PRIME
MINISTER

ADDRESS BY

HIS EXCELLENCY THE PRIME MINISTER

KAY RALA XANANA GUSMÃO

ON THE OCCASION OF THE PRESENTATION OF

THE DRAFT STATE BUDGET LAW FOR 2027

National Parliament, Dili

9 November 2026

Palácio do Governo
Avenida Marginal
Dili, Timor-Leste

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

Honourable Members of Parliament,
Members of the Government,
Ladies and Gentlemen,

People of Timor-Leste,

I stand before the National Parliament today with a profound sense of responsibility and duty to submit for your consideration the political and financial priorities of the IX Constitutional Government for the coming year, as set out in the Draft State Budget Law for 2027.

Through this proposed Budget, we seek to strengthen our economy, improve the delivery of public services and extend opportunities for progress and well-being to Timorese families throughout the country.

The mission of this Government is to manage the State's financial resources – substantial but finite resources – with rigour, sustainability, transparency and responsibility, preparing our country not only for 2027, but also for the challenges of the years ahead in an increasingly uncertain and demanding world.

The year 2027 will be particularly significant for our Nation. We will mark 25 years of independence, a quarter of a century on our journey as a free and sovereign people.

It will also be a time of remembrance and gratitude towards all those who made sacrifices on every front of the struggle so that we can stand here today, in this House of Democracy, and determine our own destiny justly, peacefully and through democratic participation.

It is against this backdrop that the 2027 Budget is presented under the theme "**Strengthening Resilience through Transformation: Diversifying the Economy for a Sustainable Future**".

This represents the Government's political commitment to building a Timor-Leste that is less dependent, more inclusive and genuinely prepared for the challenges of the coming decades.

Honourable Members of Parliament,

For us, resilience means ensuring that families have a secure income when prices rise. It means having water available for agriculture during periods of drought and securing the raw materials needed to build infrastructure and develop our industries.

A resilient State is one that can continue to provide quality public services to its people, even in the face of shocks and difficulties, without irresponsibly spending the savings of future generations.

In 2011, the Timorese people set out their vision for long-term resilience in the Strategic Development Plan 2011–2030. They aspired to a Nation that firmly protects its sovereignty and builds a strong economy, with a healthy, well-educated population capable of competing in the modern world.

That Plan, now updated with what has been achieved and was not possible to achieve, and further developed through the Medium-Term Plan 2027–2030, has guided our major national development choices and strategic infrastructure investments, specifically to support and accelerate the growth of the Timorese economy.

We built an electricity generation and distribution system to bring power to people throughout the country. By the end of 2025, electricity had reached all 163 villages targeted by the expansion program, while solar power systems had also reached households in remote areas.

We invested in a national road network that connects our communities and enables our businesses to grow and develop. By June this year, 2,475 kilometres of roads had been completed or rehabilitated.

The installation of the submarine fibre-optic cable, which provides high-speed internet to our people and businesses, is strengthening Timor-Leste’s connection to the world.

We are upgrading Presidente Nicolau Lobato International Airport, making it easier for people, business leaders and investors to travel to Timor-Leste.

These investments have transformed our country’s infrastructure and laid an important foundation for economic development. At the same time, we have undertaken substantial reforms in public institutions through the Civil Service Commission, as well as

reforms of the State's financial management systems and key human development sectors, such as health and education.

In July 2025, the World Health Organization certified Timor-Leste as malaria-free. Trachoma was also eliminated as a public health problem. These achievements belong, above all, to our healthcare professionals, who work most closely with our communities.

Progress has also been made in education, with increased enrolment in basic education and the recruitment of thousands of teachers.

At the same time, we are strengthening our participation in the regional and international economy. In 2024, Timor-Leste joined the World Trade Organization and, last year, became the eleventh member of ASEAN.

Timor-Leste's territory does not end at its coastline; it extends into the sea. And it is in that sea that an essential part of our sovereignty and our future also lies.

That is why we fought to delimit our maritime boundaries with Australia, and why we continue to pursue the delimitation of our maritime boundaries with Indonesia, through diplomacy and determination. This year, we made significant progress, holding three rounds of formal negotiations, with a fourth round agreed for December 2026.

This year, we also approved Timor-Leste's Blue Economy Policy and Action Plan, making the ocean and our marine and coastal resources a strategic axis of the country's economic diversification.

By integrating the principles of environmental sustainability, social inclusion and economic viability, this policy seeks to transform our maritime potential into jobs, income and investment, while also ensuring the protection of coastal and marine ecosystems for future generations.

The legal certainty resulting from the future delimitation of our maritime boundaries with Indonesia will help turn this development vision into reality, including through firm action against Illegal, Unreported and Unregulated (IUU) Fishing, which has harmed State revenues and our marine environment.

We have been approached by international scientific organisations that recognise the extraordinary richness of biodiversity in our waters and wish to conduct scientific expeditions within our national maritime territory. One such organisation is OceanX.

These expeditions demonstrate confidence in our country, our institutions and our stability. Where there is peace and stability, there is confidence. And where there is confidence, there is investment and partnership. And where there is investment and partnership, there is development and progress.

Also this year, we secured the Timorese State's participation in Greater Sunrise through the process of acquiring the interests held by Osaka Gas Australia and Woodside.

This strengthens TIMOR GAP's position in the development of the Sunrise and Troubadour fields and in the ongoing work on the Timor LNG concept, which envisages transporting the gas to Timor-Leste's south coast for processing.

The natural gas from Greater Sunrise will be processed in Timor-Leste. This will enable us to develop new industries, create jobs and strengthen the skills of our people across the country.

Were natural resources not so important, perhaps many countries would never have been coveted by others, nor endured decades of occupation and suffering, as we did. Were it not for this global vision of development driven by resources, perhaps there would not be so many wars, so many conflicts and so many maritime boundaries still awaiting delimitation around the world.

I therefore affirm our sovereign right to develop our petroleum resources, not merely as an economic choice, but as the fairest and most strategic way of transforming what was once an object of covetousness into the foundation of a future of dignity and genuine independence for our People.

Honourable Members of Parliament,

Our non-oil economy grew by 4.3% in 2025, marking its fifth consecutive year of growth. The latest Living Standards Survey estimates that 37% of our population lived below the poverty line in 2024, compared with 48.4% in 2014.

Despite this progress, poverty remains a harsh reality, particularly in our rural communities.

Inequalities persist across the country. National average growth figures do not reflect the daily reality of a family whose income is uncertain, whose nearest health centre is difficult to reach, or whose children walk long distances to school, often hungry.

The Government has spared no effort in combating inequality. But effort alone brings no comfort to those who suffer. We must do more, and we must do better. The 2027 State Budget is an expression of that very commitment.

Excellencies,
Ladies and Gentlemen,

The Government proposes a consolidated Budget of US$2.569 billion, representing an increase of 7.4% compared with the 2026 Revised Budget.

Public investment amounts to US$535.3 million, of which US$505.8 million is allocated to development capital projects. By contrast, the allocation for goods and services has been reduced by 19.8%, to US$550.3 million. Through this approach, the Government is prioritising transformative investment while keeping operating expenditure under control.

The 2027 Budget has been prepared entirely using a policy-based approach within a five-year framework. Approximately US$2.19 billion is allocated to the continuation of existing policies, while US$380.47 million is earmarked for the Government's new or expanded priorities.

This approach provides the National Parliament and citizens with better tools for scrutiny, enabling them to assess the cost of new decisions more clearly. Every budget allocation is linked to a policy, a program and expected results. And no expenditure will continue simply because "it has always been there", as all spending will be subject to review.

In this way, the National Parliament will be able to exercise its full authority in approving annual expenditure, while also looking ahead over the next five years, ensuring that decisions taken today are responsible in light of their medium-term consequences.

The 2027 Budget projects non-oil economic growth of 4.6% and inflation of around 1.8%. These forecasts depend on our ability to implement our policies and on developments in the international environment. Our mission is to create the conditions for this growth to be sustainable and, above all, to bring tangible benefits to every Timorese family.

Madam President and Vice-Presidents,
Honourable Members of Parliament,

Job creation is vital to our development.

Today, only around one in three people aged 15 and over is employed. And approximately three in ten young people aged between 15 and 24 are not in education, employment or training.

We cannot accept that our greatest asset – our people, especially our young people – remains underutilised. But the public administration cannot employ everyone. We need farms, fishing businesses, workshops and private enterprises that grow, create jobs and contribute to national revenue.

That is why the Budget allocates US$956.9 million to economic affairs, including infrastructure and productive sectors. Agriculture receives US$37.8 million, an increase of 21% compared with the previous Budget. This investment will strengthen irrigation systems, agricultural production, extension services and market development.

In 2025, rice production increased significantly, while the cost of cereal imports declined. Our next task is to consolidate these gains. This means maintaining and expanding irrigation, providing adequate support to farmers, and connecting production with storage, processing and buyers. More reliable domestic production improves rural incomes and reduces our dependence on imports and our vulnerability to external shocks affecting food supplies.

Tourism receives US$13.1 million, an increase of 31%, including new support for specialised tourism activities and tourism linked to fishing and the sea. Every visitor creates opportunities for accommodation providers, guides, restaurants, transport services, local producers and blue tourism operators. But as these activities grow, our natural environment and cultural heritage must be protected.

Access to finance, however, remains a major obstacle. Outstanding commercial bank loans to agriculture amount to only around US$1.5 million, while loans to manufacturing stand at approximately US$6.5 million. These figures show how difficult it remains for productive businesses to obtain capital.

To address this challenge, the Government has established the National Development Bank, with a mandate to support viable investments in priority sectors, based on sound lending decisions and responsible management of public resources.

In coordination with the Timor-Leste Women Entrepreneurs Agency, we brought together women representatives from all municipalities in Dili to discuss business potential and opportunities, with a view to presenting concrete investment plans to secure financing.

Credit should encourage people to establish more sustainable businesses, thereby ensuring greater participation by communities. The Agency maintains regular contact with women entrepreneurs and will present a five-year vision, together with concrete actions for each year.

Cooperatives also play an important role in our economy. Their membership has been growing, bringing together an increasing number of producers. With sound management, cooperatives can help their members purchase production inputs, improve quality and negotiate and obtain better access to markets.

The aim of this business development vision is to gradually encourage greater productivity and the progressive transformation of raw materials into products that can reduce our dependence on imports of the goods consumed in Timor-Leste. This will create jobs and help improve the living conditions of our people.

As I have already mentioned, our petroleum and mineral resources remain part of our development strategy. The 2027 Budget allocates US$244.8 million to new policies for the petroleum and mineral sector, including support for TIMOR GAP in the Kuda Tasi and Jahal projects and the advancement of Greater Sunrise. Murak-Rai Timor receives US$14.9 million to support mineral exploration.

TIMOR GAP already has an action plan, with activities scheduled to begin as early as this month - we invite all Members of the Parliament to go to Tibar Port on the 11th of this month to receive the ship that will arrive in Timor-Leste for that purpose. Given the complexity of the operations, we expect that, by 2030, progress will already be visible in the development of offshore infrastructure and onshore facilities in Natarbora.

Meanwhile, the Jahal and Kuda Tasi projects could begin generating initial revenues for the Petroleum Fund before 2030.

These commitments will be implemented on the basis of rigorous technical work, thorough commercial assessments and full accountability.

Honourable Members of Parliament,

The 2027 Budget allocates US$345.7 million to roads and bridges, US$157.6 million to electricity, and US$23.5 million to water and sanitation.

These are the services that connect economic development to people's everyday lives. A road allows a farmer to sell their harvest before it spoils. A reliable electricity supply enables a small business to operate machinery throughout the day. Clean drinking water protects health and helps families save time.

The continuation of road construction and the modernisation of Dili Airport will improve our connections to regional markets and support trade and tourism. New electricity generation capacity in Oe-Cusse Ambeno and investment in solar energy in Ataúro will strengthen services in these communities.

Once operational, the large-scale solar power project in Manatuto is expected to reduce diesel consumption in electricity generation. This will reduce our exposure to the cost of imported fuel – currently more expensive – and make our energy supply more sustainable.

We will also continue to invest in infrastructure maintenance. We cannot allow roads, water systems and public buildings to deteriorate because the less visible work of maintaining them has been neglected. The value of infrastructure is measured by the service it continues to provide.

The pace of investment must also reflect our capacity to prepare, award contracts for and supervise projects. This Budget sets an annual expenditure ceiling of US$250 million for existing Infrastructure Fund projects, prioritising the completion of ongoing works. This is a specific measure for those projects, forming part of a broader public investment strategy.

Completing worthwhile projects and putting them at the service of our people must take priority over accumulating new commitments that the State cannot fulfil within a reasonable timeframe.

Honourable Members of Parliament,

The strength of our economy will ultimately depend on the health and capabilities of our people.

We propose US$182.6 million for health, an increase of 17%, and US$194.2 million for education, an increase of 11% compared with 2026.

Our progress in combating malaria and trachoma demonstrates what sustained public action can achieve. Maternal healthcare has also improved. Today, 78% of births are attended by skilled health personnel, compared with 60% in 2016. However, mothers in rural and remote communities continue to face greater difficulties in accessing care, and services must reach them more effectively.

Child malnutrition requires urgent attention. Around 45% of children under the age of five suffer from stunted growth, while 19% have a weight that is too low for their height, indicating acute malnutrition. These figures represent children whose health, learning and future opportunities are compromised before they have even had a fair start in life.

Addressing this problem requires coordinated action in healthcare, nutritious food, clean drinking water and support for families. No single ministry can resolve all the challenges that cut across several sectors.

The Budget allocates US$11.7 million to maternal and child support, primarily through the *Bolsa da Mãe* program. School feeding, with US$24.7 million to be implemented by municipalities, is another central component of this effort.

In education, the net enrolment rate in basic education has reached 93.3%. Having brought more children into school, the next step is to improve what they learn. Teacher recruitment must be accompanied by ongoing training, regular attendance and good classroom practices. Education and vocational training must equip young people with practical skills for employment and entrepreneurship.

Social inclusion receives approximately US$367 million. This amount includes support for National Liberation Combatants, social security and assistance to vulnerable families. Approximately 108,000 older people and people with disabilities receive non-contributory benefits.

We honour the contribution of those who secured our independence while strengthening a social protection system that responds to the needs of the most vulnerable throughout the country. Better information – including the new digital system based on the Living Standards Survey – will help identify the poorest households and target assistance more effectively.

Excellencies,

A family's access to public services should not depend on how close they live to Dili. Our development must reach communities in the mountains, along the coast, in Ataúro and in Oe-Cusse Ambeno.

Funding for the thirteen municipalities amounts to US$148.1 million, an increase of 20% compared with 2025. Taking into account all municipal allocations provided for in the Budget, the combined allocation for the municipalities and Oe-Cusse Ambeno reaches US$171.6 million, an increase of 6% compared with 2026.

The National Program for Suco Development receives US$22.9 million for community development projects. In addition, US$33.8 million will be implemented by municipal authorities through the Integrated Municipal Development Program, for infrastructure and local development programs.

These measures bring decision-making closer to communities. But they also require greater local capacity to plan, conduct procurement procedures, supervise works and ensure accountability. Decentralisation will only succeed if greater responsibility is accompanied by the resources and capacity needed to exercise it effectively.

The Budget provides for approximately US$277.9 million in capital investment across 1,643 projects in the municipalities and Oe-Cusse Ambeno, excluding projects under the Ministry of Public Works. This amount reflects the geographical distribution of planned investment and does not represent an additional transfer to municipal budgets.

Ladies and Gentlemen,

As the newest member of ASEAN, Timor-Leste has new opportunities to trade, attract investment and learn from the experience of our neighbours.

But membership alone will not make our businesses competitive. Businesses need reliable infrastructure, skilled workers, clear rules and products that meet customers' requirements. Our work on customs, public administration and economic reform must be directed precisely towards enabling them to seize these opportunities.

In 2027, we will host high-level meetings of ASEAN and the CPLP. These responsibilities offer an opportunity to strengthen partnerships that support our national

development. They must be undertaken with professionalism and rigorous cost management.

Our citizens working abroad are also making a growing contribution. Remittances reached US$104.5 million in the first half of 2026, compared with US$80.4 million during the same period in 2025. This income helps families meet essential needs and can support investment in small businesses.

We recognise the effort and sacrifice behind these contributions. Employment abroad offers important opportunities, but it cannot replace the creation of decent jobs in our own country. We want returning workers to be able to invest their experience and savings here, and young Timorese people to have a genuine choice about how and where to build their future.

Honourable Members of Parliament,

I will now explain how this Budget will be financed. The Petroleum Fund has enabled Timor-Leste to rebuild and consolidate itself. Between 2013 and 2026, it financed approximately 80% of State expenditure. With the end of production at Bayu-Undan in June 2025, the responsible management of these savings has become even more critical.

For 2027, the Government proposes withdrawals of approximately US$1.891 billion. Estimated Sustainable Income stands at US$540.5 million. The proposed withdrawal therefore exceeds this benchmark by approximately US$1.350 billion.

These figures must be clearly understood. Domestic revenue is projected at US$298.6 million – an increase of 10% – but still covers only around 12% of total expenditure.

Projections indicate that, if current policies remain unchanged, the Fund could be depleted around 2039. This is a real warning of the consequences of failing to change course. We must act while we still have room to make the necessary adjustments.

Our justification for using these savings is clear: to invest in productive capacity and public services. But this creates an unavoidable obligation to demonstrate results, control costs and develop new sources of revenue. No future return on investment relieves us of this responsibility.

Efficiency measures across 62 State entities are expected to generate annual savings of US$53.6 million. These savings must be real. The annual ceiling of US$250 million for existing Infrastructure Fund projects is another step towards managing the pace of expenditure and prioritising the completion of projects already under way.

Tax reform is also necessary. The Government plans to introduce a Value Added Tax, with a proposed rate of 5%, from 2028, naturally subject to the approval of this Parliament.

Preparations must be carefully managed. Businesses and the tax administration need time to adapt, and the design of the tax must protect low-income households and take essential goods into account.

The Budget also provides for loan disbursements amounting to US$75 million in 2027. Borrowing on favourable terms can finance worthwhile investments and reduce immediate pressure on the Fund, but every loan creates a future obligation. Project assessments must consider operating and maintenance costs and their long-term impact on public finances.

Protecting our national savings requires consistency in decision-making over several years. The reforms set out in this Budget must be implemented, and their results must guide our future choices.

Events this year have once again demonstrated how external shocks affect domestic prices. The conflict in the Middle East placed pressure on fuel markets and required emergency measures to protect families and maintain essential services.

Fuel imports alone cost US$209.6 million in 2025. Our dependence on imported fuel and food makes price stabilisation very costly when international markets are disrupted. Measures to contain consumer prices do not eliminate these costs; instead, part of the burden falls on the State.

But investment alone is not enough; strong institutions are also essential. The new public financial management framework strengthens accountability to Parliament and society. The 2025 General State Accounts, published in June this year, already provide more detailed information on the use of public resources.

We must continue to improve public procurement, financial reporting and accountability. A public contract must deliver the goods or services for which it was awarded. Every payment must be supported by documentation. Identified shortcomings must lead to corrective action.

The Budget allocates US$139.8 million to public order and safety and US$36.2 million to justice. An effective justice system, accessible civil registration services and secure property rights are essential for citizens and businesses. People need to trust that their rights will be recognised and that public institutions will treat them impartially.

This State Budget also includes funding for urgent priorities to be addressed next year, including the presidential elections, which will once again give our people the opportunity to exercise their democratic rights. The Budget provides the resources needed to fulfil this national responsibility. Peaceful participation and respect for democratic institutions remain pillars of our development.

Two or three municipal elections will also be held, depending on the readiness of municipal structures, to begin the establishment of local governments.

And, no less importantly, preparations will begin in 2027, in terms of logistics and infrastructure, for Timor-Leste's ASEAN Chairmanship in 2029.

Madam President of the National Parliament,
Vice-Presidents of the National Parliament,
Honourable Members of Parliament,

Implementing this Budget will require an effort that extends beyond the Ministry of Finance and the Government itself.

To our business leaders and cooperatives, I ask you to invest in production, strengthen your management practices and prepare to compete in larger markets. The State must improve the conditions in which you operate, and your success must contribute to employment and national prosperity.

To our young people, I ask you to take your education and training seriously. Your country needs your skills and ideas. The Government's duty is to create the conditions for your efforts to translate into genuine opportunities.

To our civil servants, I ask you never to forget the people who depend on your work. A delay in delivering a service can mean a missed medical treatment, a lost lesson

or a wasted agricultural season. The resources approved here must reach those who need them, through careful and responsible management.

To our development partners, I express our appreciation and ask you to maintain your support, aligned with national priorities and focused on strengthening the institutions and capacities on which Timor-Leste will depend in the years ahead.

To the Honourable Members of Parliament, I reaffirm the Government's full willingness to explain its proposals, answer questions and give serious consideration to all constructive recommendations. Scrutiny is part of our responsibility to the Timorese People. This debate should serve to improve our policy choices and strengthen the results we achieve.

In the year in which we celebrate the 25th Anniversary of the Restoration of Independence, we must recognise our achievements, but also our weaknesses, so that we can correct what needs to be corrected and build on what has already proved its worth.

Let us make 2027 a year in which a greater share of our investment translates into productive activity, more public services reach those who need them, and more Timorese families can look forward to a secure future in their own country.

On behalf of the IX Constitutional Government, I thank you for your consideration of the Draft State Budget Law for 2027 and respectfully request its approval.

Thank you very much.
Kay Rala Xanana Gusmão