administrative Sector;
 - c) Information on budget programs, including performance evaluation indicators;
 - d) Information on the performance of the programs in the previous financial year;
 - e) Budget statement and financial statement of the Petroleum Fund of Timor-Leste;
 - f) Estimate of the Estimated Sustainable Income for the budget year itself and the previous budget year;
 - g) Report by an independent auditor certifying the amount of the Estimated Sustainable Income referred to in the previous subparagraph;

- h) Estimated reduction in Estimated Sustainable Income in subsequent fiscal years, due to the transfer from the Petroleum Fund of an amount higher than the Estimated Sustainable Income, if provided for in the GSB law proposal;
 - i) Independent auditor's report certifying the estimated reductions in Estimated Sustainable Income referred to in the previous paragraph;
 - j) Number of workers in the Public Administrative Sector, by service and entity and by type of contract;
 - k) Annual plans of the services and entities of the Public Administrative Sector;
 - l) Multiannual commitments of services and entities of the Public Administrative Sector;
 - m) External linkages and mandatory expenses of services and entities of the Public Administrative Sector;
 - n) Situation of public debt and Treasury operations and services and entities of the Public Administrative Sector, identifying the loans contracted, the specific conditions and the payments of interest and amortizations made on account of each loan;
 - o) Individualized information on expenses on public-private partnerships;
 - p) Individualized information on credits and guarantees granted by the State;
 - q) Financial and asset situation of public or publicly owned companies, foundations and associations with State participation;
 - r) Forecast of tax revenue and revenue foregone, by tax;
 - s) Other information deemed necessary by the Government.
2. The proposed State Budget law is also accompanied by the following information related to Social Security:
- a) Contributory revenue forecast, which allows verification of the amount of gross revenue and of the transfer to the FRSS;
 - b) Status of treasury operations and Social Security accounts;
 - c) Composition of annual expenditure by regime and by installment;
 - d) Updated long-term projection containing charges for deferred installments and contributions from workers and employers.

TITLE V BUDGETARY PROCESS

Article 44 Budget planning

The State Budget reflects the financial component of the national priorities defined on the basis of the existing national development plan, the Government Program, the medium-term plans and the annual plans of the services and entities of the Public Administrative Sector, as well as any other political and strategic documents of the Government.

Article 45

Planning process

1. The budget planning process comprises a set of actions and activities that aim to define annually national priorities with an impact on the GSB and the measures and activities that will be financed by the expenditure registered in the GSB.
2. The budget planning process should include the consultation of citizens, the sovereign bodies and the services and entities of the Public Administrative Sector.

Article 46

Medium-term plan and annual plan

1. The services and entities of the Public Administrative Sector shall prepare and/or update medium-term plans annually, which are comprised of annual plans for the next budget year and the four subsequent years, containing the programs, sub-programs and activities of the medium term plan to be executed during those budgetary years and the indication of their cost.
2. The medium-term plans of the services and entities of the Public Administrative Sector must be aligned with the existing national development plan and the Government Program, as well as with the government priorities and the multi-annual 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 plan for the next budget year must be accompanied by a justification for the continuity of existing policies or the implementation of new policies, as well as an explanation of how the respective budget makes it possible to achieve the program objectives and service delivery planned for that budget year.
5. The annual plan for the next budget year must also be accompanied by the procurement plan for that budget year.
6. The inclusion of appropriations in the GSB with the title related to a specific service or entity in the Public Administrative Sector is dependent on the registration of the activity to be financed by this expense in the annual plan for that budget year of that service or entity in the Public Administrative Sector.
7. The Planning, Monitoring and Evaluation Unit of the Office of the Prime Minister (UPMA) assists the services and entities of the Public Administrative Sector in the preparation of medium-term plans and the definition of the respective performance assessment indicators.
8. The Ministry of Finance assists the services and entities of the Public Administrative Sector in the preparation of annual plans and in the definition of the respective performance evaluation indicators.
9. The planning information system is managed by UPMA and approved by Government decree.

Article 47

Major Planning Options Law and Multiannual Budget Programming

1. The Government presents to the National Parliament by May 10 of each year, the proposed Major Planning Options law for the following financial year.
2. The proposed Major Planning Options law is composed of:
 - a) Identification of the main options in terms of planning which will impact the GSB for the next budget year and for the following four years;
 - b) Multi-annual budgetary programming;
 - c) Analysis of the projections of the main macroeconomic indicators that influence the State Budget and its evolution.
3. The multiannual budgetary programming shall establish:
 - a) The limit of the total expenditure of the Public Administrative Sector for the following budget year and for the following four years;
 - b) The projections for the revenue of the Public Administrative Sector for the following budget year and for the following four years;
 - c) The sectoral expenditure limits for the following budget year and for the following four years;
 - d) The public debt ceiling for the following budget year for the next four years.
4. The expenditure limits established in the multiannual budgetary programming are based on the State Budget's financing capacity and must promote a budgetary balance or surplus.
5. The expenditure limits referred to in paragraph 3(a) are binding for the following budget year and indicative for the following four years.
6. The projections and limits referred to in paragraph 3(b), (c) and (d) are indicative.
7. The provisions of subsection 5 shall not apply if a new Government takes office between the approval of the Major Planning Options law and the presentation of the proposed State Budget law, in which case the proposed Major Planning Options law shall be presented by the Government together with the proposed State Budget law.
8. The proposed Major Planning Options law is discussed and voted on under the provisions of the Constitution of the Republic, the present law and the National Parliament's Rules of Procedure.
9. The final global vote on the proposed Major Planning Options law takes place in the period of 10 days after the date of its submission.

Article 48

Budget Seminar

1. The Government shall organize, by June 10th of each year, a Budget Seminar, in which the members of the Government and the services and entities of the Public Administrative Sector shall take part.
2. At the initiative of member Government responsible for finance, national or foreign personalities may be invited to attend or to intervene in the Budget Seminar

3. The purpose of the Budget Seminar shall be to discuss the implementation of the main options in terms of planning with an impact on the State Budget identified in the Law on Major Planning Options, as well as to set the total amount of expense for each budget title.
4. The Government approves the total amount of expenditure for each budget title within twenty days after the completion of the Budget Seminar.

Article 49

Circular for preparation of the State Budget

1. The Ministry of Finance shall issue, by July 10th of every year, a circular with the rule for preparation of the State Budget for the year, prepared in collaboration with UPMA.
2. The circular referred to in the previous paragraph must contain the following information:
 - a) Organizational classifications of the Public Administrative Sector;
 - b) Indication of the financial regime of each service and entity of the Public Administrative Sector;
 - c) Options in terms of planning with an impact on the State Budget identified in the Major Planning Options Law;
 - d) Total amount of GSB expenditure;
 - e) Total amount of expenditure for each budget title;
 - f) Amount necessary to fulfill the commitments already assumed;
 - g) Information on the budgetary space for new policies and investments;
 - h) Forms required for the budget process;
 - i) Schedule for submission of programs and budget proposals;
 - j) Identification of the contact points of the Ministry of Finance.

Article 50

Approval of programs

1. The services and entities of the Public Administrative Sector with extended financial autonomy shall submit their program proposals to UPMA by the date defined in the State Budget preparation circular.
2. Proposals for programs of services and entities of the Public Administrative Sector must be aligned with the annual plan for the next budget year.
3. UPMA and the Ministry of Finance analyze and compile the program proposals.
4. The programs are approved by the Council of Ministers.

Article 51

Preparation of the proposal

1. The services and entities of the Public Administrative Sector with extended financial autonomy shall submit their budget proposals to the Ministry of Finance by the date defined in the State Budget preparation circular.

2. Budget proposals for Public Administrative Sector services and entities must foresee the appropriations necessary to fulfill all obligations of the service or entity and must be aligned with the annual plan for the next budget year.
3. The Ministry of Finance and UPMA proceeds to the analysis and compilation of the budget proposals, rejecting those that do not respect the rules set out in the circular on the preparation of the State Budget and which are not in line with the annual plan for the following financial year.
4. Rejected budget proposals must be resubmitted within the period set by the Ministry of Finance.
5. If after the period provided for in the previous paragraph no new proposal is received or if the same continues not to respect the rules established in the State Budget preparation circular, the Ministry of Finance and UPMA will automatically adjust the budget proposal.
6. The member of the Government responsible for Social Security approves the projected budget of Social Security and sends it to the Ministry of Finance, by the date defined in the State Budget preparation circular, which incorporates it into the draft GSB.
7. The Special Administrative Region of Oe-Cusse Ambeno submits its draft budget to the Ministry of Finance, before the date defined in the GSB preparation circular, which incorporates it into the draft GSB.
8. The Ministry of Finance submits, by September 15 of each year, the draft State Budget law to the Council of Ministers for approval.

Article 52

Presentation of the proposal

1. The Government shall submit the draft State Budget for the following year to the National Parliament by 1 October every year, together with all the elements referred to in Chapter VI of Title IV.
2. The Government presents to the National Parliament the draft State Budget law at a later date to that provided in the preceding paragraph if:
 - a) The Government in office is dismissed on October 1;
 - b) The new Government took office between June 2 and October 1;
 - c) The end of the legislative term occurs between October 1 and December 31.
3. In the cases provided in the preceding paragraph, the draft law of the State Budget is presented by the Government to the National Parliament within three months after the date of its coming into office.

Article 53

Discussion of the proposal

1. The GSB law proposal is discussed under the terms of the Constitution of the Republic, this law and the National Parliament's Rules of Procedure.
2. The National Parliament discusses the GSB law proposal, in general and in specialty, in the plenary and in the mandated committees.
3. The Government presents the State Budget law proposal and is heard by the National Parliament in the context of its discussion.

4. The Chamber of Auditors shall be heard by the National Parliament within the framework of the discussion of the proposed State Budget law, in relation to the recommendations contained in the opinion on the General State Accounts.

Article 54

Voting on the proposal

1. The proposed GSB law is voted on in accordance with the provisions of the Constitution of the Republic, this law and the Rules of Procedure of the National Parliament.
2. The National Parliament votes on the proposed GSB law, in general and in specialty, in the plenary and in the competent committees.
3. The final overall vote on the State Budget law takes place within 45 days after the date of its presentation.

Article 55

Publication

1. After its promulgation by the President, the State Budget Law is published in the relevant series of the *Jornal da República*.
2. The Government also ensures the annual publication of the full content of the State Budget law within 30 days after the entry into force of the GSB law.

Article 56

Dissemination

1. The Government ensures the publication of all documents that are necessary to ensure the proper disclosure and transparency of the GSB and its execution, namely on the website of the Ministry of Finance and others indicated for this purpose.
2. The Government also ensures the publication of a simple informative document, both in Portuguese and in Tetum, which presents, in a summarized and easy to understand manner, the essential points of the GSB in order to inform the citizens of the country about its content and involve them in the budget process.

Article 57

Validity

1. The State Budget law shall, as a general rule, be in force for one year, from 1 January of each year to 31 December of the same year.
2. If, on 1 January, the new State Budget law has not been published in the *Jornal da República*, the State Budget law for the previous year, with the approved changes, shall be extended until the new State Budget law enters into force.
3. The extension of the validity of the GSB law implies the execution in that year of a GSB similar to the GSB executed in the previous year, as if it had been approved for that year, to which all the applicable rules for the approved GSB for that year apply, with the necessary adaptations.
4. The extension of the validity of the GSB law covers the articles, the tables, the authorizations to collect taxes, fees and contributions, the approval of the transfer from the Petroleum Fund and the approval of the maximum amount that can be contracted through loans and that can be guaranteed and lent, as well as the rules on execution approved by government decree.

5. The transfer of the Petroleum Fund provided for in the extended GSB law is made in twelfths with quarterly periodicity.
6. The provisions of the previous paragraph do not replace the presentation by the Government of reports and justification provided for in the Petroleum Fund Law.
7. The Government may substitute the transfer from the Petroleum Fund provided for in the extended GSB law by borrowing up to the same amount.
8. However, the extension of the validity of the State Budget law shall not cover norms that, due to their nature, should only be in force in the respective year.
9. Any amounts and limits provided for in the extended State Budget law may be executed in full without any limitation arising from their use in the previous budget year.
10. The changes to the extended State Budget Law only take effect for the period of the extension.
11. Without prejudice to the provisions of paragraph 4, the Government may approve complementary budget execution rules by government decree during the extension of the GSB law.
12. The GSB law for a given year always takes effect on January 1 of that year, even when it is published after that date.

**TITLE VI
BUDGET EXECUTION AND PUBLIC FINANCIAL MANAGEMENT**

**CHAPTER I
BUDGET EXECUTION**

**Article 58
Execution rules**

The government shall approve by decree the rules relating to the execution of the State Budget law, within 30 days after its publication.

**Article 59
Budget execution**

1. The execution of the State Budget takes place:
 - a) With regard to revenue, namely the settlement and collection of taxes, fees and contributions, financial penalties and default interest provided for by law, the payment of transfers from the Petroleum Fund and the approved State Budget and legally earmarked revenue, the payment of income from assets, loans and financial investments and any other capital income, the integration of management balances, the acceptance of donations, inheritances and legacies, the contracting of loans and the carrying out of other legal or contractual revenue-raising operations;
 - b) With regard to spending, namely through the regular release of credits or funds and the transfer of funds by the Ministry of Finance, based on budget appropriations in the State Budget, and the subsequent application of such credits or funds, as well as the funds collected by the services and entities of the Public Administrative Sector, in expenditure.

2. A budgetary allocation is considered to be executed when funds from the service or entity flow out to the beneficiary of the expenditure.

Article 60 Competence

1. The services and entities of the Public Administrative Sector that assess and collect revenues are responsible for executing the State Budget, insofar as it pertains to revenue.
2. The following are responsible for executing the GSB, insofar as expenditure is concerned:
 - a) The members of Government;
 - b) The governing body of the services and entities of the Public Administrative Sector with limited financial autonomy, without prejudice to the governing power of the respective member of the Government;
 - c) The governing body of the services and entities of the Public Administrative Sector with extended financial autonomy;
 - d) The INSS, regarding the Social Security budget;
 - e) The President of the Authority of the Special Administrative Region of Oe-Cusse Ambeno, regarding the budget of the Special Administrative Region of Oe-Cusse Ambeno;
 - f) The top manager of the departments responsible for the financial management of the services and entities of the Public Administrative Sector.
3. The services and entities of the Public Administrative Sector with extended financial autonomy must include departments responsible for financial management.
4. The departments responsible for financial management of ministries and Secretariats of State not integrated within Ministries are responsible for the financial management of the Public Administrative Sector services with limited financial autonomy of the respective Ministry or Secretariat of State.
5. The members of Government shall ensure the coordination of the budget execution of the Ministry or Secretariat of State not integrated into a ministry and the services of the Public Administrative Sector with limited financial autonomy that are part of Direct Administration within the scope of the respective Ministry or Secretariat of State, and shall monitor the budget execution of the services and entities of the Public Administrative Sector with extended financial autonomy that are part of Indirect Administration within the scope of the respective Ministry or Secretariat of State.

Article 61 Release of credits or funds

1. The Ministry of Finance shall release credits or funds from the state budget in order to be applied in expenses in the services and entities of the Public Administration Sector.
2. The release of credits is performed by allowing the use of credits in the Treasury account by a Ministry, Secretariat of State not integrated in Ministry, or service with limited financial autonomy.

3. The release of funds is accomplished by the transfer of funds to the bank account of the service or entity with broad financial autonomy, with the exception of Ministries and Secretariats of State not integrated in Ministries.
4. The transfers of funds from the GSB to the Social Security budget and to the budget of the Special Administrative Region of Oe-Cusse Ambeno are made in twelfths with semiannual periodicity.
5. The Government decree establishing the rules for the execution of the State Budget defines the procedure and the regularity of the release of credits or funds.

Article 62

Records of operations

1. The services and entities of the Public Administration Sector record all budget operations and shall carry out and keep the physical and digital records of those operations for at least ten years after their completion
2. In particular, the following operations are recorded:
 - a) Settlement and collection of revenue;
 - b) Expenditure authorizations;
 - c) Verification of the budget inclusion and appropriateness;
 - d) Commitment of funds;
 - e) Settlement of expenses;
 - f) Payment authorizations;
 - g) Making payments.

Article 63

Accounting system

1. The accounting system of the Public Administrative Sector structures budget and financial information in order to record, classify and register the elements of the budget statements and financial statements.
2. The services and entities of the Public Administrative Sector organize:
 - a) A budgetary account for income and expenses, on a cash basis, when the inflow and outflow of funds takes effect;
 - b) Financial accounting for assets, liabilities, income and expenditure.
3. The services and entities of the Public Administrative Sector prepare individual and consolidated budget statements and financial statements providing 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 classification provided for in Articles 10 and 11.
5. Financial accounting follows the Public Administrative Sector Plan of Accounts.
6. The accounting system of the Public Administrative Sector is approved by Government decree.

Article 64

Budgetary and financial information systems

1. The services and entities of the Public Administrative Sector adopt budgetary and financial information systems that allow the registration of operations, the organization of budgetary and financial accounting and the reporting of information to the Ministry of 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 Ministry of Finance and with the planning information system provided for in paragraph 9 of Article 46.
3. For the purposes of complying with the provisions of the preceding paragraphs, the budgetary and financial information systems of services and entities of the Public Administrative Sector shall be approved by the Ministry of Finance.

Article 65

Report

1. The services and entities of the Public Administrative Sector shall prepare and submit monthly budget statements to the Ministry of Finance that include, specifically:
 - a) Complete information on their budget execution, including commitments undertaken, payments authorized and made, revenues assessed and collected and the updated forecast of budget execution 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 remuneration;
 - c) If they are able to borrow, complete information on the financing operations, namely loans and repayments made, as well as those planned until the end of each year;
 - d) Complete information on overdue payments.
2. The services and bodies of the Public Administrative Sector prepare and submit financial statements on a quarterly basis, to the Ministry of Finance.
3. The services and entities of the Public Administrative Sector send to UPMA, on a quarterly basis, a cumulative performance report for the respective budget programs.
4. The Ministry of Finance prepares and publishes monthly, by the end of the following month, a budget execution summary with budget execution information from the Public Administrative Sector, which includes quarterly information on the performance of budget programs.

Article 66

Duty to collaborate

1. The services and entities of the Public Administrative Sector collaborate with the Ministry of Finance in the execution of the GSB, in the monitoring, control and registration, providing, without delay, all the information and documentation required by the latter.
2. For the purposes of the preceding paragraph, the Directors-General of the Ministry of Finance may correspond directly, in the performance of their functions, with any services and entities of the Public Administrative Sector.

Article 67

Budget execution regime during the extension of the State Budget Law

1. During the extended period of validity of the State Budget law, the realization of expenditure shall obey the rules established in this article, as well as the rules established in the present statute that do not contradict them.
2. The execution of expenditure during the extension period of the GSB law is based on expenditure plans prepared by the services and entities of the Public Administrative Sector that ensure the fulfillment of all payments due during the budget year, taking into account the activities foreseen in the respective annual plans.
3. The budgetary allocations to be executed during the period of extension of the GSB law are defined based on the appropriations entered in the extended GSB law.
4. The services and bodies of the Public Administrative Sector present to the Ministry of Finance, within 10 days of the start of the extension period of validity of the State Budget law, a spending plan that identifies the monthly and annual appropriations and non-monthly or extraordinary appropriations.
5. The appropriations relating to expenses of a monthly and ordinary nature are divided into twelfths and each twelfth is used to cover expenditure relating to one month.
6. In duly justified exceptional situations, the member of the Government responsible for the area of finance may authorize an increase in the value of the twelfth.
7. The appropriations relating to expenses of a non-monthly or extraordinary nature are used as needed.
8. Should the appropriation include funds intended for expenses of a monthly and ordinary nature, as well as expenses of a non-monthly or extraordinary nature, the funds relating to these expenses shall be subtracted from the appropriation, which shall constitute temporary appropriations executed pursuant to paragraph 7, and the appropriation with the remaining funds shall be executed pursuant to paragraph 5.
9. Appropriations relating to the following expenditure, irrespective of their nature, shall be implemented in accordance with paragraph 7:
 - a) Obligations arising from law and international law;
 - b) Obligations arising from contracts known at the date of the extension of the GSB term;
 - c) Obligations arising from a court decision and payments related to court fees and procedural expenses;
 - d) Social benefits owed to beneficiaries of the social security system;
 - e) Financial investments arising from operations associated with the cash management of the State, Social Security and the Special Administrative Region of Oe-Cusse Ambeno and the management of the FRSS asset portfolio;
 - f) Payment of contributions and contributions to international organizations;
 - g) Expenses incurred by the Contingency Reserve;
 - h) Transfers between subsectors;
 - i) National financing of projects co-financed by foreign states or organizations;
 - j) Expenses incurred by the Infrastructure Fund;

- k) Transfers to diplomatic missions, permanent representations and consular posts, as well as expenses incurred by them;
 - l) Expenses on water supply, sanitation, electricity, fuel and telecommunications;
 - m) Implementation of international events in the country and participation in international events abroad;
 - n) Acquisition of medicines, medical supplies and health services and expenses with the prevention and fight against national and international epidemics and pandemics;
 - o) Reconstruction, repair, cleaning and other works as a result of natural and human disasters.
10. The member of Government responsible for the area of finance may reduce the amount of budget appropriations to be executed during the period of extension of the validity of the GSB law, taking into account the evolution of the revenue collected in that period.
11. The Government shall approve, through a Government decree, the norms that regulate the application of this article, and may indicate other appropriations and expenses to be executed in accordance with paragraph 7.
12. The revenue and expenditure operations executed under the terms of this article shall be assigned to the accounts of the respective budgetary year and must be integrated into the State Budget that may be approved for that year.

CHAPTER II PUBLIC FINANCIAL MANAGEMENT

Section I General rules

Article 68 Legality

Public financial management is carried out in accordance with applicable law and regulations.

Article 69 Segregation of duties

- 1. Revenue and expenditure execution operations shall comply with the principle of segregation of functions for assessment and collection in respect of the former, and for authorization and payment in respect of the latter.
- 2. The segregation of duties referred to in the previous paragraph may be established between different services and entities or between different workers of the same service and entity.

Section II Revenue

Article 70 Revenue collection

- 1. No revenue can be paid or collected without being legal.
- 2. All revenue shall be properly budgeted prior or subsequent to collection.

3. The assessment and collection of revenue may be carried out in excess of the amounts provided for in the respective budget inscription.

Article 71 General revenue

1. General revenue results from:
 - a) GSB transfers;
 - b) Taxes, unless otherwise provided by law;
 - c) Fees, unless otherwise provided by law;
 - d) Loans contracted 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 product of its sale or encumbrance;
 - f) Transfers from States and international organizations, except as otherwise agreed with them;
 - g) Balance from general revenues.
2. Any other revenue so qualified by law or not expressly classified as own revenue shall also be general revenue.

Article 72 Own revenue

1. Revenue deriving directly from the specific activity of the service or entity and from its assets and expressly qualified as own revenues are own revenues.
2. These are, in particular, own revenues:
 - a) Charges paid and/or charged by the service or entity and so qualified;
 - b) Taxes paid and/or charged by the service or entity and so qualified;
 - c) Income from own assets, loans and financial investments held by the service or body and any other capital income of the service or body, as well as the proceeds of their disposal or encumbrance;
 - d) Transfers from foreign States or bodies, if agreed with them;
 - e) Donations, inheritances and legacies from private individuals, which, by their own wishes, must be considered as own income of a given service or entity;
 - f) Loans contracted by the service or entity;
 - g) Own revenue management balances.
3. The revenues deriving from social contributions, penalties and default interest charged by the INSS are own revenues.
4. The revenues arising from fees, penalties and default interest collected by the Special Administrative Region of Oe-Cusse Ambeno are own revenues.
5. The revenues from GSB transfers to Social Security and to the Oe-Cusse Ambeno Special Administrative Region are also own revenues.
6. Own revenues shall be used to cover the expenses of the service or entity itself and, with the exception of the Social Security and Special Administrative Region of Oe-Cusse

Ambeno's own revenues and of the consigned revenues, shall be used up before the funds originating from transfers from the General State Budget are used.

Article 73 Management Balance

1. The management balance of general revenues from the previous budgetary year shall be returned to the Treasury and recorded as general revenue for the following budgetary year.
2. The management balance of own revenues of the services and entities with extended financial autonomy shall be automatically carried over to the following budgetary year and shall be registered as own revenue of that budgetary year.
3. The calculated management balance that is not registered in the GSB must be recorded as revenue collected in addition to the amounts provided for in the respective budget entry.
4. The application of expenditure of the determined balance of the budget, which is not included in the State Budget, when the corresponding expenditure is not foreseen in the State Budget and or when it results in an increase in the total expenditure of the State Budget, in the total expenditure of a title, in the total expenditure of the Social Security budget and in the total expenditure of the budget of the Special Administrative Region of Oe-Cusse Ambeno, shall be carried out through a budget change to provide for expenditure corresponding to that revenue
5. The member of the Government responsible for the area of finance may, in exceptional and duly justified cases, authorize the transfer of the balance of general management revenue or for services with limited financial autonomy.

Article 74 Loans

1. The GSB establishes, for each budget period, the maximum amount that the State, Social Security and the Special Administrative Region of Oe-cusse Ambeno can borrow and the maximum term of these loans.
2. The amount and the maximum terms of loans set forth in the preceding paragraph apply to medium and long term public debt, understood as the debt contracted to be fully amortized over a financial year subsequent to the year in which it was generated.
3. The State, the Social Security and the Special Administrative Region of Oecusse may still incur short-term debt, understood as debt contracted to be fully amortized by the end of the financial year in which it was generated.
4. It is the responsibility of the Government member responsible for the area of finance to contract loans by the State, after authorization from the Council of Ministers.
5. The contracting of loans by Social Security shall be carried out by the INSS, without prejudice to the competencies legally attributed to the FRSS, following authorization by the members of the Government responsible for the areas of finance and social security.
6. The President of the Authority of the Special Administrative Region of Oe-Cusse Ambeno is responsible for contracting of loans issued by the Region, after authorization by the Authority of the Special Administrative Region of Oe-Cusse Ambeno.

7. Borrowing from the State by the other entities of the Public Administrative Sector shall not be subject to the limits established under the terms of this Article and shall follow the regime provided for in Article 89.

Section III Treasury

Article 75 Public money

1. Public money is all the available cash or cash equivalents, in whatever form, owned or held by the services and entities of the Public Administrative Sector.
2. Public monies owned or held by Social Security are called Social Security monies and follow their own regime.
3. Public monies owned or held by the Special Administrative Region of Oe-Cusse Ambeno are called monies from the Special Administrative Region of Oe-Cusse Ambeno and follow their own regime.
4. No one may store or maintain public monies, Social Security monies or monies from the Oe-Cusse Ambeno Special Administrative Region, except under the terms of the law or if expressly authorized by the member of the Government responsible for the area of finance, the INSS or by the Oe-Cusse Ambeno Special Administrative Region, respectively.
5. No one can misuse public money, Social Security money and money from the Oe-Cusse Ambeno Special Administrative Region and dispose or use it in an improper, illegitimate or illegal manner.

Article 76 Central State Treasury

1. The services and entities of the Public Administrative Sector are obliged to centralize and maintain all their cash and cash equivalents, whatever their origin or nature, including their own revenues, with the Central State Treasury and make all transactions of funds through this.
2. The services and entities of the Public Administrative Sector that have mandates or powers to collect public money must be part of the collection network of the Central State Treasury, in order to allow the receipt, accounting, control and immediate deposit of the revenues that they settle and collect.
3. The Central State Treasury shall be managed by the Ministry of Finance and shall deposit public monies in bank accounts held by the Ministry of Finance or jointly by the latter and by the services and entities of the Public Administrative Sector, preferably with the Central Bank of Timor-Leste.
4. The Central State Treasury must ensure the existence of sufficient funds to fulfill in a timely manner the commitments assumed by the services and entities of the Public Administrative Sector, as well as to maximize the income from the monies in its possession.
5. For the purposes of the preceding paragraph, the Central State Treasury draws up a treasury plan that provides for the financing needs of services and entities of the Public Administrative Sector throughout the budget year.

6. The Central State Treasury is responsible for the temporary investment of public money in short-term, risk-free and liquid financial instruments, with the objective of ensuring an efficient management of treasury surpluses.

Article 77

Social Security Treasury

1. The Social Security Treasury is managed by the INSS and deposits the Social Security monies in bank accounts held by the INSS, with the Central Bank of Timor-Leste or in national commercial banks depending on the needs and taking into account the respective costs.
2. The Social Security Treasury must ensure that sufficient funds are available to meet Social Security commitments in a timely manner, as well as maximize the income from the monies held by it.
3. For the purposes of the previous paragraph, the Social Security Treasury draws up a treasury plan that provides for Social Security financing needs throughout the budget year.
4. The Social Security Treasury is responsible for the temporary investment of Social Security monies in short-term, risk-free and liquid financial instruments, with the objective of ensuring an efficient management of treasury surpluses.
5. The short-term financial assets managed within the scope of the FRSS, in view of the capitalization scheme, shall not be subject to the single cash management system, and the INSS may contract its operational management with a public entity, under the terms of the law.

Article 78

Treasury of the Special Administrative Region of Oe-Cusse Ambeno

1. The Treasury of the Special Administrative Region of Oe-Cusse Ambeno is managed by the Special Administrative Region of Oe-Cusse Ambeno and deposits the funds of the Special Administrative Region of Oe-Cusse Ambeno in bank accounts held by the Special Administrative Region of Oe-Cusse Ambeno, preferably with the Central Bank of Timor-Leste, with the option of depositing with national commercial banks if they wish to benefit from services not offered by the Central Bank of Timor-Leste.
2. The Treasury of the Special Administrative Region of Oe-Cusse Ambeno must ensure that sufficient funds are available to meet the commitments assumed by the Special Administrative Region of Oe-Cusse Ambeno in a timely manner, as well as maximize the income from the monies held by it.
3. For the purposes of the preceding paragraph, the Treasury of the Special Administrative Region of Oe-Cusse Ambeno draws up a treasury plan that provides for the financing needs of the Special Administrative Region of Oe-Cusse Ambeno throughout the budget year.
4. The Treasury of the Special Administrative Region of Oe-Cusse Ambeno is responsible for the temporary investment of money from the Special Administrative Region of Oe-Cusse Ambeno in short-term, risk-free and liquid financial instruments, with the objective of ensuring an effective management of treasury.

**Section IV
Expenditure**

**Article 79
Realization of Expenditure**

1. No expense can be incurred without being legal and based on law, an instrument of international law, contract or court decision.
2. All expenses must be subject to a correct budget entry prior to their realization.

**Article 80
Stages of Expenditure**

The realization of expenditure follows the following successive steps:

- a) Authorization of expenditure;
- b) Verification of budget inclusion and appropriateness;
- c) Assumption of commitment;
- d) The settlement of the expense;
- e) Payment authorization;
- f) The realization of the payment.

**Article 81
Expense authorization**

1. No commitment can be made unless the respective expense has been previously authorized under the terms of the law.
2. An expense cannot be committed without, cumulatively:
 - a) Being legal;
 - b) Satisfying the requirements of economy, efficiency and efficacy;
 - c) Identifying whether payments are made in the same year and/or in subsequent years.
3. The authorization of a 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.
4. If the expense aims at the realization of a provisioning procedure, the expense authorization includes the authorization to initiate this procedure.
5. The power to authorize the completion of the expense of services and entities of the general government sector is regulated by law.

**Article 82
Verification of inclusion and budget appropriation**

1. The verification of the budget entry consists of verifying if there is a budget allocation in the budget of the service or entity in the respective program and with the economic classification equivalent to the type of expenditure to be carried out.
2. The verification of the budget appropriation consists of verifying whether the amount of a certain expenditure is equal to or less than the unused value of the respective budgetary

appropriation and, if so, deducting from the balance of the respective budgetary appropriation the amount equivalent to the expenditure to be made.

3. When the expenditure is to be financed by own or assigned revenues, budget commitment shall also consist of establishing whether the necessary amount of revenue has been collected.
4. The budgeting and commitment is verified by the service or entity in its own budget through the issue of an inscription and commitment declaration.
5. If the expense has no budget line and/or appropriation, the service or entity must suggest a budget change to appropriate the expenditure and/or commit it to its budget.
6. In the case of a multi-annual expenditure, the budget appropriateness takes into account only the amount of expenditure to be incurred in the budget year itself.

Article 83

Making of Commitments

1. No payment may be authorized without a prior commitment having been made in accordance with the law.
2. Commitment is understood as the obligation to make one or more payments to third parties in exchange for carrying out work or providing goods and services or in compliance with a legal or contractual obligation.
3. The services and entities of the Public Administrative Sector can make commitments annually, which are commitments involving the obligation to make payments only in the budgetary year in which the commitment is made, and multiannual commitments, which are commitments involving 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 related to a multiannual commitment to be made in a budget year other than the year in which the commitment is made must be recorded in the budget for that budget year under the terms of paragraph 32.2.
5. A commitment cannot be made without, cumulatively:
 - a) The respective expenditure has been authorized in accordance with Article 81;
 - b) It has been entered in a budget appropriation;
 - c) The event giving rise to the obligation respects the applicable legal rules.
6. The commitment is made:
 - a) By signing the contract, for expenses resulting from the contract;
 - b) Through the settlement of expenditure and payment authorization, for costs arising from a law, an instrument of international law or a court decision.
7. The management bodies of the services and entities of the Public Administrative Sector with broad financial autonomy are empowered to make a commitment.

Article 84

Expenditure settlement

1. The settlement of an expenditure consists in determining the obligation and deadline for payment, identifying the beneficiary, verifying the right of the beneficiary and determining the exact amount of the payment to be made.

2. The expense is settled by the service or entity.

Article 85 **Payment authorization**

1. No payment can be made unless it has been previously authorized under the law.
2. A payment cannot be authorized until, cumulatively:
 - a) The relevant expenditure has been authorized under the terms of Article 81;
 - b) The commitment has been made under the terms of Article 83;
 - c) The expense is previously settled in accordance with the previous article;
 - d) If the commitment is of a reciprocal nature, the due consideration has been executed, without prejudice to the exceptions provided for by law.
3. The law may provide for part of the payment to be made before the execution of the payment due, in cases where this amount is necessary for the counterpart to be able to perform its services.
4. In duly justified exceptional cases, the member of the Government responsible for the area of finance may authorize the payment to be made without the execution of the due consideration having occurred.
5. The top manager of the department responsible for the financial management of the services and entities of the Public Administrative Sector is empowered to authorize a payment, except in the cases provided for in article 83.6(b), in which the power lies with the mandated body to make the commitment.
6. If the expense arises from compliance with the law, an instrument of international law or a judicial decision and the mandate to authorize the expense, make the commitment and authorize the payment or to carry out the last two steps belongs to the same body, they can be combined into a single decision.

Article 86 **Payment**

1. The payment is made by the outflow of funds and their delivery to the beneficiary.
2. A payment cannot be made without, cumulatively:
 - a) The respective expense has been authorized under the terms of article 81;
 - b) The commitment has been made in accordance with article 83;
 - c) The payment has been authorized under the terms of the previous article.
3. The payment of the expenses of Ministries, Secretaries of State not integrated into Ministries and the services and bodies of the Public Administrative Sector that enjoy limited financial autonomy is carried out by the Treasury, at their request, based on credits released.
4. Payment of costs of services and agencies of the of the Public Administrative Sector that enjoy extended financial autonomy, with the exception of Ministries and Secretariats of State not integrated within Ministries, shall be made by the services and organs themselves, using the funds delivered to them by the Treasury or collected by them, with the exception of expenses with remunerations and respective social contributions.

5. If the service or organ of the Public Administrative Sector that enjoys extended financial autonomy does not possess the administrative structure that allows it to process payments and to hold a bank account, it may request the Treasury to process its payments with the funds that should have been handed over to it under the terms of the law.
6. Payments are made via bank transfer or bank card.
7. In duly justified exceptional cases, the member of Government responsible for finance may authorize a particular payment to be made in cash or through another means of payment.

Article 87

Expenses from previous years

1. Expenses relating to authorized expenses and commitments made in previous years for which payment has not yet been made are met by funds from the GSB that is in force at the time the payment is made.
2. The provisions of the preceding paragraph do not prejudice the provision for a complementary period of budget execution, in the Government decree that approves and the rules concerning the execution of the State Budget, to complete the payments that have been authorized in that budgetary year.

Article 88

Remuneration Expenses

1. The Ministry of Finance is responsible for making remuneration payments, as well as taxes, social contributions that are the responsibility of the employer and the worker and other contributions and associated deductions, in relation to the holders of political offices, of corporate bodies and of management and leadership positions and to the workers of the services and entities of the Public Administrative Sector, after authorization by the respective governing body and based on the appropriations inscribed in the respective budgets.
2. Funding for remuneration expenses, as well as taxes, the social contributions that are the responsibility of the employer and the worker and the other contributions and related deductions, shall be entered in proper appropriations in the budget of the respective service or entity of the Public Administrative Sector, and the amounts of the Ministries, Secretariats of State not integrated in Ministries and of the services that enjoy limited financial autonomy shall be entered in the chapter pertaining to the department responsible for the financial management of the Ministry or Secretariat of State.
3. Social Security shall be responsible for the payment of remuneration, as well as taxes, social contributions payable by the employer and the worker and other associated contributions and withholdings, in respect of the members of corporate bodies, directors and managers and workers of Social Security services and entities, on the basis of the appropriations entered in the Social Security budget.
4. The Special Administrative Region of Oe-Cusse Ambeno shall be responsible for the payment of remuneration, as well as taxes, employer's and employee's social contributions and other related contributions and deductions in respect of the members of corporate bodies, directors and managers and the employees of the services and bodies of the Special Administrative Region of Oe-Cusse Ambeno, on the basis of the

appropriations entered in the budget of the Special Administrative Region of Oe-Cusse Ambeno.

5. Delay in the payment of remuneration does not release the workers of full compliance with their legal and contractual obligations.

Section V Other financial transactions

Article 89 Granting of guarantees and loans

1. The State may, exceptionally and based on the public interest, grant personal guarantees and loans, with respect for the maximum limit set in the GSB and subject to the approval of the member of Government responsible for finance.
2. The requirements for the granting of personal guarantees and loans by the State and the respective procedure are regulated by law.

Article 90 Restitution

1. Revenue collected by the services and entities of the Public Administrative Sector without the existence of a right to such collection must be refunded.
2. The refund is assessed and paid according to the rules for the conduct of other public expenditure.
3. Special refund regimes may be provided for in the law, particularly with regard to tax and customs revenue.
4. The right to a refund expires within three years from the date of collection of the amount to be refunded, unless a shorter period is legally applicable.
5. The expiry of the time limit referred to in the preceding paragraph shall be interrupted or suspended by action of the general causes of interruption or suspension of the statute of limitation.

Article 91 Recovery

1. The recovery of amounts that have been unduly paid by the services and entities of the Public Administrative Sector shall be carried out through reimbursement or compensation, and may also be reversed from the beneficiary's bank account where it was deposited when there is a payment referring to a period after the death of the beneficiary.
2. The amounts that have been unduly paid to workers in the services and entities of the Public Administrative Sector should, if possible, be recovered in future payments of the same nature.
3. In duly justified exceptional cases, the member of the Government responsible for the area of finance may authorize the payment in installments or determine the total or partial relief of the recovery of the amounts paid.
4. The recovery of amounts that have been improperly paid by Social Security is made by payment or compensation, and can also be reversed from the bank account of the

beneficiary where it was deposited when payment occurs for the period after the death of the beneficiary.

5. In exceptional, duly justified cases, the member of Government responsible for Social Security may authorize payment in instalments or determine the total or partial replacement of the amounts paid.
6. The recovery of amounts that have been improperly paid by the Special Administrative Region of Oe-Cusse Ambeno is made by payment or compensation, and can also be reversed from the bank account of the beneficiary when there is a payment referring to a period after the death of the beneficiary.
7. In duly justified exceptional cases, the President of the Oe-Cusse Ambeno Special Administrative Region Authority may authorize payment in installments or determine the total or partial relief of the recovery of the amounts paid.
8. The right to recovery shall lapse 10 years from the date of payment of the amount to recover, unless a shorter period is legally applicable.
9. The period of time referred to in the preceding paragraph shall be interrupted or suspended by action of the general causes for interruption or suspension of the statute of limitation.

Article 92

Modification and extinguishment of claims

1. The member of the Government responsible for finance may authorize the modification of a credit for a service or entity of the Public Administrative Sector, per transaction, within the scope of:
 - a) Judicial debt collection proceedings;
 - b) Bankruptcy proceedings, the modification of the credit cannot be proportionally greater than the credits of other creditors, if any.
2. The member of the Government responsible for finance may authorize the modification and extinguishing of a credit of a service or entity of the Public Administrative Sector:
 - a) For compensation;
 - b) For disturbance.

CHAPTER III BUDGETARY CHANGES

Article 93

Concept

Any change to the articles of the State Budget Law or to the values expressed in the tables of revenues and expenditures of the State Budget Law or of budgetary developments shall constitute a budgetary change.

Article 94

Law of change of the State Budget

1. Budgetary changes within the mandate of the National Parliament take the form of a law.

2. The GSB amendment law has the same structure as the GSB law, with the necessary adaptations.

Article 95

Changes within the jurisdiction of the National Parliament

The National Parliament is responsible for changes which consist of:

- a) Increasing total expenditure of the State Budget;
- b) Increasing total expenditure on the Social Security budget
- c) Increasing total budget expenditure of the Special Administrative Region of Oe-Cusse Ambeno;
- d) Increasing the total expense of a title;
- e) Transfer of funds between titles;
- f) Increasing the maximum amount that the State and the other services and entities of the Public Administrative Sector can borrow, guarantee and lend;
- g) Modification of the wording of the articles of the GSB law.

Article 96

Changes within the jurisdiction of the Government

1. The Government is responsible for changes not specified in the previous article.
2. Also within the jurisdiction of the Government are changes that consist of an increase in the total expenditure of the State Budget, in the total expenditure of a title, in the total expenditure of the Social Security budget or in the total expenditure of the budget of the Special Administrative Region of Oe-Cusse Ambeno, when such an increase results from:
 - a) The integration of the balance of the previous budget year;
 - b) An increase in the revenue from own or assigned revenues accounted for as revenue of the year itself.
3. The Government shall also be mandated to make alterations consisting of an increase of the Social Security budget expenses when they are related to social benefits due to the beneficiaries of the contributory and non-contributory Social Security system.
4. The Government shall also be mandated to make alterations consisting in the transfer of funds between titles, when they originate from the "General State Appropriation".

Article 97

Publication of Changes

Budget changes under the mandate of the Government shall be communicated to the National Parliament and published on the website of the Ministry of Finance by the end of the month following each quarter.

**TITLE VII
GENERAL STATE ACCOUNTS**

**Article 98
Content**

The GSA integrates the accounts of the services and entities of the Public Administrative Sector with limited and extended financial autonomy, presenting in an autonomous manner the Social Security account and the account of the Special Administrative Region of Oe-Cusse Ambeno.

**Article 99
Structure**

The GSA consists of the report and tables and is accompanied by information elements.

**Article 100
Report**

The GSA report contains the presentation and analysis of the principal elements relating to:

- a) The evolution of the principal macroeconomic indicators during the period of budget execution;
- b) The evolution of the financial situation of the Public Administrative Sector and the sub-sectors that comprise it;
- c) Execution of and changes to the State Budget;
- d) And other matters relevant to the presentation and justification of the GSA.

**Article 101
Tables**

The GSA is accompanied by the tables identified in Article 39.

**Article 102
Informational elements**

The GSA is accompanied by the following information:

- a) Consolidated budget statement and financial statement of the Public Administrative Sector;
- b) Budgetary statements and financial statements of services and entities of the Public Administrative Sector;
- c) Budget statement and financial statement of the Petroleum Fund of Timor-Leste;
- d) Situation of treasury operations and Treasury accounts and services and entities of the Public Administrative Sector;
- e) Budgetary changes;
- f) Overall indebtedness of the Public Sector as a whole, with individualized information by sector, public corporation and public-private partnership;
- g) Public debt situation and treasury operations of the Treasury and the services and entities of the Public Sector, identifying the loans contracted, the specific conditions and the payments of interest and amortizations made on account of each loan;

- h) Individualized information on expenses with public-private partnerships;
- i) Individualized information on credits and guarantees granted by the State;
- j) Financial and equity situation of companies, foundations and public associations or with State participation;
- k) Total amount of transfers and subsidies to entities outside the Public Administrative Sector
- l) Credits paid in lieu of payment 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 103

Preparation

1. The services and entities of the Public Administrative Sector shall submit, within three months following the end of the fiscal year, the respective accounting documents to the Government member responsible for finance.
2. The INSS shall submit the Social Security accounts and the respective accountability documents to the Government member responsible for Social Security for approval, which sends it to the Government member responsible for finance, within the period established in the previous paragraph.
3. The Special Administrative Region of Oe-Cusse Ambeno shall submit the account of the Special Administrative Region of Oe-Cusse Ambeno and the respective accountability documents to the Prime Minister for approval, who sends it to the member of the Government responsible for the area of finance, in the deadline set out in paragraph 1.

Article 104

Presentation

1. The Government submits the GSA to the National Parliament, for approval, and to the Chamber of Accounts of the Superior Administrative, Tax and Audit Court, for certification and issuing an opinion, within six months from the end of the budget year.
2. The Chamber of Accounts of the Superior Administrative, Tax and Audit Court sends the certification to the GSA to the National Parliament, within 30 days of receipt, and its opinion on the GSA, within two months from the date of receipt.

Article 105

Approval

The National Parliament shall appraise and approve the GSA within three months of receiving it and, in the event of non-approval, determines, if this occurs, the enforcement of the corresponding liability.

Article 106

Publication

1. Once approved, the GSA is published in the relevant series of the *Jornal da República*, together with the opinion of the Chamber of Accounts of the Superior Administrative, Tax and Audit Court.

2. The Government ensures the annual publication of the full content of the GSA within 30 days after its approval.

**TITLE VIII
BUDGETARY CONTROL AND ACCOUNTABILITY**

**CHAPTER I
Control**

**Article 107
Control of budget execution**

1. The execution of the State Budget shall be subject to administrative, political and jurisdictional control, the object of which shall be to confirm the correctness and adequacy of the accounting records and to verify the legality, economy, efficiency and efficacy of public expenditure and compliance with the established objectives.
2. The control is carried out prior, concomitantly and subsequent to the execution of the budget execution operations.
3. The control bodies have control powers 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 support granted through the GSB and those powers are essential for the control, indirectly and by cross-checking, of budget execution.

**Article 108
Administrative Control**

1. Administrative control is the responsibility of the Public Administrative Sector services and entities, the governing, supervisory and supervisory bodies, the Ministry of Finance, UPMA and the inspection, control and audit services of the Public Administrative Sector, and is carried out in accordance with the provisions of the Constitution of the Republic, this law and in the other applicable legislation.
2. The administrative control includes the performance of specific and regular actions to verify compliance with the legal requirements for the execution of the GSB.
3. Administrative control focuses on:
 - a) The correctness and accuracy of the accounting record;
 - b) The legality, economy, efficiency and effectiveness of expenditure;
 - c) Compliance with budget programs.
4. Administrative control covers any entities, public or private, that benefit from GSB funding, to the extent strictly necessary to control budget execution.
5. The services and entities of the Public Administrative Sector shall draw up, organize and keep in operation internal control systems and procedures for executing the GSB, aimed at preventing and/or identifying the occurrence of errors and irregularities, which may involve, where justified, recourse to the services of auditing companies.
6. The services and entities of the Public Administrative Sector shall submit monthly information on their budget execution to the respective management, supervisory and oversight bodies.

7. The services and entities of the Public Administrative Sector cooperate and provide all clarifications requested by the inspection, control and audit services of the Public Administrative Sector.

Article 109
Political control

1. Political control rests with the National Parliament and is carried out in accordance with the provisions 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 monitors the execution of the GSB and deliberates on the GSA.
3. The Government sends the National Parliament quarterly, up to 30 days after the end of each quarter, information on:
 - a) The execution of the GSB;
 - b) The use of Contingency Fund;
 - c) The budgetary changes approved by the Government;
 - d) Operations management of public debt and contraction of loans;
4. The National Parliament holds regular debates on the execution of the GSB with the presence of members of the Government.
5. Within the scope of political control, the National Parliament annually requests the Chamber of Accounts of the High Administrative, Tax and Audit Court to carry out at least two audits of services and entities of the Public Administrative Sector.

Article 110
Judicial Control

1. The Chamber of Auditors of the High Administrative, Tax and Audit Court shall exercise judicial review and shall do so in accordance with the provisions contained in the Constitution of the Republic, in this law and in 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 judicial control, the Chamber of Accounts of the High Administrative, Tax and Audit Court supervises the execution of the GSB and certifies and issues an opinion on the GSA.

CHAPTER II
RESPONSIBILITY

Article 111
Responsibility

1. Political office holders are politically, financially, civilly and criminally liable for the acts and omissions they practice in the exercise of their budgetary enforcement functions, under the terms of the Constitution of the Republic, the present law and other applicable legislation, which and establish the conditions and terms of political and civil liability and define criminal and financial infractions and the respective sanctions.

2. The holders of management and leadership positions and the workers in the services and entities of the Public Administrative Sector shall be liable, in disciplinary, financial, civil and criminal terms, for the acts and omissions they perform in the exercise of their budget execution functions, under the terms of the Constitution of the Republic, the present statute and other applicable legislation, which establish the assumptions and terms of civil liability and define criminal, financial and disciplinary infractions and the respective sanctions.
3. Without prejudice to the forms of implementation of the other types of liability referred to in the preceding paragraphs, financial liability shall be implemented by the Chamber of Auditors of the High Administrative, Tax and Audit Court, under the terms of the respective legislation.

TITLE IX FINAL AND TRANSITIONAL PROVISIONS

Article 112 Revocation

Law No. 13/2009 of 21 October on Budget and Financial Management, as amended by Laws No. 9/2011 of 17 August and 3/2013 of 7 August, is hereby repealed.

Article 113 Regulations

The Government shall approve, within six months, the regulations necessary for the implementation of this law.

Article 114 Transition to accrual accounting

The Government shall submit to the National Parliament, within two years, a report on the possible transition to an accrual accounting system that explains and evaluates:

- a) The legal, regulatory and operational changes that are needed;
- b) The concrete benefits for the management of public finances and their transparency;
- c) The direct and indirect costs associated with the transition;
- d) International transition experiences and the results achieved;
- e) The timing of the various stages of the transition process.

Article 115 Taking effect

1. The present law takes effect from the budget process related to the GSB law for 2022.
2. Without prejudice to the provisions of the preceding paragraph, the rules regarding the execution of the GSB take effect in relation to the execution of the GSB for 2021.
3. Notwithstanding the preceding paragraphs, if the process of adapting justifiably procedures and systems do not allow the implementation at an earlier date, the Government may delay, at most until the end of the budgetary process for the State Budget for 2023, the implementation of standards related to:
 - a) Treasury unit and management;

- b) The budget tables of the State Budget law and the information elements that accompany the proposed State Budget law;
 - c) The date of presentation of the proposed GSB law;
 - d) GSA tables and information elements accompanying GSA;
 - e) Budgetary balances.
4. If it chooses to delay the implementation of any of the rules referred to in the preceding paragraph, the Government must present the respective justification in the report of the proposed GSB law or in the GSA, respectively.

Article 116
Entry into force

This law enters into force on the day following its publication.

Approved on

The President of the National Parliament,

Promulgated on

To be published.

The President of the Republic,

Approved by the Council of Ministers on 20 January 2021.

The Prime Minister,

Taur Matan Ruak

The Minister for Finance,

Rui Augusto Gomes