



REGULATION NO. 2000/20

ON BUDGET AND FINANCIAL MANAGEMENT

The Special Representative of the Secretary-General (hereinafter: Transitional Administrator);

Pursuant to the authority given to the Transitional Administrator under United Nations Security Council resolution 1272 (1999) of 25 October 1999;

Taking into account United Nations Transitional Administration in East Timor (UNTAET) Regulation 1999/1 of 27 November 1999 on the Authority of the Transitional Administration in East Timor and Regulation 2000/1 on the establishment of the Central Fiscal Authority (CFA) of East Timor;

After consultation in the National Consultative Council (NCC);

For the purpose of establishing a foundation law to regulate budget and financial procedures;

Promulgates the following:

Contents

Part I	Definitions
Part II	Foundation provisions
Part III	Preparation and contents of the annual budget and appropriations law
Part IV	Revised and supplementary budgets and appropriations laws
Part V	Use and change of appropriations
Part VI	Reporting, accounting and audit
Part VII	Banking and investment

Part VIII Accountability and sanctions

Part IX Transitional provisions

Part X Entry into force

Part I **Definitions**

Section 1 **Definitions**

In this law, unless the contrary intention appears:

“agency” means an organizational unit of the Transitional Administration set up under Regulation or so designated by the *Transitional Administrator*;

“agency financial officer” means the person described in Section 8;

“appropriation” means the identification in an *appropriations law* of the maximum amount that may be made available for expenditure by an *agency* by means of an *expenditure authorization notice*;

“appropriations law” means the law that contains *appropriations* for a *fiscal year*;

“Budget Committee” means a committee to be chaired by the *Deputy Transitional Administrator (GPA)* and comprised of the heads of at least four *agencies* to be nominated by the *Deputy Transitional Administrator (GPA)* and the Head of the Central Fiscal Authority;

“Consolidated Fund of East Timor (CFET)” means the consolidated group of accounts and deposits of the Transitional Administration, as provided in Regulation 2000/1;

“commitment” means an undertaking given to make payments on receipt of specified goods or services;

“Deputy Transitional Administrator” means the Deputy Special Representative (Governance and Public Administration) of the Secretary General;

“expenditure authorization notice” means the notification to an *agency* that it is authorized to make expenditures of that part of the *appropriation* specified in the notice;

“fiscal year” means the period from July 1 to June 30;

“Head of the Central Fiscal Authority” means a person appointed to be the Head of the Central Fiscal Authority under Regulation No. 2000/1 or so designated by the *Transitional Administrator*;

“head of an agency” means a person appointed to be the head of an *agency* under Regulation or so designated by the *Transitional Administrator*;

“independent auditor” means a person appointed, pursuant to Section 7 of Regulation 2000/1 on the establishment of the Central Fiscal Authority, by the *Transitional Administrator* after consultation with the National Consultative Council, to undertake financial and other audits as may be decided from time to time;

“official bank account” means an account described in Section 5;

“public money” means:

(a) money or financial assets in the custody or under the control of the Transitional Administration, including money that is held for the benefit of a person other than the Transitional Administration; and

(b) money or financial assets in the custody or under the control of any person acting for or on behalf of the Transitional Administration in respect of the custody or control of the money;

“Treasurer” means a person designated by the Head of the Central Fiscal Authority as the Head of the Department of Treasury; and

“Treasury” means the Treasury under the Central Fiscal Authority, which assumes the functions described in Section 3.

Part II **Foundation provisions**

Section 2 Establishment of a Treasury

There shall be a *Treasury* established under the Central Fiscal Authority, responsible for the matters set out in Section 3.

Section 3 Treasury responsibilities

The *Treasury*, under the direction of the Head of the Central Fiscal Authority, shall be responsible for:

(a) monitoring the receipt of *revenue* of the Transitional Administration;

(b) the deposit of *revenue* of the Transitional Administration into an *official bank account*;

(c) implementing:

(i) an annual budget that sets out expected *revenue* of the Transitional Administration and proposed *appropriations* for the fiscal year; and

(ii) an annual *appropriations law* that provides *appropriations* from the CFET to *agencies* in the current *fiscal year*;

(d) authorization by way of an *expenditure authorization notice* for an *agency* to spend an amount that has been appropriated to that *agency*;

(e) monitoring actual expenditure against *agency* budgets;

(f) investment of *revenue* of the Transitional Administration;

(g) issuing of financial administrative instructions to departments and agencies in order to establish a proper accountability in the financial management of public funds in East Timor; and

(h) producing regular reports to the *Transitional Administrator* on *revenue* of the Transitional Administration and expenditure.

Section 4

Transitional Administration revenue

4.1 In this law, *revenue* of the Transitional Administration means all *revenue* received by the Transitional Administration, including, but not limited to:

a) taxes imposed and received by the Transitional Administration;

b) user fees imposed and received by the Transitional Administration or any department of the Transitional Administration;

c) interest received by the Transitional Administration;

d) dividends or other payments from companies owned by the Transitional Administration or other entities;

e) proceeds received by the Transitional Administration from the sale of any property owned by the Transitional Administration;

f) proceeds received by the Transitional Administration from leasing of any property owned by the Transitional Administration;

g) proceeds received by the Transitional Administration from licensing or selling any rights controlled by the Transitional Administration, including radio spectrum rights, natural resource exploration or exploitation rights, and intellectual property rights; and

h) grants and gifts received by the Transitional Administration.

4.2 A UNTAET regulation shall define the conditions under which the Transitional Administration may sell, lease, licence or otherwise dispose of property of the Transitional Administration, except where provided otherwise by another UNTAET regulation.

Section 5
Official bank accounts

5.1 The Head of the Central Fiscal Authority may open and maintain official bank accounts for *public money* in the name of the Central Fiscal Authority.

5.2 Any official bank account opened by the Head of the Central Fiscal Authority pursuant to the powers granted by Section 5.1 must have a name that includes the word “Official”.

5.3 An account for the receipt, custody, payment or transmission of *public money* must not be opened except in accordance with this Section.

Section 6
Deposit of revenue of the Transitional Administration and public money

6.1 All *revenue* of the Transitional Administration shall be deposited into an *official bank account*.

6.2 A person who receives *public money* (including money that becomes *public money* upon receipt) must deposit it into an *official bank account*.

Section 7
Guarantees and borrowings

7.1 Neither the Transitional Administration nor *agencies* may guarantee debt of any kind.

7.2 Neither the Transitional Administration nor *agencies* may enter into borrowing arrangements of any kind other than by incurring liabilities which may arise as part of settlement terms for routine commercial transactions involving purchase of goods or services by the Transitional Administration.

Part III
Preparation and contents of the annual budget and appropriations law

Section 8
Preparation and submission of budget proposals

8.1 Each *agency* shall designate an *agency financial officer* responsible for preparing a submission requesting *appropriations* to that *agency* and for overseeing the expenditure of amounts appropriated.

8.2 Where an *agency* has not designated an *agency financial officer*, the *Treasurer* may nominate a *Treasury* officer to perform the functions of the *agency financial officer*.

8.3 The Head of the Central Fiscal Authority shall issue necessary procedures for *agency financial officers* for preparation of *agency* budgets and requests for *appropriations*.

8.4 *Agency financial officers* shall prepare submissions requesting *appropriation* in accordance with the guidelines and forward the completed requests to the Head of the Central Fiscal Authority by the time specified.

Section 9

Preparation of the budget and appropriations law

9.1 The Head of the Central Fiscal Authority shall, after consideration of the appropriation requests submitted by *agencies*, and after consultation with *agencies*, prepare a proposed budget and an *appropriations law*.

9.2 The budget for a *fiscal year* shall include:

(a) The Central Fiscal Authority's explanation of the macro-economic framework in which the budget was prepared and the Central Fiscal Authority's recommendations for medium term fiscal strategy;

(b) estimated total *revenues* of the Transitional Administration, expenditures and the resulting balances for the *fiscal year* and the two following *fiscal years*;

(c) *appropriations* for each *agency* in the *fiscal year*, as specified in Section 9.3;

(d) an *appropriation* not exceeding 5% of total expenditure for contingency expenditures;

(e) the estimated number of permanent and temporary Transitional Administration employees to be paid from *appropriations* in the *fiscal year*;

(f) estimates of anticipated expenditures in future *fiscal years* for programs that will extend past the end of the *fiscal year*;

(g) conditions attached to any *appropriation*;

(h) the budget surplus expected to be carried forward to the *fiscal year* to which the *appropriations law* applies, if the Head of the Central Fiscal Authority expects *revenue* to exceed expenditure in the *fiscal year* preceding the *fiscal year* for which the *appropriations law* will apply; and

(i) details of all projected user fee *revenues* for the *fiscal year*.

9.3 Separate *appropriations* are required for:

(a) capital expenditures for assets with a life of more than one year;

(b) expenditures for salary, wages and other personnel related costs; and

(c) expenditures for goods and services.

Section 10
Review of the proposed budget

- 10.1 The Head of the Central Fiscal Authority shall distribute to the head of each *agency* the proposed *appropriations* for that agency.
- 10.2 Where the head of an *agency* objects to the proposed *appropriations* for that *agency*, that person may notify the Head of the Central Fiscal Authority of the objection.
- 10.3 The Head of the Central Fiscal Authority shall attempt to resolve with the Heads of *agencies* any objections they have to the specified *appropriations* in the proposed *appropriations law*.
- 10.4 The Head of the Central Fiscal Authority shall submit the proposed budget and *appropriations law* for consideration by the *Budget Committee*.
- 10.5 In the case that the Head of the Central Fiscal Authority is unable to resolve objections with a head of an *agency*, the head of the *agency* shall prepare a submission to the *Budget Committee* with details of the objections.
- 10.6 The Head of the Central Fiscal Authority shall submit to the *Budget Committee* any submissions prepared pursuant to Section 10.5 and his or her responses to the objections.
- 10.7 The *Budget Committee* may request heads of *agencies* to provide further submissions or explanations during consideration of the proposed budget.
- 10.8 After consideration of any submissions or explanations provided pursuant to this Section, the *Budget Committee* shall prepare an agreed budget and *appropriations law* for the *Transitional Administrator*.
- 10.10 The *Transitional Administrator* shall present the agreed budget and *appropriations law* to the National Consultative Council before June 15 of the year preceding the *fiscal year* to which the law applies.
- 10.11 Prior to enactment of the *appropriations law*, the *Transitional Administrator* may direct the Head of the Central Fiscal Authority to make such changes to the budget and *appropriations law* as the *Transitional Administrator* considers appropriate.

Section 11
Special funds budget

The Head of the Central Fiscal Authority may prepare a special funds budget that contains details of:

(a) monetary amounts provided by international organizations or foreign governments for the benefit of East Timor; and

(b) estimates of any aid-in-kind provided by international organizations or foreign governments for the benefit of East Timor;

that do not form part of the CFET.

Section 12

Appropriations prior to adoption of an appropriations law

12.1 If the *appropriations law* in respect of a *fiscal year* is not enacted before the commencement of the *fiscal year*, the Head of the Central Fiscal Authority may make temporary *appropriations* necessary to the continuation of services of the Transitional Administration, provided that:

(a) each *appropriation* made pursuant to this Section shall be for expenditures for no more than one month; and

(b) any *appropriation* made under this Section does not exceed 1/12 of the *appropriation* for the same purpose in the *appropriations law* of the previous *fiscal year*.

12.2 *Appropriations* made under Section 12.1 shall lapse when the *appropriations law* becomes effective and all expenditure related to *appropriations* made under this Section from the beginning of the *fiscal year* until that time shall be treated as *appropriations* made under the *appropriations law* for that *fiscal year*.

Part IV

Revised and supplementary budgets and appropriations laws

Section 13

Revised budget and appropriations law

13.1 The Head of the CFA may prepare a revised budget and *appropriations law* if:

(a) it appears to the Head of the Central Fiscal Authority that *revenues* of the Transitional Administration or expenditures for the *fiscal year* will be less or greater than those anticipated in the annual *appropriations law*; or

(b) the Transitional Administration wishes to alter existing law or introduce or repeal laws that will have the effect of increasing or reducing *revenue* of the Transitional Administration for the *fiscal year*.

13.2 The procedure for adoption of a revised budget and *appropriations law* shall be the same as that for an annual *appropriations law* set out in Part III of the present law, with the relevant provisions read:

(a) without reference to the date by which the Regulation must be introduced to the National Consultative Council; and

(b) where the law is meant to apply to only the remaining part of the *fiscal year*, with the law applying only to that part.

Section 14
Supplementary appropriations law

Where a law is proposed to be enacted that requires additional expenditures in the current *fiscal year*, the law shall provide an *appropriation* of the amount required to make the expenditures; and

(a) identify sources of additional *revenue* of the Transitional Administration not included in the budget sufficient to pay for the proposed expenditures; or

(b) if the additional expenditures are to be made by reductions of another *appropriation*, cancel that other *appropriation* and provide a reduced *appropriation* to replace the cancelled *appropriation*.

Part V
Use and change of appropriations

Section 15
Use of appropriations

15.1 The *Treasury* shall, from time to time, and subject to availability of funds, authorize *agencies* to spend or to commit to spend *appropriations* or part of *appropriations*.

15.2 The authorization referred to in Section 15.1 shall be communicated to *agencies* by means of an *expenditure authorization notice*.

Section 16
Contingent expenditures

In the event of urgent and unforeseen requirements, the Head of the Central Fiscal Authority may authorize the transfer from the contingent expenditure *appropriation* to the *appropriation* of a particular agency:

(a) of an amount not exceeding U.S. \$ 50,000, or

(b) where the *Transitional Administrator* has, on the recommendation of the Head of the Central Fiscal Authority, approved the transfer in writing, an amount in excess of U.S. \$ 50,000.

Section 17
Revised expenditure authorization notices

17.1 This section applies at any time the amount authorized for expenditure under an *expenditure authorization notice* has not been spent or committed by an *agency* for goods or services that have been received by the *agency*.

17.2 The Head of the Central Fiscal Authority may cancel in writing the *expenditure authorization notice* and issue a replacement *expenditure authorization notice* for a lesser amount if the Head of the Central Fiscal Authority concludes the reduced authorization:

- (a) is desirable in the interests of prudent fiscal management; or
- (b) is appropriate to ensure the continuation of expenditures throughout the fiscal year.

Section 18
Use of appropriation

- 18.1 This Section applies to an *agency* in receipt of an *expenditure authorization notice*.
- 18.2 An *agency* may make an expenditure authorized by an *expenditure authorization notice* where this is authorized by the Head of that *agency*.
- 18.3 The power to authorize an *agency* to make an expenditure under Section 18.2 may be delegated.
- 18.4 A head of an *agency* may authorize the *agency* to make an expenditure or to make a *commitment* only in respect of an amount for which an *expenditure authorization notice* has been issued.

Section 19
Appropriations not used at the end of the fiscal year

- 19.1 An *appropriation* not spent on June 30 shall be treated as having lapsed after that date.
- 19.2 The provisions of Section 19.1 shall not apply to an amount of *appropriation* required to pay for goods or services ordered or received by an *agency* prior to June 30 but not paid for by that date.

Section 20
Adjustments to appropriations

Where requested by the head of an *agency*, the Head of the Central Fiscal Authority may authorize the transfer of amounts between *appropriations* for that *agency* provided the transferred amount does not exceed 10% of the *appropriation* being reduced.

Section 21
Adjustment of appropriations on change of agency responsibility

Where an *appropriation* relates to the responsibility of an *agency* that is transferred to a different *agency*, the Head of the Central Fiscal Authority may transfer an *appropriation* or part of an *appropriation* from the first *agency* to the second *agency*, as appropriate.

Part VI
Reporting, accounting and audit

Section 22
Publication of the budget and appropriation law

Immediately following approval of the annual budget appropriation law by the *Transitional Administrator*, the Head of the CFA shall publish the budget and explanatory documents in a comprehensive and publicly understandable form.

Section 23
Budgeting and accounting records

23.1 The Head of Central Fiscal Authority shall establish classification systems for budget and accounting records purposes that:

- (a) facilitate the control of spending by the Transitional Administration; and
- (b) permit analysis of expenditure by organization, function, economic category and programs.

23.2 Treasury shall maintain accounting records of:

- (a) *revenue* of the Transitional Administration;
- (b) *appropriations*;
- (c) *appropriations* made available to *agencies* for expenditure by means of *expenditure authorization notices*;
- (d) actual expenditures made; and
- (e) outstanding commitments.

23.3 *Agency financial officers* shall record transactions and maintain accounting records in accordance with *Treasury* administrative instructions and provide copies of the accounting records to *Treasury* when requested.

Section 24
Progress reports on the budget

The Head of the Central Fiscal Authority shall submit to the *Transitional Administrator* and the National Consultative Council and publish the following reports on budget progress for each *fiscal year*:

- (a) no later than November 30, a summary of:
 - (i) total *revenues* of the Transitional Administration and expenditures for the period July 1 to September 30; and

(ii) expenditures of contingency expenditure *appropriations* described in Section 9.2(d).

(b) no later than February 28; a summary of

(i) actual *revenues* of the Transitional Administration and expenditures for the period July 1 to December 31;

(ii) revised estimates of *revenues* of the Transitional Administration and expenditures for the fiscal year;

(iii) explanations for any significant differences between the estimated amounts and the amounts in the budget for that *fiscal year*; and

(iv) expenditures of contingency expenditure *appropriations* described in Section 9.2(d) for the period July 1 to December 31.

(c) no later than May 31, a summary of:

(i) total *revenues* of the Transitional Administration and expenditures for the period July 1 to March 31; and

(ii) expenditures of contingency expenditure *appropriations* described in Section 9.2(d) for the period July 1 to March 31.

Section 25 Final report on the budget

25.1 The Head of the Central Fiscal Authority shall submit to the *Transitional Administrator* and the National Consultative Council and publish a final report on the budget for previous *fiscal year* no later than September 30.

25.2 The final report referred to in Section 25.1 shall include the following information in respect of the *fiscal year*:

(a) actual *revenues* of the Transitional Administration compared with projected *revenues* of the Transitional Administration in the budget;

(b) actual expenditures in respect of each *appropriation* category compared with:

(i) the budget *appropriation* for that category; and

(ii) the actual expenditure for that category in the previous *fiscal year*;

(c) details of any unspent amount carried forward to the current *fiscal year*;

(d) details of expenditures for the contingency expenditure *appropriations* described in Section 9.2(d);

(e) details of investments made by the Head of the Central Fiscal Authority;

(f) a full accounting of assets held by the Transitional Administration at the end of the *fiscal year*;

(g) details of all adjustments to *appropriations* made pursuant to Section 20;

(h) estimated cost in terms of forgone *revenue* of substantial tax concessions explicitly included in Tax Regulations, attributed to the *agency* responsible for the spending programs related to the activity subject to the tax concession;

(i) other explanations considered necessary by the Head of the Central Fiscal Authority; and

(j) details of *appropriations* described in Section 19.2 required to pay for goods or services ordered or received by an agency prior to June 30 but not paid for by that date.

Section 26 Independent audit

26.1 An independent auditor, appointed in accordance with the Section 7 of Regulation 2000/1, shall prepare and submit to the *Transitional Administrator* a report on the budget for the previous fiscal year.

26.2 The independent auditor shall have unrestricted access to all information and explanations that, in the independent auditor's judgement, are necessary for the purposes of the audit.

26.3 The independent auditor shall submit his report by December 31 following the end of the *fiscal year* to which the annual report relates.

26.4 Copies of all reports prepared by an independent auditor referred to in Section 25.1, including the report described in that Section, shall be circulated to the National Consultative Council and shall be made publicly available.

Part VII **Banking and investment**

Section 27 Responsibility for the Treasury accounts

27.1 The *Treasury* is responsible for all official bank accounts of the Transitional Administration, which are to be referred to as *Treasury* accounts.

27.2 Subject to Section 5, the Head of the Central Fiscal Authority may authorize the *Treasury* to open or authorize official bank accounts to be opened and operated on behalf of third parties or for funds in transit to the Transitional Administration.

Section 28

Investment of cash of the Transitional Administration

28.1 The Head of the Central Fiscal Authority may direct an agent to invest any amounts held in *Treasury* bank accounts in the form of short-term deposits or securities and liquidate such investments to implement the budget.

28.2 All interest received on investments made pursuant to this Section shall be included in the CFET.

Part VIII

Accountability and sanctions

Section 29

Responsibility for budget implementation

29.1 The Heads of *agencies* shall be responsible for the management and control of the procedures and requirements established by this Regulation and shall be responsible for effective, efficient and ethical use of the appropriated funds for the appropriate purposes.

29.2 The Head of the Central Fiscal Authority shall be responsible for the organization and management of the budget implementation procedures, and shall also be responsible for the oversight of the *Treasury* on matters prescribed in this Regulation.

Section 30

Violations of financial management provisions

30.1 Any criminal behavior with respect to the budget process shall be prosecuted under criminal law.

30.2 Any action or process contrary to the provisions of this Law shall be rectified by way of procedures established by the Head of the Central Fiscal Authority.

Part IX

Transitional provisions

Section 31

31.1 The Head of the Central Fiscal Authority shall present the budget and the *appropriations law* for the 2000-2001 *fiscal year* to the Transitional Administrator by June 30, 2000 or as soon as possible.

31.2 The account of assets of the Transitional Administration referred to in Section 25.2(f) may be based on estimates derived from surveys or other methods for accurate records such as asset registers if available.

Part X
Entry into force

Section 32
Entry into force

The present Regulation shall enter into force on 1 July 2000.

Sergio Vieira de Mello
Transitional Administrator