PRIME
MINISTER

ADDRESS BY
HIS EXCELLENCY THE PRIME MINISTER
KAY RALA XANANA GUSMÃO
ON THE OCCASION OF THE PRESENTATION OF THE DRAFT LAW ON THE GENERAL STATE BUDGET FOR 2026

National Parliament, Dili

5 November 2025

Palácio do Governo
Avenida Marginal
Dili, Timor-Leste

Your Excellencies,
Madam President of the National Parliament,
Honourable Vice-Presidents of the National Parliament

Distinguished Members of Parliament,
Honourable Members of Government,

Ladies and Gentlemen,

It is with a profound sense of duty and responsibility that I address this distinguished assembly to present the Draft Law on the General State Budget for 2026.

This is, without doubt, one of the defining moments in the life of a State — to debate an instrument which is, above all, one of financial management, reflecting the strategies and political choices for our nation, and doing so through a democratic exercise of debate and scrutiny.

For this reason, the discussion of the General State Budget goes far beyond the consideration of numbers. **We are here to give meaning to these numbers, to give faces to these investments** — investments that aim to improve the lives of our people, to empower them, and to promote their development in a healthy, educated, entrepreneurial and happy society.

We are here to **implement a strategic plan**, first outlined in 2011, with a vision of policy, project and reform continuity — the only possible path to achieving our national development goals.

We are here to work for all Timorese families — from the farmer in Maliana to the coffee grower in Ermera, from the young graduate in Dili to the artisan in Suai, from the women and men who fish in Ataúro to the entrepreneurs of Baucau, and to the mother who takes her child to school in Oe-Cusse Ambeno.

This Budget is their story. It is the story of Timor-Leste. And it is the building of their future.

Ladies and Gentlemen,
People of Timor-Leste,

Twenty-six years after our courageous choice for independence, allow me to take a moment to reflect on some of our recent achievements as a nation.

As a **young, peaceful, stable and promising country**, we have had the privilege, in recent years, of receiving with great dignity and pride Heads of State and Government, the Secretary-General of the United Nations, the President of ITLOS, and other dignitaries — as well as His Holiness Pope Francis, whose visit brought a historic and unforgettable moment to our nation.

In recent months, Timor-Leste has taken firm steps in advancing its international integration agenda. We formally acceded to the **World Trade Organization** (WTO) in 2024 and, on 26 October last, became a full member of **ASEAN** — a historic and transformative achievement for our country.

Joining the WTO and ASEAN opens doors to new markets and opportunities. Currently, Timor-Leste's non-oil exports amount to around 21 million US dollars per year, mainly from coffee. This fact illustrates both a challenge and an opportunity.

By opening new markets, within the frameworks of the WTO and ASEAN, we can multiply that figure and ensure our presence in the region — a region which, in ASEAN's case, represents some 680 million potential consumers.

But with opportunity always comes responsibility. Our ASEAN neighbours expect Timor-Leste to be a partner they can rely on — a partner that keeps its promises, manages its resources wisely, and strengthens its institutions for better performance.

In this balance between opportunity and responsibility, Timor-Leste can project its voice in the corridors where regional decisions are made — a voice that has chosen peace over conflict and dialogue over division.

On the international stage, in a world troubled by wars, instability and intransigence, Timor-Leste stands as an example of peace, reconciliation and tolerance — both religious and political — and can contribute to building a better world.

Another complex and pressing global challenge is climate instability, with grave implications for the lives of millions. **Timor-Leste has** invested in **climate resilience programs** and remains committed to international sustainability goals and to the promotion and conservation of biodiversity — including through the establishment of the Green Climate Fund, which will receive capital allocation in this State Budget.

Furthermore, the Ninth Constitutional Government has **placed the ocean at the centre of its action**, seeking, as far as possible, to prevent and reduce the impacts of climate change for the benefit of present and future generations of Timor-Leste — and of the planet.

The Blue Economy we envision for our country seeks to harness the economic potential of marine resources for national sustainable development, while simultaneously ensuring the protection and conservation of the sea and its ecosystems.

In June this year, we approved an integrated and inclusive roadmap embodied in the ***Policy and Action Plan for the Promotion of a Resilient and Sustainable Ocean Economy in Timor-Leste (2025–2035)***, which was followed by an extensive period of public consultation, allowing any organisation or citizen to share their views on a matter so vital to our country and to each of us.

The final version, incorporating all contributions — including those from municipal authorities and local leaderships, gathered during a public session held on 21 October that brought together 750 representatives from across the country — will be approved by the end of this year, thereby enabling the alignment of national and international partners with the Government's objectives.

This mission of promoting and implementing the Blue Economy is yet another example of our potential as a responsible, altruistic nation committed to sustainable development. In short: **Timor is TASI — Timor Azul, Sustentável e Inovador — Blue, Sustainable and Innovative**!

As you know, our **national struggle for sovereignty over maritime boundaries** has always been linked to the pursuit of economic development and environmental protection.

The maritime boundary delimitation we achieved with Australia, and the ongoing efforts to delimit our boundaries with Indonesia, signify the full exercise of our sovereign rights — both over our seabed (including rights to the exploration of oil and gas) and over our Exclusive Economic Zone (EEZ), encompassing rights to fisheries within the water column and other entitlements, notably those related to the development of the maritime and tourism sectors.

It is therefore with great satisfaction that I inform you that this year we were able to resume maritime boundary negotiations with Indonesia. The first formal round was held in Dili in August, and the second round will take place next month in Indonesia.

The legal certainty resulting from the maritime boundary delimitation with Indonesia will undoubtedly contribute to our broader development vision, including efforts to combat Illegal, Unreported and Unregulated (IUU) Fishing, which has severely affected both State revenues and our marine environment.

Your Excellencies
Ladies and Gentlemen,

The Government remains firmly committed to economic diversification and job creation, alongside the strengthening of social capital and investment in infrastructure.

To realise this vision, we have been studying financial instruments that can help create long-term financing conditions for national investors.

Last month, we approved the establishment of the **National Development Bank of Timor-Leste** (BNDTL – Banco Nacional de Desenvolvimento de Timor-Leste), which will support productive investment and foster economic growth in the private sector.

This National Development Bank, inspired by international best practices, is intended to finance projects with high economic and social impact, particularly in priority sectors such as agriculture, tourism, manufacturing, infrastructure and social services.

By promoting access to credit, we are not only stimulating productive sectors but also strengthening territorial cohesion and social inclusion. The National Development Bank will become a cornerstone of our country's economic future.

In parallel, digital governance initiatives have been making progress. The introduction of a digital identification system will allow for greater accuracy in verifying beneficiaries, tighter control of payroll systems and reduced leakage in cash transfers, through a modern information system connecting banks and mobile money providers.

This includes data interoperability among tax, customs, pension and civil registration systems, strengthening compliance and expanding the revenue base.

As I mentioned earlier, Timor-Leste's accession to ASEAN is a transformative milestone for our country — not only through expanded access to markets but also through increased investor confidence, reinforced by the regulatory frameworks to which we have adhered.

However, none of these measures can succeed if implemented in isolation. That is why we have invested in the submarine fibre-optic cable project to improve our international connectivity — meaning faster and more affordable internet for citizens and businesses, both in the capital and in remote areas. In 2026, we will continue this investment to operationalise the **National Digital Infrastructure**, integrating submarine cables, terrestrial fibre, and universal digital access.

And, speaking of connectivity, the modernisation and expansion of **Presidente Nicolau Lobato International Airport**, already underway, will enhance regional connectivity, facilitate trade and tourism, and open Timor-Leste to regional markets.

Madam President of the National Parliament,
Distinguished Members of Parliament,

The Ninth Constitutional Government is committed to pursuing the objectives of sustained economic growth within a modern, transparent and efficient institutional framework, capable of combating corruption and bureaucracy, while promoting integrity, professionalism and public trust in State institutions.

It was with these values and convictions that, upon taking office, we responded to the political situation we found in 2023 — a period of stagnation in the process of State and nation-building.

We felt the need to reform in order to ensure the consolidation of the State. This is what the people chose when they elected this Ninth Government. The Timorese people chose a government determined to correct the irregularities that had persisted from the previous administration.

When we took office, we encountered a financial system that had fostered a lack of accountability, a lack of transparency, and an absence of planning and strategic vision — all of which caused losses and damage to the State's public finances, and to our Petroleum Fund.

We found a public administration that was inert — or worse, mismanaged — generating discontent and distrust, due to the absence of political guidance towards efficiency, transparency and ethics, all of which are essential for the implementation of sound public policies. We were, in short, confronted with a state of disorder, and with a justice system that had failed to earn the people's confidence in nation-building, and had not contributed to sustainable development or to the well-being of the Timorese.

A moment ago, I referred to the importance of continuity in public policies in order for them to be effective. This Government found that the previous administration had not adhered to the Strategic Development Plan 2011–2030 (SDP), resulting in complete stagnation.

We are now returning to the necessary path of continuity of the SDP — giving priority to basic infrastructure, to education and health services, and to the construction and consolidation of State institutions, with the active involvement of all Timorese citizens.

Ladies and Gentlemen,

It is also in this spirit that, starting next year, we will invest in greater support for the micro and small enterprises of our country — to motivate and encourage Timorese citizens to develop their capacities and to become more actively involved in the process of economic development.

This, indeed, is integration — enabling our people to take part in the national and regional markets. There will be no true benefit in Timor-Leste's integration into ASEAN unless our families and entrepreneurs participate in the new economic dynamics that this membership makes possible.

This, indeed, is independence — for otherwise, we would merely become an extension of other Asian countries' economic dominance, rather than a partner sitting at the same table, with equal capacity, dignity and bargaining power.

That is why the General State Budget for 2026 is more than a financial plan. It is our pact with the Timorese people, and our commitment to the region we are joining — as equals!

Madam President of the National Parliament,
Distinguished Members of Parliament,

Under the theme ***Investing in National Transformation, Regional Integration and Inclusive Development***, the proposed total budget of **2.291 billion US dollars** (consolidated total) — representing a 5.2% increase compared to the 2025 Budget — is guided by one underlying principle in the planning of every dollar:

– Will this help a Timorese family live better tomorrow than it does today?

If 2024 was a year to correct the weaknesses found in our institutions, systems and public-sector processes, and 2025 a year to define policies, strategies, and implement reforms and audits, then 2026 will be the year to transform the economy.

Your Excellencies,
Ladies and Gentlemen,

This transformation must, however, be built upon a solid domestic foundation. The budget documents and reports before Your Excellencies detail our macroeconomic outlook and fiscal strategy.

This strategy is based on technical and financial assumptions designed to capitalise on our strengths and mitigate our vulnerabilities.

For example, non-oil GDP grew by 4.3% in 2024 and is projected to accelerate to 4.5% in both 2025 and 2026 — the highest economic growth in Timor-Leste in the past decade. This positive momentum gives us the opportunity to deliver tangible benefits to our people.

We are committed to four key objectives that guide every dollar we spend:

First, job creation, especially for our youth.

Among all Southeast Asian countries, Timor-Leste has the highest annual population growth rate — 1.8% between 2015 and 2022. In addition to being one of the youngest nations in the world, around 65% of our population is under 30 years of age. This presents a challenge, but above all, an opportunity — for we have a large, active workforce, full of energy and ideas.

Many of our brightest and most talented young people feel compelled to leave for Australia or Portugal because they cannot find meaningful work in their own country.

It is a national imperative to give our youth hope within their own nation, so that they need not seek their future abroad.

The 2026 General State Budget will support productive sectors capable of growing rapidly and generating large-scale employment. Indeed, we have increased funding by more than 55% for programs that promote inclusive and sustainable economic growth, and by 62% for infrastructure development, compared with last year.

We are not merely building roads; we are building pathways to employment. We are not only supporting agriculture; we are supporting the farmer’s son who wants to add value to his father’s harvest and sell it across Southeast Asia. When a young person graduates from university, they must see a future here — in Timor-Leste.

To achieve this, investment in basic infrastructure is essential. From the 223 million US dollars allocated to the Roads and Bridges Program (mainly through the Infrastructure Fund), to the $25.8 million for water and sanitation programs, the Government reaffirms its commitment to expand the Water Infrastructure Expansion Program and to ensure equitable access to safe drinking water across the country.

In this budget, we will allocate 138.5 million US dollars to electricity sector programs aimed at improving the power distribution network, while also investing in projects to diversify energy sources through renewable energy.

In addition, with an investment of 46.3 million US dollars in the airport sector, we are investing not only in connectivity, but in economic diversification — driving growth in tourism, trade and industry, particularly within the framework of regional integration.

For the agricultural sector, we have allocated 43.4 million US dollars to promote food security and job creation, both fundamental conditions for the success of our youth.

And these young people are found not only in Dili, but also throughout the country. Through an allocation of 37.1 million US dollars for decentralisation, which will unlock investment in local infrastructure and promote the development of municipal autonomy, we aim to foster the sustainable development of the entire nation — ensuring better quality of life and inclusive opportunities across all regions of Timor-Leste.

Second, stability through prudent fiscal management.

The Petroleum Fund is not our piggy bank – it belongs to future generations. It is a sacred trust, a pact between generations. The oil and gas beneath our seas do not belong only to us, but also to our children, and to their children.

Today, this Petroleum Fund holds around 18 billion US dollars – an enormous sum, roughly nine times the size of our non-oil GDP, and one of the highest ratios in the world. However, with our main petroleum fields now depleted, this Fund will not last forever. If we continue on the current path, it could be fully exhausted within the next decade.

Every withdrawal must be justified not only to this National Parliament, but also to the child who will inherit what we leave behind. We must expand domestic revenues not by overburdening taxpayers, but by creating a dynamic economy, where more people earn incomes and can contribute their fair share. Consider that, in 2024, the State spent about 1.93 billion US dollars, yet only 230 million of that amount was covered by our domestic revenues – more than $1.3 billion had to come from the Petroleum Fund.

This level of dependence is unsustainable. We must grow our private sector and broaden our tax base, so that in the future a greater share of our budget is financed by prosperous Timorese businesses and workers, rather than by petroleum money. The 2026 Budget honours this intergenerational pact, while also financing investments in health, education and infrastructure that will raise productivity and create opportunities for all Timorese.

For this reason, we will continue to capitalise on our petroleum and mineral wealth, with an investment of 194.1 million US dollars in this strategic sector, supporting critical projects such as Tasi Mane, Greater Sunrise, and the Bayu-Undan transition, including future exploration and the construction of the gas pipeline to Timor-Leste.

The foundation of success for our growth and diversification lies in our human capital. We will not escape this trap of dependency unless we have a healthy and skilled population.

A substantial portion of the budget must therefore be allocated to investing in the human capital of our nation. With 181.7 million US dollars for the education sector, $138.3 million for health, and $54 million for social protection and inclusion, we are investing in a healthier, more capable and fairer society – the essential foundations of the social and economic base of a developing nation.

At the same time, we will continue to invest in vocational training, with 12.8 million US dollars allocated to SEFOPE and to technical and training institutes, to encourage entrepreneurship, especially among the younger population. This strategy also foresees an investment of 32.1 million US dollars to support the private sector, particularly small and medium enterprises, cooperatives, and producers driving productivity in agriculture, tourism and manufacturing.

Third, building capable institutions.

When a citizen approaches a public service, they should be received with respect and efficiency. When a business applies for a licence, the process should be transparent and predictable. And when we make promises to our partners in ASEAN, our institutions must be strong enough to keep them.

We cannot be a reliable partner abroad if we are not first a capable government at home. We are strengthening our institutions to meet that standard. Timor-Leste has risen seven places in the Global Corruption Perceptions Index over the past five years, reflecting real progress in transparency and accountability — indeed, only two ASEAN countries (Singapore and Malaysia) rank ahead of us in this index.

We are also harnessing technology to improve governance: the introduction of a new digital identification system will ensure greater accuracy in identifying beneficiaries, stricter payroll controls, and reduced leakages in public programs.

Moreover, we continue to reform the functioning of Government — strengthening procurement processes, upgrading financial management systems, and aligning our planning and budgeting with clear performance indicators — so that when a teacher awaits her salary or a contractor builds a school, the system functions efficiently and transparently.

On this matter, I can only reaffirm that the Government will continue to implement structural reforms in public financial management, aimed at the modernisation and transparency of the State's financial administration. This will include an investment of 6.2 million US dollars in human resource management, with the goal of consolidating a professional and accountable public administration.

Fourth, ensuring dignity for all our people.

Growth means nothing if it does not reach the grandmother in the mountains who still walks hours to access basic health care, or the child whose potential is limited by a school without proper facilities. Social cohesion is not merely a promise — it is the foundation of everything we are trying to build.

Access to electricity increased from about 38% of the population in 2010 to almost 100% this year, and by 2026, the last remaining 183 villages will have electricity. Access to clean water has also improved — from 70% of our population in 2014 to around 87% in 2024, according to international estimates.

These improvements restore dignity and opportunity in everyday life. However, we know that there are still many families struggling to survive.

For this reason, the category of public transfers remains predominant in the 2026 General State Budget, as it includes direct social transfers such as pensions, disability allowances, child and social protection programs, as well as transfers to Social Security, the Special Administrative Region of Oe-Cusse Ambeno (RAEOA) and Municipalities, in the context of decentralisation.

In a government under my responsibility, I cannot fail to defend social inclusion and income redistribution in a country that would be nothing today without the sacrifices of its entire population. Every gesture, no matter how small, contributed to our independence; therefore, every small contribution from an independent State now helps to uphold the dignity of the social foundation of our Nation.

Your Excellencies
Ladies and Gentlemen,

Allow me also to be frank about some of our challenges.

The imbalance between imports and exports, the climate events that put pressure on our budget, and the temptation to spend beyond our means are risks we must take into account when preparing the budget.

The 2026 Budget does not conceal these risks — quite the opposite, it confronts them directly.

We have compared our projections with those of international institutions and have been honest about the uncertainties we face, using conservative forecasts and careful planning.

One pressing challenge is our dependence on imported goods. To put this into perspective: last year, Timor-Leste imported around 923 million US dollars in goods, while our non-oil exports amounted to just 21 million US dollars. This means that a large portion of our spending is directed towards the purchase of foreign products, rather than circulating within our domestic economy — a serious challenge for local industry.

At the same time, climate events — droughts, floods, cyclones — can put pressure on public finances, in addition to the suffering they cause to our people. We all remember Cyclone Seroja, which struck the country in 2021 and required over 6.2 million US dollars in unforeseen government expenditure for disaster response.

That is why we make conservative plans, strive for greater quality in expenditure execution, and focus investments on projects that generate real multiplier effects, especially at the municipal level, where people feel the impact most directly.

Finally, we must be realistic about fiscal risks. We know that natural disasters and external economic shocks can affect our budget, so we cannot afford to be unprepared. Our low level of public debt is an asset we will protect — currently at only around 13% of GDP — and our goal is to keep it low and sustainable.

Using the US dollar as our currency shields us from exchange-rate volatility, but it makes it all the more important to safeguard the Petroleum Fund.

As I mentioned earlier, we are modernising our tax system to create a fairer framework — one in which everyone contributes according to their means, rather than overburdening the most vulnerable.

We will introduce Value Added Tax (VAT) only when our systems are ready and our population is prepared. Indeed, our analysts estimate that VAT could eventually increase revenues by about 1% of GDP — a useful boost to our finances — but we will not implement such a measure until we can do so carefully, with proper consultation and protection for low-income families.

We are improving our financial management, not to achieve bureaucratic perfection, but to ensure that every dollar reaches its intended destination. This means strengthening financial management systems, improving procurement processes, and raising standards of reporting and auditing.

We are aligning our planning, programming and budgeting so that each program includes clear indicators that tell us — and tell you — what every dollar actually achieves.

These may seem like technical reforms, but they matter greatly — to the teacher waiting for her salary, the contractor building a school who deserves to be paid on time, and the citizen who has the right to know how their government invests their money.

When procurement is transparent and competitive, we achieve better value for money and create opportunities for local businesses. When financial management is sound, we can respond quickly to emergencies and to new opportunities. When reports are clear and honest, citizens can hold us accountable for our promises.

Membership in the World Trade Organization (WTO) establishes fair rules for trade, giving our farmers, fishers and small manufacturers predictable access to foreign markets, while providing investors with the certainty they need to build factories and create jobs here in Timor-Leste. Accession to ASEAN will integrate us into regional supply chains, reduce the cost of transporting goods, and open new opportunities in services — from tourism to digital trade.

Indeed, ASEAN membership is already expanding Timor-Leste's international profile and investor confidence. This means greater foreign interest in investing in our industries here in our country, more tourists visiting our shores, and more connections and opportunities for our businesses to seize.

But none of these opportunities will materialise automatically — we must prepare our people and institutions to seize them.

Our task now is to translate these international frameworks into concrete benefits, through practical support.

That is why this budget places equal emphasis on maintenance as well as new construction, on municipal capacity as well as central government programs, and on performance as well as promises. There is no point in building a new school if we cannot maintain it or hire qualified teachers. It makes no sense to build a road only to let it fall into disrepair after two years.

New initiatives, such as the National Development Bank (BNDTL – Banco Nacional de Desenvolvimento de Timor-Leste), designed to mobilise financing for private-sector growth and infrastructure projects, or the prioritisation of strategic investments along our southern coast, particularly in petroleum- and mining-related projects, represent tangible measures that can expand our industrial capacity and unlock new sources of growth.

The Blue Economy, as I have already mentioned, represents both our heritage and our future. Investing in sustainable fisheries, aquaculture and tourism not only feeds our families, but also creates jobs and generates essential income, while at the same time protecting our natural wealth.

Your Excellencies,
Ladies and Gentlemen,

On my travels abroad, I have carried with me the stories of our people. I have told world leaders that small states like ours do not need charity — they need partnership. We have solutions to offer, experiences to share, and contributions to make. But we need fair rules, accessible climate finance, and truly open markets for small exporters. Our engagement with the world reinforces our domestic goals.

In New York, at the United Nations, and in Geneva, at the WTO, we have consistently argued that development and peace go hand in hand. Small states like ours must build resilience at home, while also building solidarity with our neighbours and partners abroad.

We support a multilateral system that listens to the voices of Small Island Developing States (SIDS) and Least Developed Countries (LDCs) — not as cases for charity, but as partners with valuable perspectives and solutions.

This outlook shapes our diplomacy and will shape our trade relations: cooperation that opens markets and creates opportunities without compromising our sovereignty or our values.

This is the spirit we bring to ASEAN: integration with dignity, reform with purpose, and growth that genuinely touches the lives of real people.

We will continue to tell the Timorese story to the world: that there can be peace after struggle, dialogue after division, and that reconciliation after conflict is not an abstract ideal.

And finally, a word to our development partners: We welcome investment that builds skills and creates lasting value. We appreciate budgetary support that strengthens our systems and institutions, not merely our balance sheets.

We seek alignment with our ambitions for technological and digital development, with the implementation of the Strategic Development Plan (SDP – Plano Estratégico de Desenvolvimento), the Government Program, and the Blue Economy Policy.

But let me return to what matters most — the people of Timor-Leste.

To our private sector: help us train the next generation of Timorese entrepreneurs. Every formal business you create, every young person you train, every export market you develop makes our entire nation stronger. Take advantage of the new opportunities that membership in the WTO and ASEAN will bring. Invest in our youth through training and skills programs.

To our young people: take advantage of every training and employment opportunity available. By investing in yourselves, you are investing in your country. Take pride in contributing to the building of this State, whose future will be in your hands.

To our dedicated public servants: You are the bridge between the Government’s promises and citizens’ realities. Work with integrity and urgency — our people deserve nothing less. And remember that every form you process, every service you deliver, every decision you make affects real families with real hopes and real needs.

Finally, I would like to make an appeal to our institutions, and above all, to our sovereign bodies: Let us work together — with all sectors, public and private, from north to south, from west to east, from youth to elders. Our strength does not lie in our petroleum reserves or our strategic location, but in our people — in their resilience, their creativity, and their determination to build a better future for their children.

Let us move forward together — with discipline in our finances, ambition in our reforms, and unity in our national purpose — for together we are stronger than any challenge we face.

And so, we stand ready to debate a State Budget that is prudent and balanced, yet one that can be further improved with the valuable contributions of the Honourable Members of Parliament.

The annual democratic debate on the State Budget is a test of the strength of our democracy, where sovereign institutions come together with a common goal: to improve the economic and social life of our nation.

Thank you very much.

Kay Rala Xanana Gusmão