



**PRIME
MINISTER**

**ADDRESS BY
HIS EXCELLENCY THE PRIME MINISTER
KAY RALA XANANA GUSMÃO**

**ON THE OCCASION OF THE GENERAL DEBATE ON THE
AMENDMENT TO THE 2026 STATE BUDGET**

**“Investing in National Transformation, Regional Integration, Inclusive
Development and National Resilience”**

**National Parliament
28 May 2026**



Palácio do Governo
Avenida Marginal
Dili, Timor-Leste

Your Excellencies
Madam Speaker of the National Parliament
Vice-Speakers of the National Parliament

Distinguished
Members of Parliament
Members of Government

Ladies and Gentlemen,

It is with a profound sense of duty that I stand before this august House to present the proposed law for the first amendment to the 2026 State Budget.

The 2026 State Budget was approved by Your Excellencies in November last year, following an open and democratic debate, which concluded with the Parliament placing its confidence in the Government for the implementation of the essential strategies, public policies and investments presented.

As you know, the budgetary discussion is not merely about numbers, percentages, and financial data. On the contrary, its ultimate purpose is to promote the country's development and the well-being of its citizens.

It is with that purpose and sense of responsibility that, six months after the approval of the 2026 Budget, the Government returns to the National Parliament proposing a budget amendment that will allow the country to adapt to recent global developments.

Distinguished Members of Parliament,
Ladies and Gentlemen,

As is publicly known, the world is currently experiencing a moment of uncertainty and insecurity, with harmful consequences felt most acutely in developing countries such as Timor-Leste.

The tragic conflict that this year engulfed the Middle East, significantly aggravating the instability already affecting that region of the world, has triggered an unprecedented global energy crisis.

The crisis in fuel supply and availability, which are central to energy production and to the functioning of productive sectors in most countries, has required the adoption of urgent, exceptional, and financially costly measures.

These measures are essential not only to ensure fuel for electricity production and transport services, but also to guarantee the supply of goods to markets, the functioning of agricultural machinery and the prevention of difficulties in access to food, healthcare services, and education.

Timor-Leste, still heavily dependent on imports, is particularly exposed to these shocks, which may even lead to a situation of social instability.

It is our duty, as Government and National Parliament, to ensure national security and protect the Timorese people.

The Government of Timor-Leste, like the governments of many other countries, reacted immediately by procuring 80 million litres of diesel fuel and adopting legislative measures to ensure price stability.

However, the global situation continues to be marked by a veil of uncertainty, which requires the adoption of further measures that cannot be implemented without amendments to the 2026 State Budget.

The objectives of investing in national transformation, regional integration and inclusive development remain firm. Likewise, the withdrawals from the Petroleum Fund foreseen in the original 2026 Budget remain unchanged.

Accordingly, this revised budget seeks to ensure budgetary stability in a context of global instability through a combination of internal budget reallocations, available cash balances, carried-over resources, and higher-than-expected domestic revenues, to support these additional measures.

In other words, the Government will continue to invest in roads and bridges, in improving schools and health services, in supporting agriculture and tourism, in supporting the private sector and in creating opportunities for young people. The Government will also continue working to ensure that Timor-Leste fulfils its responsibilities as a member of ASEAN.

And it will continue to do so because it will adapt to the new circumstances that so require. This, indeed, is the function of responsible governance.

Your Excellencies,
Ladies and Gentlemen,

The proposed budget amendment is the result of a rigorous review exercise, essentially consisting of the reallocation of funds already foreseen among different budget categories, institutions, and activities.

The reallocation of resources from lower-priority projects to urgent and priority areas does not represent a retreat, but rather an honest exercise in redefining priorities.

This approach is consistent with the reforms introduced in programme-based budgeting, rigorous monitoring of budget execution, improved expenditure control, and more effective management.

We are responding to an urgent crisis, but without placing immediate additional pressure on the Petroleum Fund. And this fact, Honourable Members of Parliament, was a commitment made and honoured with the utmost discipline in the preparation of the budget amendment before us today.

Madam Speaker of the National Parliament
Distinguished Members of Parliament,

The proposed budget amendment essentially introduces the following measures, which we shall have the opportunity to discuss in detail during today's debate and over the coming days.

It introduces a targeted package of measures amounting to **271 million dollars**. The key measure is the establishment of a national strategic fuel reserve in the amount of **174.3 million dollars**, sufficient to cover approximately seven months of electricity generation needs.

This is a strategic decision aimed at ensuring the continuity of supply to Hera, Betano, the Special Administrative Region of Oe-Cusse Ambeno and Ataúro, as well as protecting the functioning of essential services at a time of global uncertainty.

We are also introducing a fuel subsidy programme in the amount of **42 million dollars** to limit the direct impact of rising international fuel prices on families and businesses.

A further allocation of **5 million dollars** is proposed to reinforce rice reserves, the staple food of the population, and strengthen food security.

When global fuel prices rise, the price of rice may also increase due to higher transport, fertiliser, and production costs.

This measure will strengthen the Government's capacity to intervene should market conditions deteriorate further.

At the same time, we are reinforcing the contingency reserve by **40.9 million dollars**. Not because we wish to spend more, but because we must be prepared.

A responsible State must have the capacity to respond rapidly to new shocks, whether arising from energy markets, food prices, natural disasters, or other unforeseen events.

Your Excellencies,

The budget amendment does not undermine — rather, it reinforces — the vision underpinning the 2026 State Budget approved by Your Excellencies.

The decentralisation process, aimed at the electoral process for the election of local government bodies next year and at ensuring that national development reaches every village in the country, remains a priority.

For this reason, the proposed budget amendment includes support for the municipalities and the Special Administrative Region of Oe-Cusse Ambeno, including fuel support for agricultural tractors and resources to strengthen the new administrative structure of Oe-Cusse Ambeno.

National development cannot be achieved solely from Dili. A nation is strong when its institutions serve all its citizens, wherever they may live.

Finally, the proposed budget amendment also seeks to fulfil our international commitments, which today assume greater importance than ever before.

Timor-Leste, a country marked by war and suffering, but also by the values of peace, reconciliation and dialogue, believes in international solidarity and cooperation as conditions without which humanity cannot survive and no country can develop.

Integration into ASEAN, accession to the WTO, cooperation with the CPLP and partnerships with our neighbours and development partners are not symbolic. They are pathways to the development of our country and to bilateral and regional stability and cooperation.

For this reason, the proposed budget amendment includes the necessary appropriations for Timor-Leste to honour the commitments assumed under the Pro Tempore Presidency of the CPLP, exercised with a sense of responsibility, thereby contributing to the unity, solidarity, and development of the peoples of the Community of Portuguese Language Countries.

Your Excellencies,

Despite the external shock, our economy remains resilient.

Growth of **4.5 per cent** is estimated for 2025, one of the highest rates recorded over the last decade.

In 2026, growth is projected to moderate slightly to **4.3 per cent**, as higher global fuel and food prices reduce household purchasing power, increase business costs and weaken investment.

Inflation, which fell sharply to **0.5 per cent** in 2025, is expected to rise to **2.2 per cent** in 2026 due to renewed imported inflationary pressures.

These figures tell us two things.

First, Timor-Leste is moving forward. Our people are working, our businesses are investing, our public programmes are supporting economic activity, and our reforms are beginning to strengthen the foundations of the economy.

Second, despite these positive developments, we remain vulnerable to external shocks.

The amendment to the 2026 State Budget is therefore necessary.

Your Excellencies,
Ladies and Gentlemen,

I stand before Your Excellencies, accompanied by the members of the Ninth Constitutional Government, at yet another decisive moment in the life of the State.

A revision of the State Budget in response to a critical moment in the history of humankind.

Today, the uncertainty inherent in the human condition has assumed alarming proportions in a context marked by war, the absence of dialogue and the erosion of tolerance.

We cannot, however, give up. Within our capacities, we have a duty to adopt all necessary measures to safeguard our country and protect the well-being of our people.

The proposed law amending the budget is presented with seriousness and confidence. Confidence in the resilience of our people. Confidence in the dedication of our institutions. And confidence in the sense of responsibility of the organs of sovereignty.

We stand ready to debate a budget amendment that is measured, balanced and pragmatic. An amendment for the security of the country and the protection of our people.

Accordingly, I appeal to Your Excellencies to approve the proposed amendment to the 2026 State Budget, thereby allowing the Government to have the necessary instruments to respond responsibly to the challenges facing the country.

Thank you very much.

Kay Rala Xanana Gusmão