

Expenditure and Revenue

Quarterly Bulletin – Q4, 2020



Democratic Republic of Timor-Leste
Ministry of Finance



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Abbreviations

Appropriation Category	AppCat
Anti-Corruption Commission	CAC
Archive and Museum Resistencia Timorese	AMRT
Asian Development Bank	ADB
Autonomous Agencies	AA
Autonomous Service for Medicines and Medical Equipment	SAMES
Capital Development	CD
Commitment Purchase Voucher	CPV
Development Partner	DP
Directorate General of State Finance	DGFE
Direct Budget Support	DGS
East Timor National Police	ETNP
European Union	EU
Falintil- Defence Force of East Timor	F-DFTL
Goods and Services	GS
Government Resource Planning	GRP
Human Capital Development Fund	FDCH
State Institutions (Instituto Estado)	IE
Infrastructure Fund	IF
Integrated Municipal Development Program	IMDP(PDIM)
National Institute for Health	INS
International Development Agency	IDA
National Laboratory	LABNAS
Line Ministries	LM
Ministry of Agriculture and Fisheries	MAP
Ministry of Defence	MD
Minor Capital	MC
Ministry of Education including SEJD	MEJD
Ministry of Finance	MoF
Ministry of Health	MoH
Ministry of Interior	MI
Ministry of National Liberation Combatant Affairs	MACLAN
Ministry of Planning and Strategic Investment	MPIE
Ministry of Public Works	MoP
Ministry of Social Solidarity and Inclusion	MSSI
Ministry of Tourism, Commerce and Industry	MTCI
Ministry of Transport and Communications	MTC
Minor Capital	MC
National Communication Agency	ANC
National Development Agency	ADN
National Directorate of Budget	DNO
National Intelligence Agency	SNI
National Police of Timor-Leste	PNTL
Orgao Autonoma Sem Receitas Propria (Autónomos agency without own revenue)	OASRP
Permanent Quota for Commission Timor-Leste	PCQTL

Public Service Commission	PSC/CFP
Public Transfers	TP
Quarter 1	Q1
Quarter 2	Q2
Quarter 3	Q3
Quarter 4	Q4
Self-Funded Agency	SFA
Salaries and Wages	SW
Secretariat of Youth and Sport	SEJD
Secretariat of State for Environment	SSE/SEA
Special Administrative Region of Oé-Cusse Ambeno - Special Zones of Social Market Economy	RAEOA-ZEESM
National Cadastral Survey	SNC
Strategic Development Plan	SDP

1 Introduction

1.1 Purpose

The Directorate General of State Finance aims to produce four quarterly reports on budget allocation, expenditure, execution and non-oil revenue collection in Timor-Leste. The reports aim to act as an information source for stakeholders in the public sector, donor and non-governmental space alike.

1.2 Scope

The reports will detail quarterly expenditure and revenue trends for line ministries, municipalities and autonomous agencies in Timor-Leste. The reports will also aim to discuss one ministry in detail to shed more light on planning and budgeting in the country. However due to time constraints, that ministry in details has not been included in this report.

Readers are cautioned that this report will not present a complete understanding of service delivery levels in each quarter which requires more detailed non-financial information. Additionally data insights presented in this report are based on reported data. Any delays in reporting can affect the data and the insights presented from it in the report. The data presented in this report has been generated by the Ministry of Finance. The source of all government accounts data is the Ministry of Finance as of December 31st, 2020. Data analysis should be viewed cautiously in-year as there are often delays in reporting, especially for revenue. For more detailed information on service delivery, readers are requested to contact the individual spending agencies.

2 Expenditure trends in Quarter 4

2.1 Aggregate expenditure vs budgeted expenditure

Timor-Leste was under a duo-decimal DOT regime for the majority of 2020 as the budget was not passed on the regular schedule. Under such a regime, only a maximum of 1/12 of the previous year's original budget can be distributed per month. This system means that while the core functions of government can continue, some policies outside of normal annual activity will not be able to take place (for example the Census), with restrictions on significant infrastructure projects.

For a promulgated budget, we report on the basis of current budget (including virements and transfers)¹. Budget execution is calculated as the ratio of cash expenditure over current budget. Cash expenditure does not include commitments and expenditure, i.e. it is expenditure that has been processed by the Directorate General of Treasury.

Expenditure for 2020 is calculated under DOT system for January until September, giving an overall allocation of \$ 671.3 million over that time frame. Execution for the same period was \$ 664.4 million which was used to finance the functioning of state administration and government services.

The final state budget was approved and promulgated at the end of September with a total value of \$ 1,426.3 billion. After settlements over expenditure on obligations and commitments under the DOT regime, the real value of state budget was \$ 1,231.7 billion (86.4%), effectively implemented on the months of October to December (excluding special fund and loans).

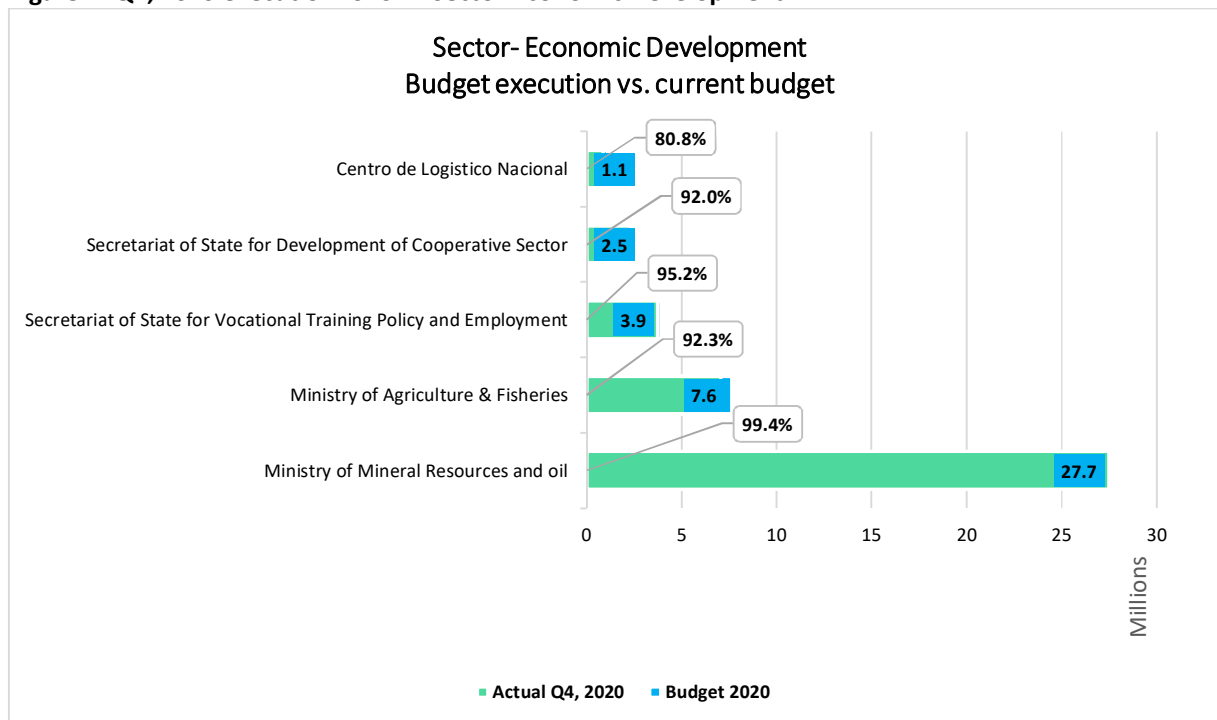
By the end of Q4, 2020, execution of the Infrastructure Fund including loans (IF) reached at 75.02%, while the Human Capital Development Fund (HCDF) execution totalled 82.46%.

2.1.1 Sector (SDP sector)

This section describes budget execution using the Strategic Development Plan (SDP) classification of Timor-Leste. Five ministries in each sector, those with the highest budget allocation in 2020, are displayed in the following graphs.

¹ In Q1 and Q2 2020, the overall original appropriation for a ministry is the same as the final appropriation (current budget) as there have been no contingency transfers as yet.

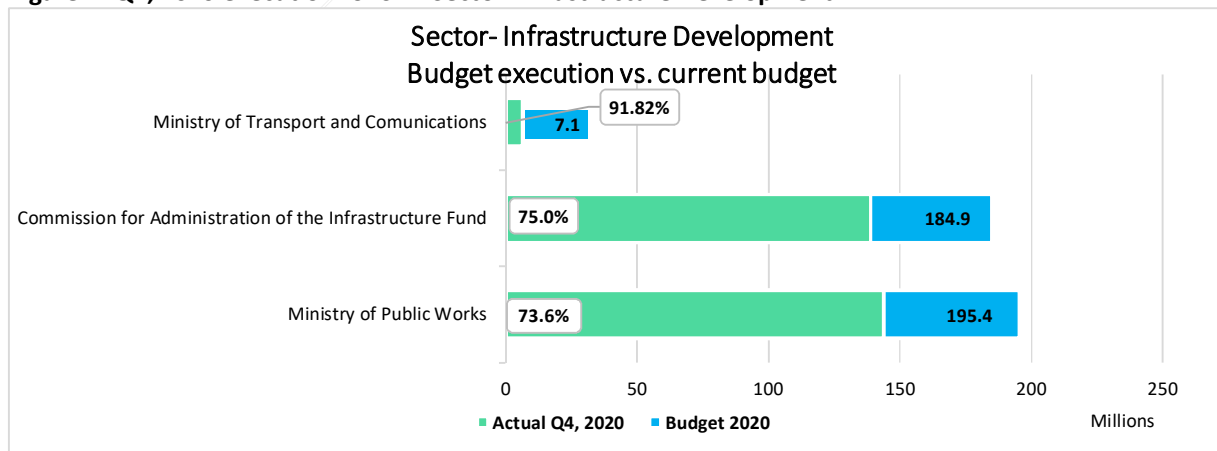
Figure 1: Q4, 2020 execution for SDP Sector-Economic Development



Source: Ministry of Finance, IFMISU, January 2021

Ministry of Mineral Resources and Oil had the highest budget in the Economic Development SDP sector in 2020 and has also the highest execution at 99.4%. Most other Ministries and Secretariats struggled to reach 95% in their execution when the Q4 report was produced. The exception to this is the Secretary of State for Vocational Training Policy and Employment which had the third highest budget allocation and executed up to 95.2% with an execution on goods and service of just 91.8%. The Ministry of Agriculture and Fisheries (MAP) only reached an overall execution of 92.3%, due to execution on minor capital and capital development (20.2%-23.7%). The reason for low budget executing until December from those four ministries was generally related to the appropriation category in good and service (79.3% - 93.4%) and minor capital and capital development range (23.7% - 99.5%). Public transfer (98.2% - 100%) and salary and wages (80.7% - 96.8%) saw higher execution rates.

Figure 2: Q4, 2020 execution for SDP Sector-Infrastructure Development

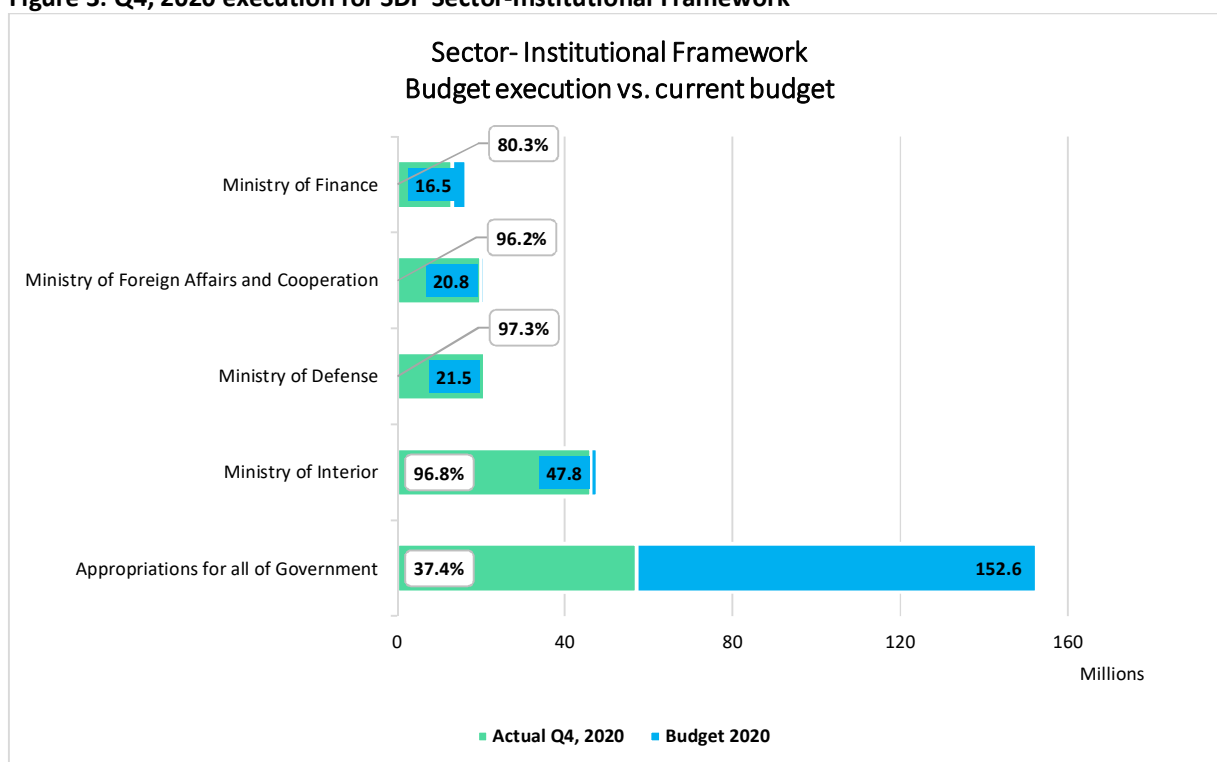


Source: Ministry of Finance, IFMISU, January 2021

Ministry of Public Works usually has the highest budget allocated to it in the Infrastructure Development (excluding Infrastructure Fund) sector in 2020, it received a total allocation of \$195.4 million even though budget execution in all appropriation category just reached 73.6%. This was due to a goods and service execution just 72.4%, the execution of capital and development was 85.4% positive execution progress of the categories on minor capital (91.1%) and salary and wages (93.4%), brought up the average execution for MOP in Q4 stand at 73.6%.

Commission of Administration of the Infrastructure Fund receive highest budget allocation in 2020. However overall execution through the end of Q4, which is execution on capital development totalling 74.9%, Salary and wages saw an execution rate of 99.2% and good and services up to 99.6%, making a total cumulative execution of 75.02%. As for Ministry of Transport and Communication, cumulative execution is 91.8%, based on executions from salary and wages of 87.3%, goods and services of 92.3% and capital development of 84.7%. Minor capital reached the target execution (100.0%).

Figure 3: Q4, 2020 execution for SDP Sector-Institutional Framework



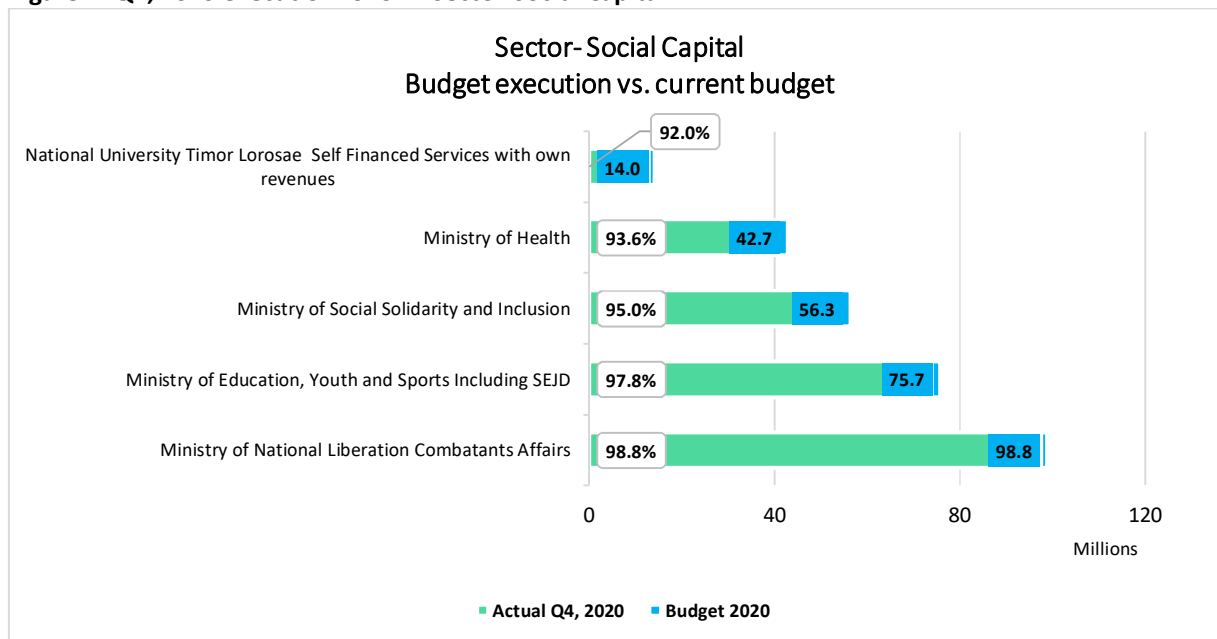
Source: Ministry of Finance, IFMISU, January 2021

Appropriations for all of Government receive highest budget allocation in 2020 on Institutional Framework but has only executed 37.4% of its allocation due to the low execution for appropriation category on public transfer execution just 28.9%, Good and services executed 69.5%. Ministry of Interior has second highest budget allocation and managed to execute 96.8%. This is because despite an execution of just 44.1% for public transfers, execution rates in the other categories were much higher with salary and wage at 98.3%, goods and services at 96.2%, minor capital at 96.9%, and contingency budget at 116.5%.

Ministry of Finance received the lowest budget allocation in this sector and had the second lowest annual execution through Q4, 2020 due to execution on appropriation category salary and wages at only 80.32%, good and service (80.26%), minor capital (100%), cumulative execution respectively (80.30%).

Other Ministries in this sector, such as Ministry of Foreign Affairs and Cooperation and Ministry of Defence, ranged in their execution between 96.2% - 97.3%.

Figure 4: Q4, 2020 execution for SDP Sector-Social Capital



Source: Ministry of Finance, IFMISU, January 2021

The Ministry of National Liberation Combatant Affairs (MACLAN) received the highest budget allocation in 2020, with execution until the end of Q4 of 92.6% for salary and wages, 89.5% for goods and services, 93.5% for minor capital, 11.1% for capital development, 99.8% for public transfers, giving a cumulative execution of 98.8%.

Ministry of Health had the second lowest budget allocation driven down by its category such capital development has budget allocation but not execute until the end of Q4 (0.0%), minor capital execution of 1.7% by end of Q4, 2020. However the other categories where were execution much higher, with salary and wages (95.9%), goods and services (80.5%), and public transfers (99.9%), giving a cumulative execution of 93.6%.

The National University Timor Lorosa'e self-financed services execution was 92.0% due to the execution on category capital development of just 42.8% but other categories such as minor capital, goods and services and salary and wages executed in the range 93.8% - 99.6%. Other ministries executions were relatively near target as shown in the graphs. However, some categories of the execution such like goods and services, minor capital, capital and development and contingency average between 79.8% - 100%.

COVID-19 Fund

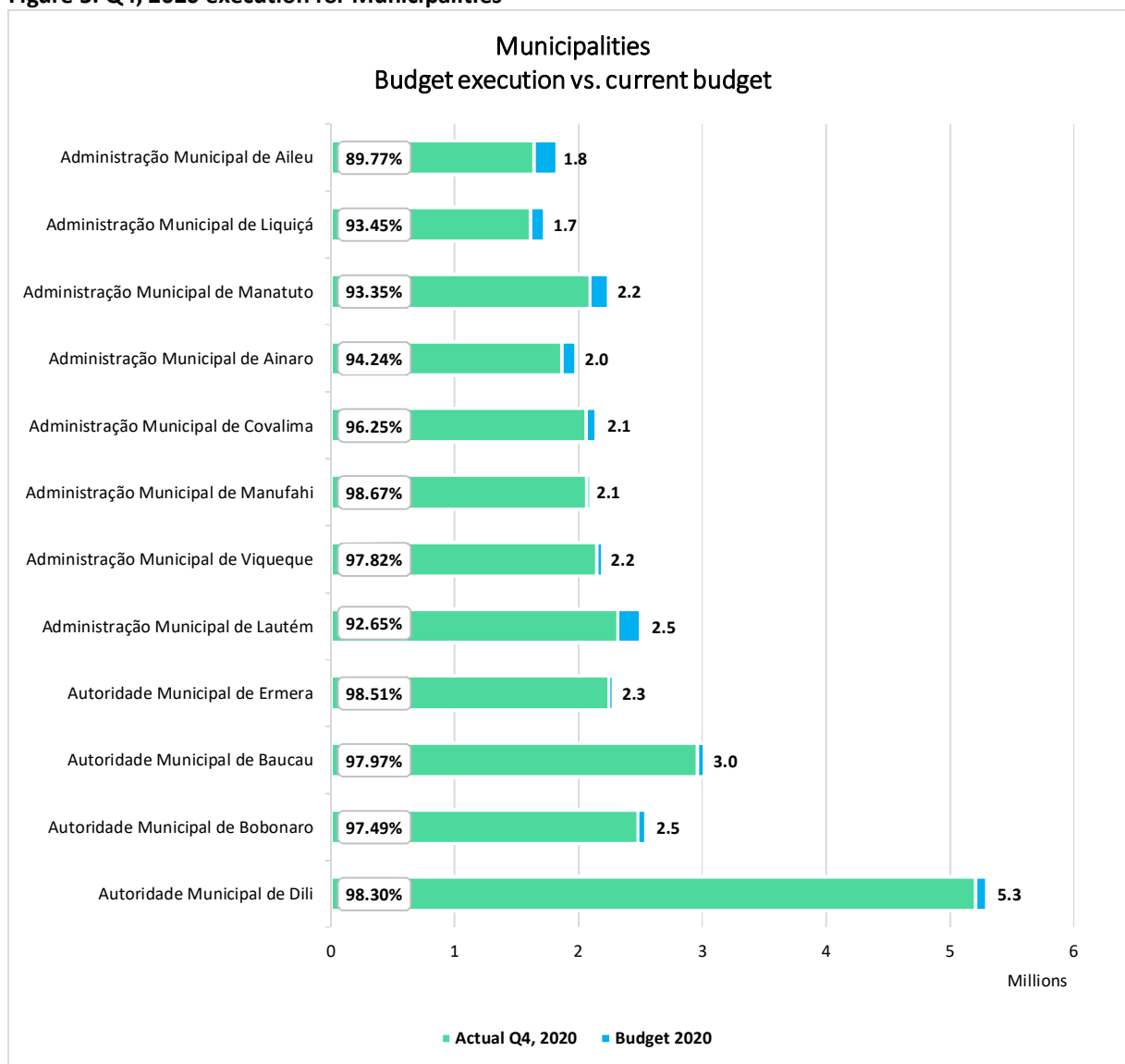
In line with the 2020 COVID-19 pandemic, Timor-Leste instituted a COVID-19 fund (\$220 million) for the health response as well as for economic recovery. The fund allocated 28.0% for goods and services, 71.1% for public transfers, 0.5% for minor capital and 0.4% for capital development. Some of the measures spent on included i) state of emergency, ii) social distancing, iii) labour productivity, iv) change in supply chains, v) market performance, and vi) social transfers (electricity subsidy, microbusiness loans, worker wage subsidy). By the end of Q4, 2020, it had executed 88.5%.

2.1.2 Municipalities

Municipality budget execution stood in the 89.8% – 98.7% range. Dili having the highest budget allocation in 2020, with execution cumulative 98.3% which concern from salary and wages, good and service, and public transfer range from 97.3% - 100%. However execution for category budget contingency just stood at 93.0%, therefore Dili Municipality cumulative execution till Q4, 2020 stood at 98.3%. Municipality Aileu, which

received the lowest budget allocation in 2020 and also had the lowest in the budget execution as shown in the graph below (89.8%). This is due to execution from each appropriation category such salary and wages only 86.3%, goods and services stands at 86.9%. However the appropriation category public transfers reached 99.1%. Lautem Municipality stand at top five high budget allocation had an execution of just 92.7%, due to the execution on appropriation category good and service of 86.9% only. Overall execution was affected by DOT, especially since many municipality programmes are dependent on line ministry assistance (health, education, public works) which was difficult due to consecutive state of emergency periods.

Figure 5: Q4, 2020 execution for Municipalities



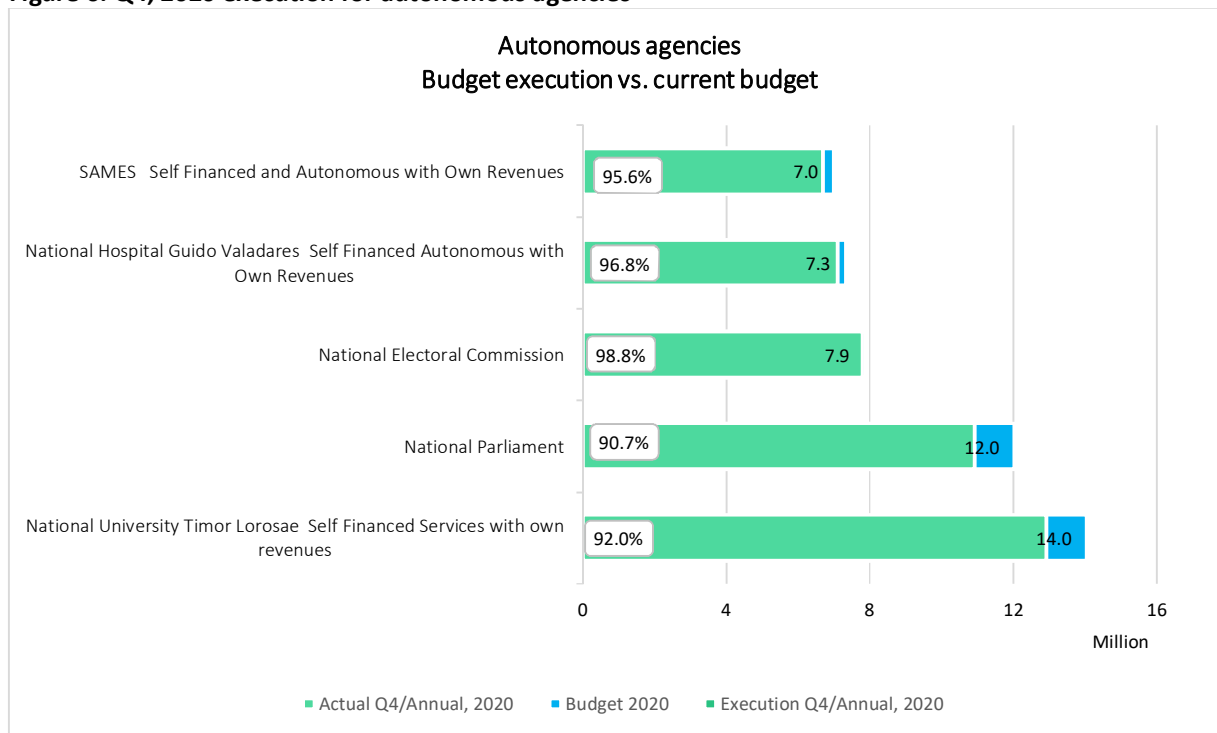
Source: Ministry of Finance, IFMISU, January 2021

2.1.3 Autonomous agencies

The graph below shows the overall execution rate in Q4, 2020 for the autonomous agencies with the highest budget allocation in State Budget 2020. The National University Timor Lorosa'e received the highest budget allocation, as indicated in the graph. However, execution by category such capital development was just at 42.8%, while salary and wages reached 99.6%, goods and services 94.6%, and minor capital 93.8%. The

National Parliament received the second highest budget allocation, however their execution rate was 90.7% with categories capital and development (17.7%), salaries and wages (97.5%), goods and services (79.5%), and minor capital (62.8%) and a 100% execution for public transfers.

Figure 6: Q4, 2020 execution for autonomous agencies



Source: Ministry of Finance, IFMISU, January 2021.

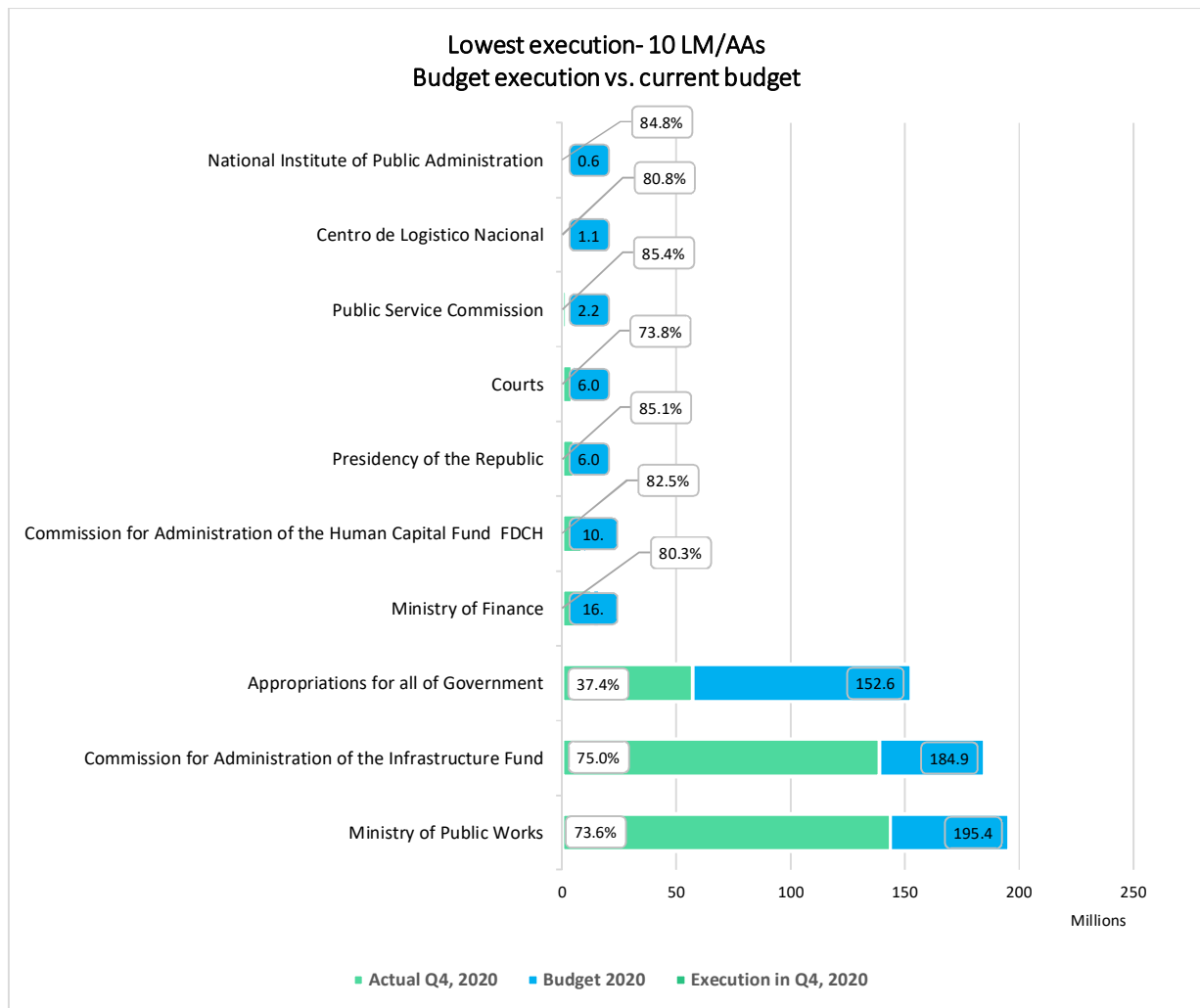
Note: RAAEO-ZEESM is not included in quarterly reporting.

2.2 Execution trends and reasons for top and bottom 10 LM/AAs

The materiality directive of Timor-Leste mandates that all line ministries/agencies must execute 25% of their budget cumulatively in each quarter, reaching 100% in Q4. However, this rule is not applicable during DOT system as they do not have the full year allocation to make use of. In general, procurement and capital projects are disproportionately affected during this time, with most public transfer and salary and wages budget items' following erstwhile execution patterns. In the box below, are steps that need to be undertaken for most goods and services and capital budget items to be committed, procured, executed and hence turned into cash expenditure.

Post in DOT system from January to September, LM/SFA/M's are often unable to start the procurement process as these payments are often lumpy (cannot be divided into smaller amounts). They on the other hand have only three months to execute annual state budget which is approved in the National Parliament and promulgated by President of Republic at the end of Q3. In this particular case affected that they are unable to start a credible procurement process, without all the funds at hand to make a commitment.

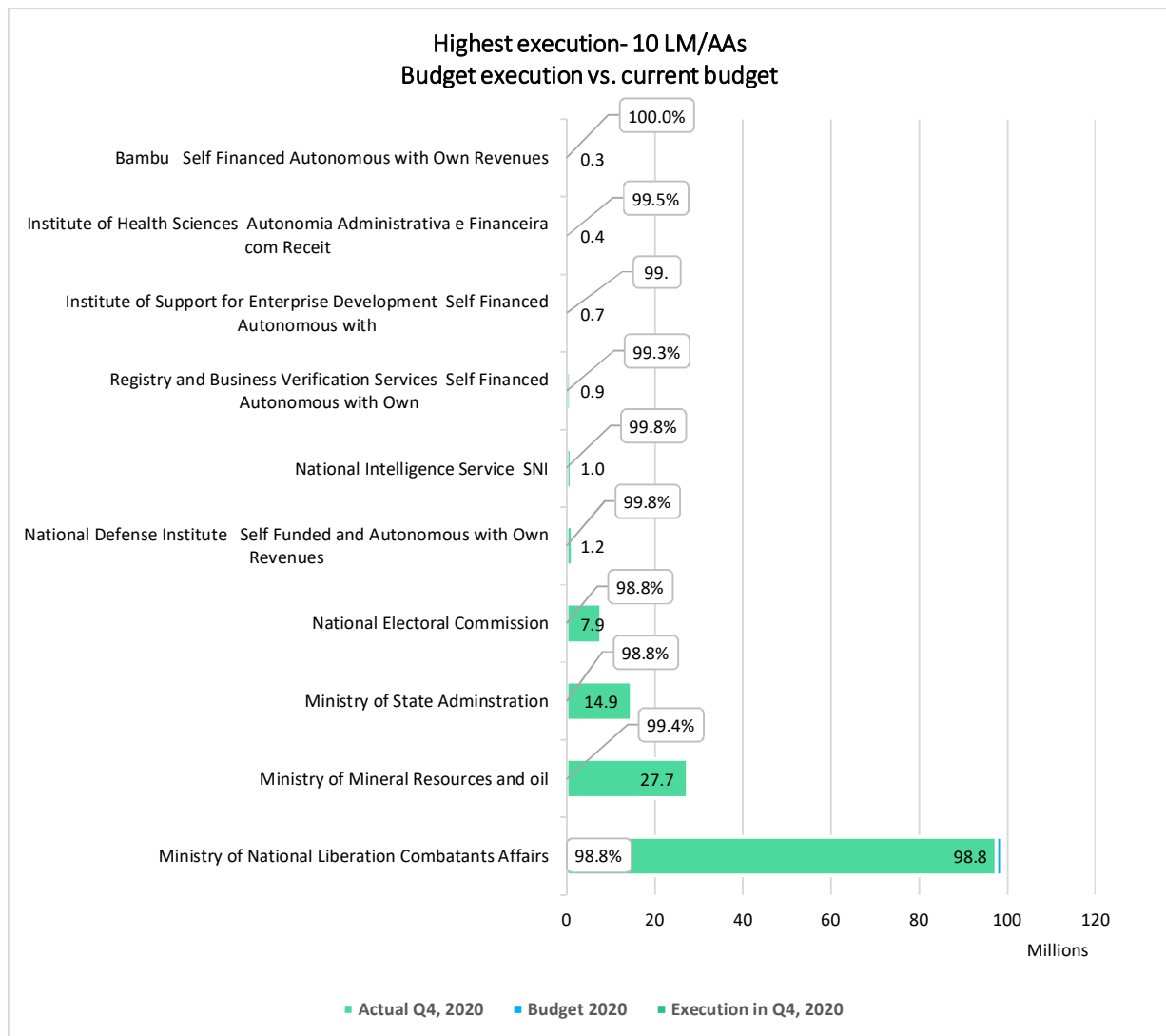
Figure 7: Q4, 2020 execution for 10 lowest execution across LM/AAs



Source: Ministry of Finance, IFMISU, January 2021

In this section Ministry of Public Work received the highest budget allocation, however execution until the end of Q4 was only 73.6%, caused from some appropriation categories are not effectively executed such category good and service and capital development execution range (72.4% - 85.4%). Appropriation for all of Government has the third highest budget allocation on the graph but the lowest execution (37.4% only), due to execution on appropriation category public transfer of just 28.9% and the category good and service only 69.5%. Commission for Administration of the Infrastructure Fund (CAFI) is the second highest state budget allocation however on the execution through the end of Q4 just reached up to 75.0%, as the execution on category capital and development was only 74.9%, while execution on other category such as salaries and wages and goods and services ranged between 99.2% - 99.6%.

Figure 8: Q4, 2020 execution for Top 10 highest execution across LM/AAs



Source: Ministry of Finance, IFMISU, January 2021

Ministry of National Liberation Combatants Affairs was the ministry with the highest execution and state budget allocation 2020 (as it shown in the graph) with execution cumulative of 98.8%. This was despite a very low execution rate for capital development (only 11.1%). This low rate was offset by high executions in salary and wages, good and service, minor capital, and public transfer (ranging between 89.5% - 99.8%). Ministry of Mineral Resources and Oil, the second highest state budget allocation, also nearly hit its execution target. However, while its public transfer was execution fully (100%), salary and wages and goods and services range between 80.7% - 83.7%. The BAMBU institution reached the target execution rate of 100%.

Box 1: Steps to turn a commitment into cash expenditure

Commitment: A commitment is an amount that has been put aside for certain expenditure so that the amount is not spent on something else. Once it is committed, it will not be spent on something else other than for the purpose of the commitment. Therefore the fund will always be available for future payment for its intended purpose when required during the course of one fiscal year. However, at this stage, the likelihood of payment and the exact amount may not yet be certain. Therefore the amount of commitment may be subject to change and cancellation later if no longer required.

The steps taken for a commitment to become an obligation are as follows:

1. Creation of a procurement plan
2. Creation of a bidding document
3. Permanent Quota for Commission Timor-Leste (PCQTL) approval
4. Advertisement or upload of the project
5. Opening bid for proposals
6. Evaluation of bidders technical and financial proposals
7. Finalizing the Intent of Award
8. Finalization of Contract
9. Signing of contract

Obligation: A commitment may become obligation or required to pay if the goods/services has been delivered or contract has been signed - however the payment has not been realized/made as it is still subject to confirmation/verification and approval to ensure the goods/services have been delivered in accordance with the contract. As the payment has not been made it has not affect actual cash expenditure of the Government.

The steps that need to be completed before an obligation become a cash expenditure are as follows:

1. Monitoring of the implementation of the project activities
2. Evaluation and mapping progress
3. Submission of request for payment
4. Payment and conversion of obligation into cash expenditure

In Cash Basis Accounting and Reporting, both Commitment and Obligation are not considered as part of Actual Cash Expenditure as cash has not gone out of the Government Account. The reader must be aware that the cash expenditure reported in this report does not include obligations and commitments.

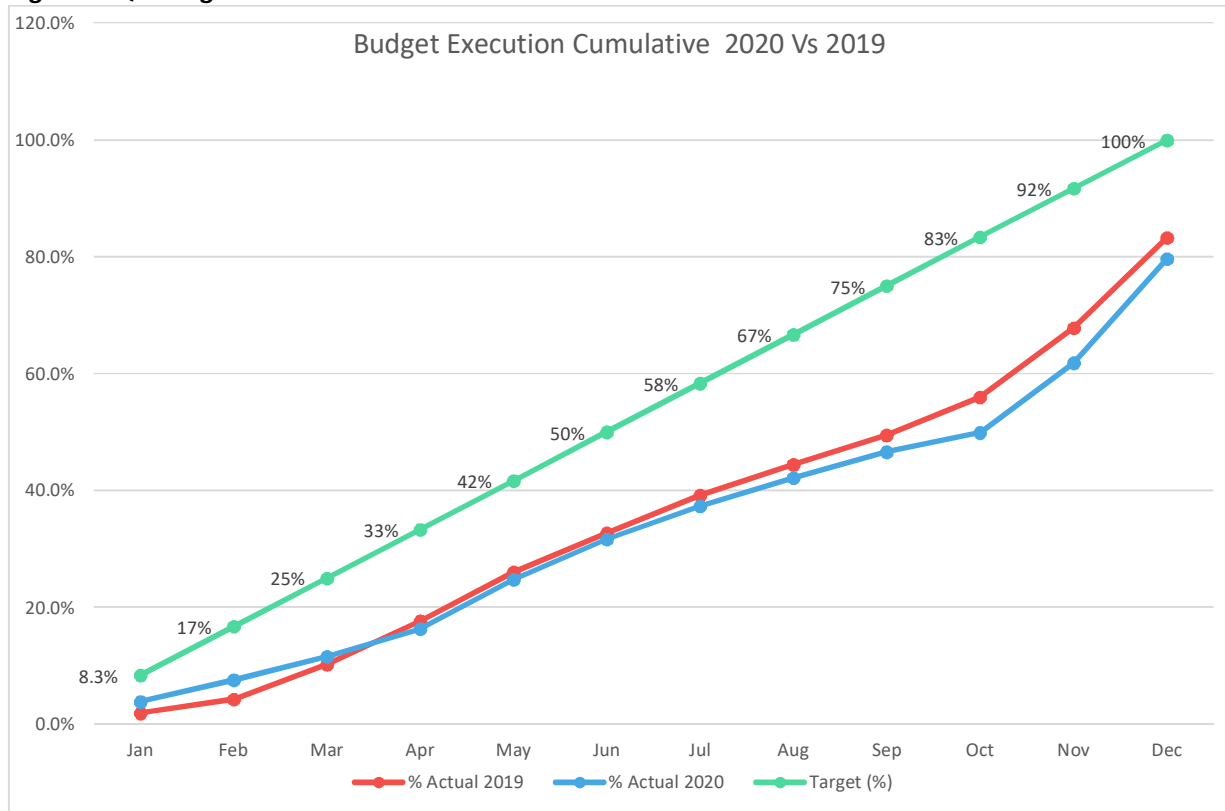
2.3 Comparison of budget execution with previous years

In general, budget execution for each quarter is the amount of cash spent vs the final budget of the whole year. The materiality directive of Timor-Leste states that 100% of the budget must be spent by end of Q4. But 2019 and 2020 are not comparable years.

In 2020, given the DOT system, the final budget is approved at National Parliament and promulgated by President of Republic at the end of Q3, 2020 which is left 3 months execute the annual state budget allocating to the Line Ministries, State Institutions, and Autonomous Agencies. Reference to the remarks stated at page twelve on point (2.2. Execution trends and reason) clearly notify the reason for not fully execute budget allocation to each (LM/SI/AA) as it shown in the graph below. If we assumed the 2020 budget to be the same as 2019, then the fourth quarter year execution (\$ 940,884,678 million out of \$ 1,301,380,614 billion) would

be 72.3% below line with Timor-Leste's past Q4 execution rates. Another reason for low budget execution could be that \$220 million has been allocated to the Covid-19 Fund, but the plan for responding to health situation and economic recovery remains to be finalised, which will impact budget execution. Lastly consecutive state of emergencies instituted because of the COVID-19 pandemic have affected whole of government functions, with essential services taking precedence.

Figure 9: Q4-Budget execution 2020 vs 2019



Source: Ministry of Finance, National Directorate of Budget, January 2021

2.4 Virements

According to the Public Financial Management Law, no. 13/2009 article, all line ministries and autonomous agencies can make an adjustment within or and between appropriation categories of a division in a ministry. The limit of the adjustment is 20% of the total budget in the given category level.

The law prohibits LM and AAs to make transfers or virements out of Salary and Wages and Capital Development categories to other recurrent categories. However, adjustments can be made within Salary and Wages and Capital Development categories themselves. To execute the PFM law, all LM and AA's should submit their virements/ transfers proposal to the Ministry of Finance. UPMA reviews the implication of the adjustment to their programmes and activities.

Below are some reasons for the virements presented in the Table 1:

- COVID-19 Pandemic Management (CIGC):** It made a transfer of \$ 12,021 million to goods and services in purpose to purchasing of health equipment's and materials related to the COVID-19 pandemic prevention and mitigation.

- **Appropriation for all of Government:** It released \$ 9, 3 million from Appropriations of Whole of Government in Despesas Contingencias to several LM/AA, in line to support campaign the prevention and mitigation towards pandemic COVID-19.
- **Ministry of Interior:** It made internal transfer from goods and services \$0,109 million to minor capital, salary & wages, and transfer to fix extra working hours and deficit on salary and wages for contracted staff.
- **Ministry of Social Solidarity and Inclusion:** Internal Virements from public transfer within amount of \$66 million to goods and services and salary and wages to support deficit on salary for contracted staff include the thirteen month payment, also to reconcile expenditure during DOT system.
- **National Electoral Commission:** It received \$ 0.6 million from Despesas Contingencias.

The table below shows ministries that made the largest virements between appropriation categories by end of Q4, 2020.

Table 1: Selected top 5 Virements making LM/AA/Ms in Q4, 2020

Name of Ministry	Appropriation Category	Virements
COVID-19 Pandemic Management	Goods & Services	12,021,080.00
	Minor Capital	(676,400.00)
	Capital & Development	(2,636,175.00)
Appropriation for all of Government	Transfers	(8,708,505.00)
	Goods & Services	(9,298,150.00)
	Transfers	(600,000.00)
Ministry of Interior	Salary & Wages	27,000.00
	Goods & Services	(108,597.00)
	Minor Capital	17,800.00
	Transfers	63,797.00
Ministry of Social Solidarity and Inclusion	Despesas Contingencias	1,783,656.00
	Salary & Wages	171,074.00
	Goods & Services	484,765.00
	Minor Capital	-
	Transfers	(655,839.00)
	Despesas Contingencias	-

National Electoral Commission	Salary & Wages	-
	Goods & Services	-
	Transfers	-
	Despesas Contingencias	597,523.00

Source: Ministry of Finance, National Directorate of Budget, January 2021

2.5 Development Partner Disbursements

Donors made a cumulative disbursement of \$139.1 million in Timor-Leste by end of Q4, 2020. \$53.4 million was disbursed in Q1, \$32.8 million was disbursed in Q2 while \$30.1 million was disbursed in Q3 and \$33.3 million at the end of Q4. The following graphs present the projects with the highest cumulative disbursement by the end of Q3, 2020. All data is provided by DPs (development partners) and is extracted from the Aid Transparency Portal.

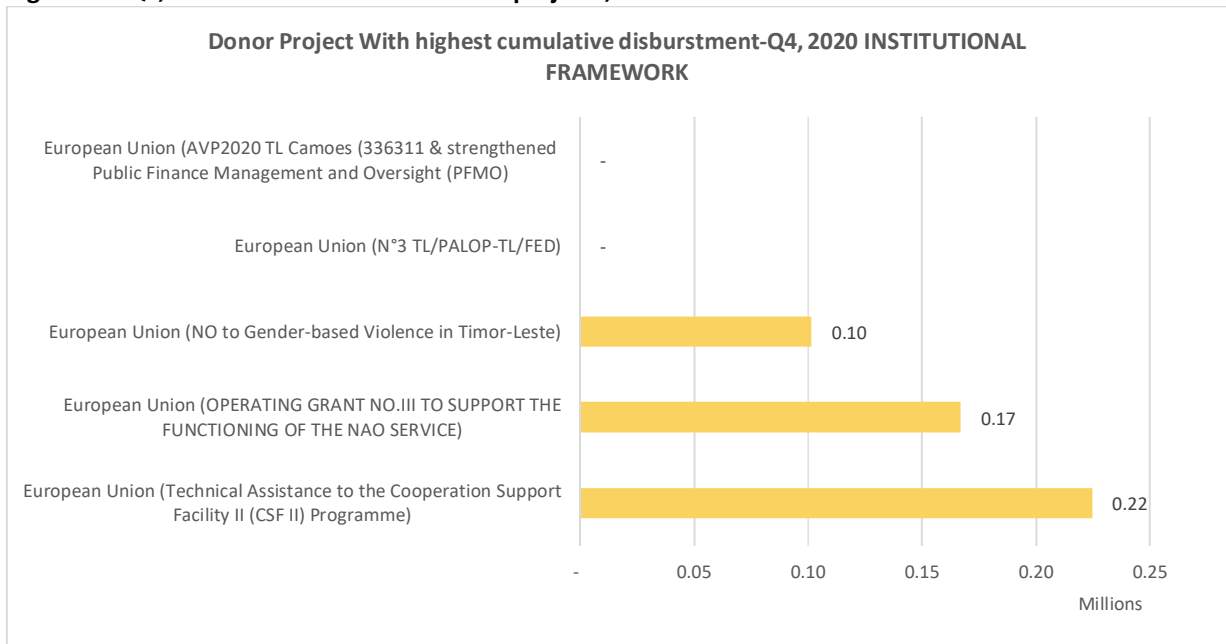
Often times, actual disbursement is higher than planned disbursement in Timor-Leste as DP plans change over the course of the year. Hence, only actual disbursement has been shown in the graphs.² Since the same project may contribute to multiple SDP sectors, it may repeat across the graphs if it has made high disbursements across them. The data only includes grant and technical assistance projects. No loans or government co-financed projects are included.

Note: Donors have the right to make changes in previous data entries in the Aid Transparency Portal. Any in year discrepancies in data can be attributed to the same.³

² The graphs map project and DP disbursements to a SDP sector. We cannot draw conclusions on the nature of the receiving agency. It may be the government or a non-governmental implementing agency. In addition, it is important to note that the figures below do not distinguish between financing and in-kind support.

³1. The Govt. of China, The Global Fund, and the US Embassy had not uploaded their Q1 and Q2 data as of Feb 14, 2020 and may account for under-counting.

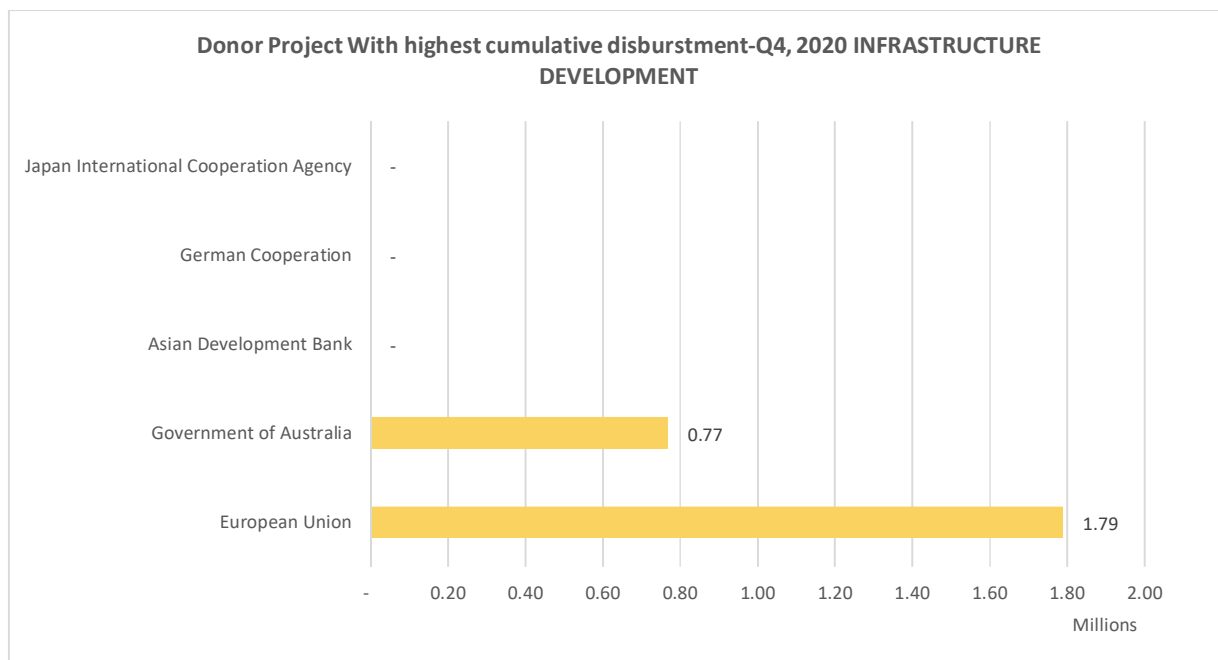
Figure 10: Q4, 2020 disbursement for donor projects, SDP Sector- Institutional Framework



Source: Ministry of Finance, National Directorate for Aid Management, Mobilization, and Effectiveness, April 2021.

This sector received a total disbursement of \$23.31 million by end of Q4, 2020. Out of this, \$17.9 million was disbursed in Q1, Q2, & Q3. The Government of Australia is the largest donor in this sector, having disbursed \$2.1 million for security (Timor-Leste Police Development Program), public sector management and good governance. The government of United States also disbursed \$ 0.7 million for public sector management and good governance (custom reform project). European Union disbursed \$ 1.9 million in supporting technical assistance to several line ministries (including Ministry of Agriculture and Fisheries, Ministry of Finance, Ministry of Foreign Affairs and Cooperation, Ministry of Health, Ministry of State Administration, Secretariat of State for the Environment).

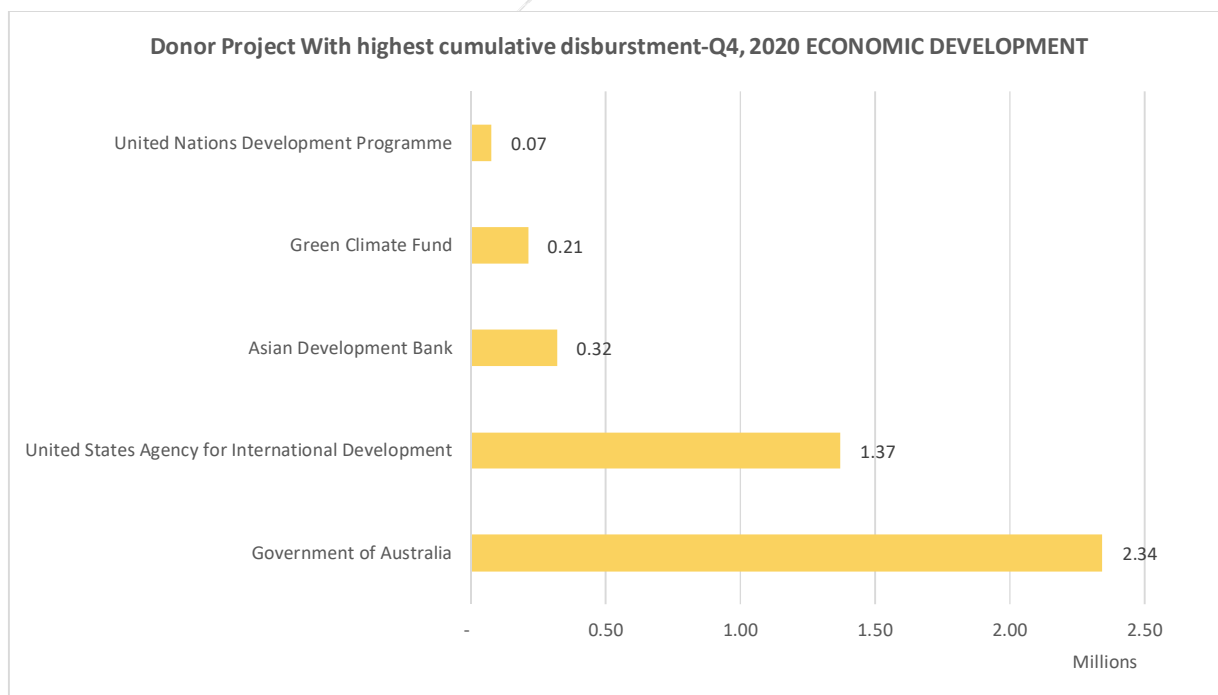
Figure 11: Q4, 2020 disbursement for donor projects, SDP Sector- Infrastructure Development



Source: Ministry of Finance, National Directorate for Aid Management, Mobilization, and Effectiveness, April 2021.

This sector received a total disbursement of \$12.3 million by end of Q4, 2020. Out of this, \$7.1 million was disbursed in Q1, Q2, and Q3 alone. Infrastructure Development donor disbursements commonly focus on land and water transport, roads, forestry, climate resilience and water and sanitation. In Q4, Australia made the biggest disbursements to its two programmes; Roads and Bridges for Development (\$0.77 million) and water sanitation. The EU contributed over \$1.79 million on program for road access to agro-forestry.

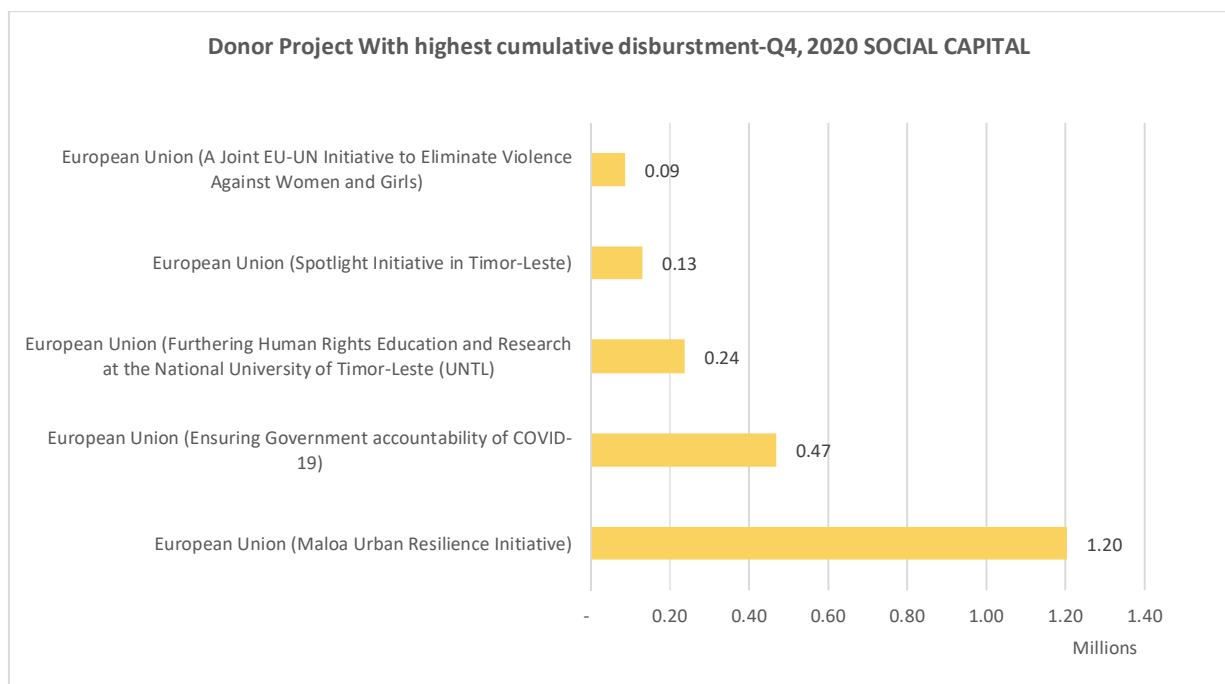
Figure 12: Q4, 2020 disbursement for donor projects, SDP Sector- Economic Development



Source: Ministry of Finance, National Directorate for Aid Management, Mobilization, and Effectiveness, April 2021

The Economic Development sector received \$18.03 million by end of Q4, 2020. Out of this \$13.7 was disbursed in Q1, Q2, and Q3 2020. These donor projects focus on food security, tourism income generation, natural resource management and agriculture. The largest donor in this sector is Government of Australia for Agriculture programmes and PARTISIPA, TOMAK, Community resilience on drought and farming by the end of Q4 disbursed \$3.6 million. USAID's Avansa programme disbursed nearly \$0.9 million and its Tourism for All project disbursed \$1.37 million by the end of Q4. Green Climate Fund contribute \$ 0.21 million for Secretariat of State for the Environment on safeguarding rural communities and their physical assets from climate induced disasters in Timor-Leste. Asian Development Bank disbursed \$ 0.32 million for fiscal policy for improved service delivery and expansion of financial services. UNDP contribute \$0.07 million to support local economies response post pandemic COVID-19.

Figure 13: Q3, 2020 disbursement for donor projects, SDP Sector- Social Capital



Source: Ministry of Finance, National Directorate for Aid Management, Mobilization, and Effectiveness, April 2021.

This sector received \$53.4 million in donor funding by end of Q4, 2020. Out of this \$35.0 million was disbursed in Q1, Q2, and Q3. Social capital projects generally focus on women's empowerment, child protection, social protection, human development, health and education considering Australia is the largest donor disbursed \$9.4 million. In Q4 2020, donors shifted focus to Covid-19 relief with Australia disbursing \$4.0 million for the same. European Union contribute disbursing \$2.12 million for Urban environment resilience initiative, eliminate violence against women, human rights education, in support to the COVID-19 pandemic prevention and mitigation.

2.6 Budget Support

Timor-Leste has been receiving budget support (BS) from the European Union since 2014. The latest agreement was signed in 2016 under the 11th European Development Fund. The contribution of the budget support component is \$30 million (may be increased) across five years (2016-2020), with the last disbursement in 2021.

In this context, the funds are directly given to the country's government without prior earmarking. However, a variable tranche depends on specific Key Performance Indicators (KPIs) agreed upon by the Ministry of

Finance and the EU. While the funds are not separate or additional to the Ministry's core business, they must support clearly stated priorities and the Ministry's own planning framework.

In 2019, the government received a first tranche of \$3.1 million and then a second tranche of \$6.7 million later in the year. The balance left over from 2019 for these funds was \$3.0 million. The government spent \$244,649 in Q1, 2020, the majority of it was spent on national and international professional services. An additional \$285,824 was spent in Q2, 2020 on similar professional services.

The beneficiary ministries currently are: Ministry of Health, Ministry of Finance and Ministry of State Administration, who all must report to the Treasury about the execution of these transferred funds.

3 Revenue trends in Q4 2020

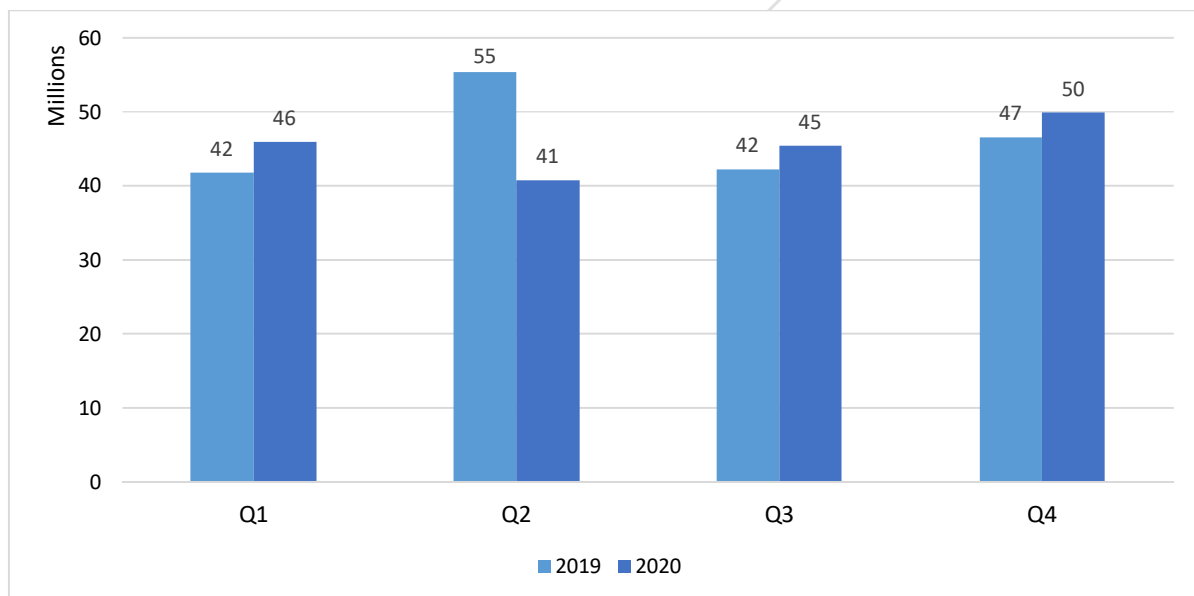
3.1 Revenue Trends in Q4 2020

Domestic revenues rose in Q4 of 2020 in comparison to those collected in 2019. However collections were lower than those in the previous quarter. All three categories (tax, fees and charges and autonomous agencies) increased in comparison to 2019. Both tax and autonomous agencies were higher than Q3, while fees and charges were significantly lower.

Please note, there has been an amendment to the collections for Q3 to exclude EU DBS from the analysis (\$7,594,425). It was previously included in the Q3 report, due to EU Budget Support coming on budget in 2020 and being counted as a new source of revenue. In the BB1 2020, it was listed as a form of financing. In future budgets, EU Budget Support will be classed as an additional form of revenue, separate to domestic revenues and petroleum returns, and therefore has not been included in this report.

It is important to note that figures for the special administrative regions of ZEESMs are not yet known for either 2019 or 2020 and therefore are not included in any of these graphs. This is true for both the tax and fees and charges values.

Figure 14: Domestic Revenues 2019 and 2020

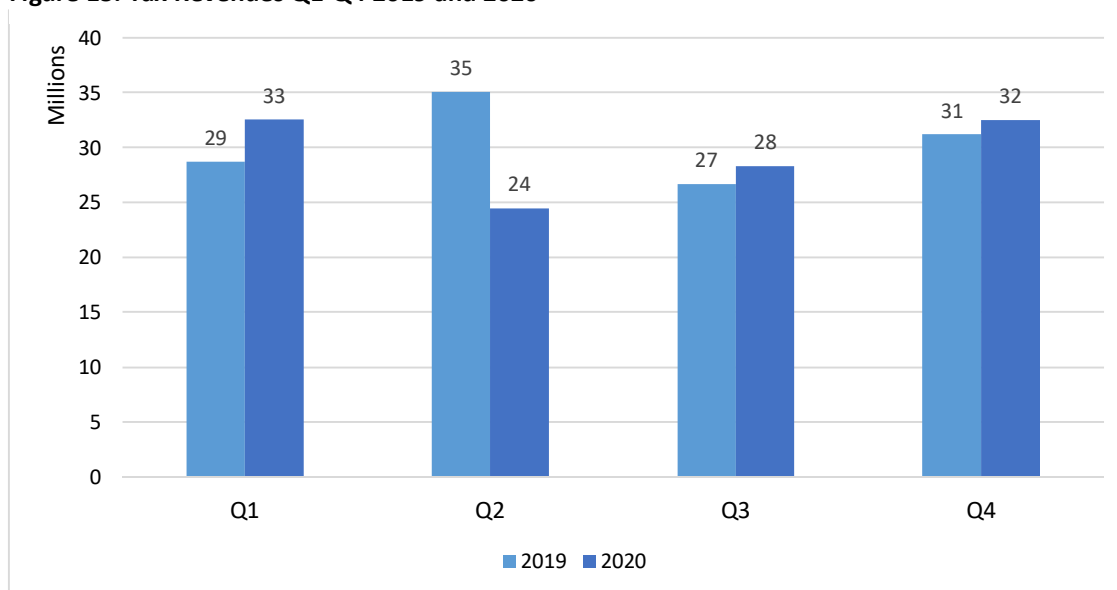


Source: National Directorate of Economic Policy, Ministry of Finance, January 2021.

3.2 Tax Revenues in Q4 2020

Tax revenues rose in comparison to both the previous quarter as well as Q4 of 2019. There was a 15% increase in collections between Q3 and Q4 2020 and a 4% rise in collections between Q4 2019 and 2020.

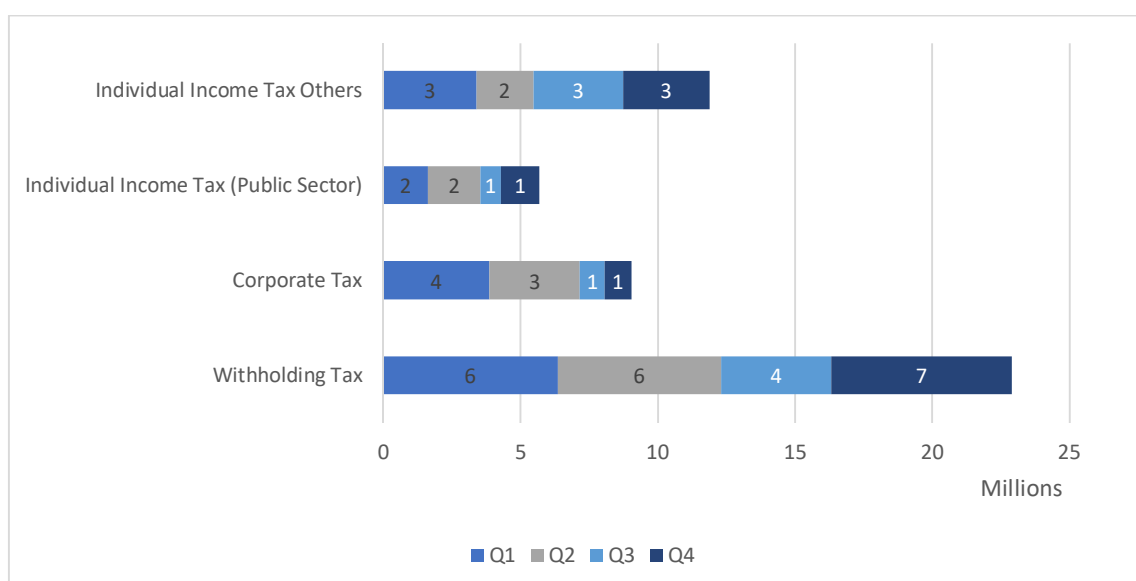
Figure 15: Tax Revenues Q1-Q4 2019 and 2020



Source: National Directorate of Economic Policy, Ministry of Finance, January 2021.

The largest percentage increase was direct taxes which rose 35% in comparison to those collected in Q3. This was due to a significant rise in Withholding taxes which rose from \$4 million in the previous quarter to \$6.7 million in this quarter. Withholding taxes are often linked to the amount of capital expenditure spending in the economy as they are levied on both building and construction consulting services. There is often a significant rise in its collection in Q4 as that is when a large number of capital expenditure projects are commissioned, to ensure their inclusion before the close of the financial year. This is particularly true in 2020 as the state of emergency and use of the duo-decimal budget postponed projects to the final quarter of the year. Withholding tax can also often have a delay in collection from when a project is commissioned, therefore there may be a boost to the figures in Q1 2021 as a spill over from any contracts signed in Q4 2020.

Figure 16: Direct Taxes by quarter, 2020

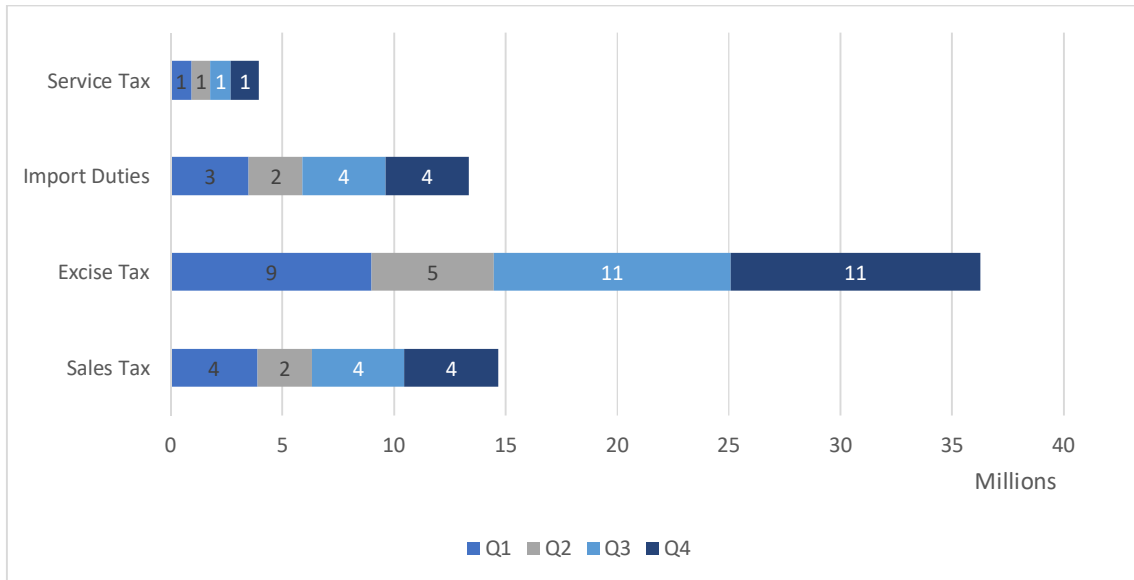


Source:

Source: National Directorate of Economic Policy, Ministry of Finance, January 2021.

Indirect taxes also rose, though not to the same degree a direct. Indirect taxes saw a 5% rise in comparison to Q3. This was due to small increases in excise and service taxes, which may be due to increased spending due to the festive period. Indirect taxes are often seen as a proxy for consumer spending. Therefore the rise in Q4 suggests a rise in consumer confidence and a small boost to economic growth.

Figure 17: Indirect Taxes by quarter, 2020

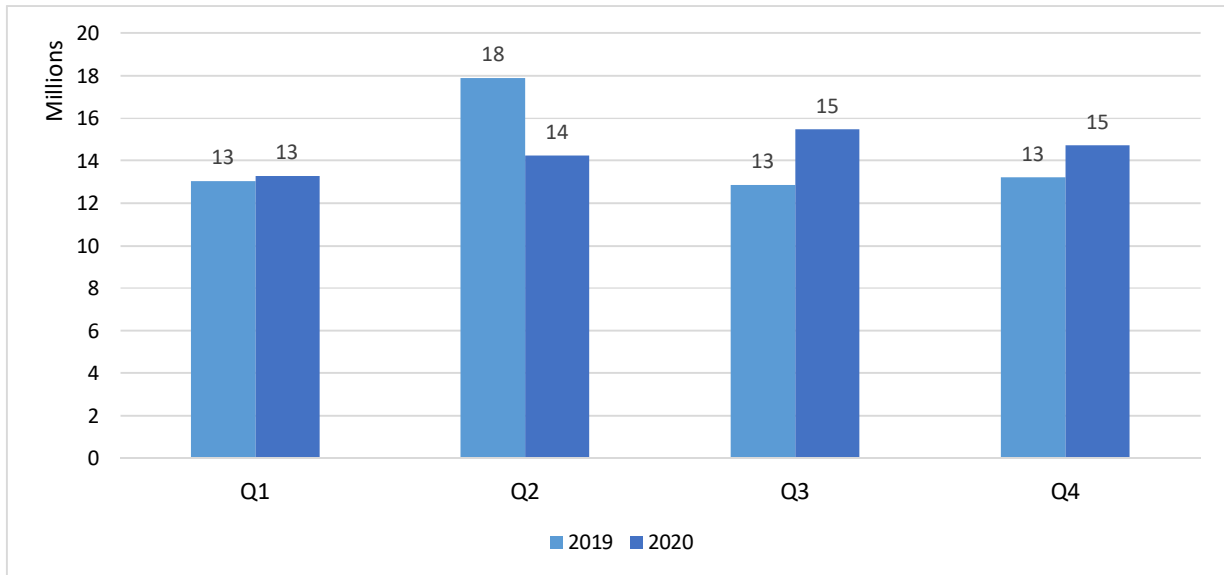


Source: National Directorate of Economic Policy, Ministry of Finance, January 2021.

3.3 Fees and Charges Revenues in Q4 2020

Fees and charges saw a slight decline from collections in Q3, falling from \$15.5 million to \$14.7 million. However revenues were higher than those in Q4 of 2019, with a year on year increase of 11%.

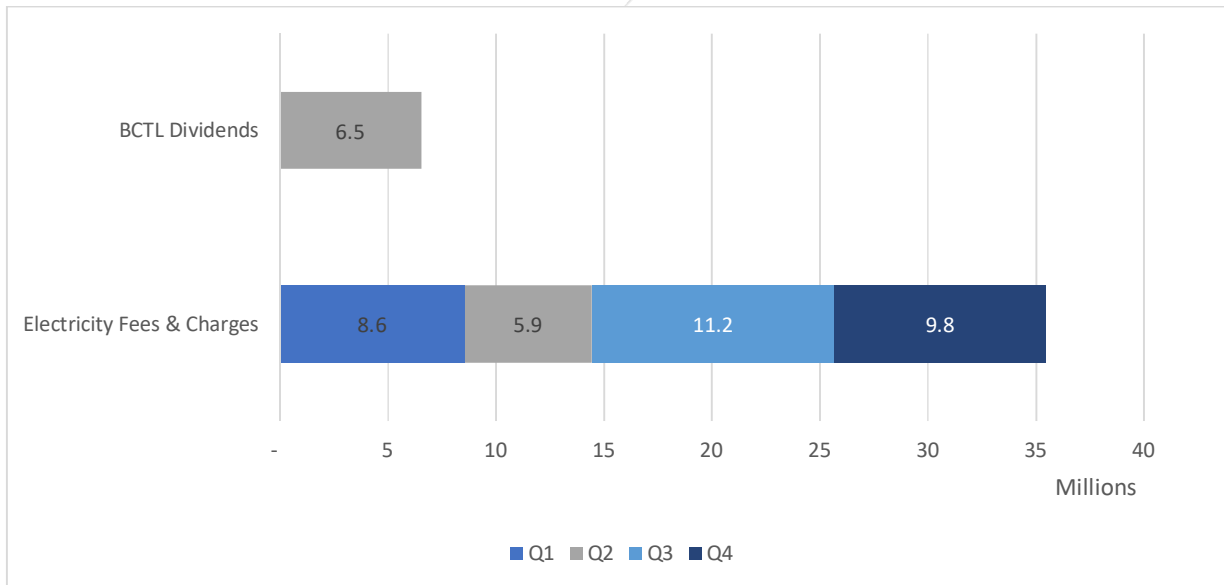
Figure 18: Fees and Charges Revenues Q1-Q4 2019 and 2020



Source: National Directorate of Economic Policy, Ministry of Finance, January 2021.

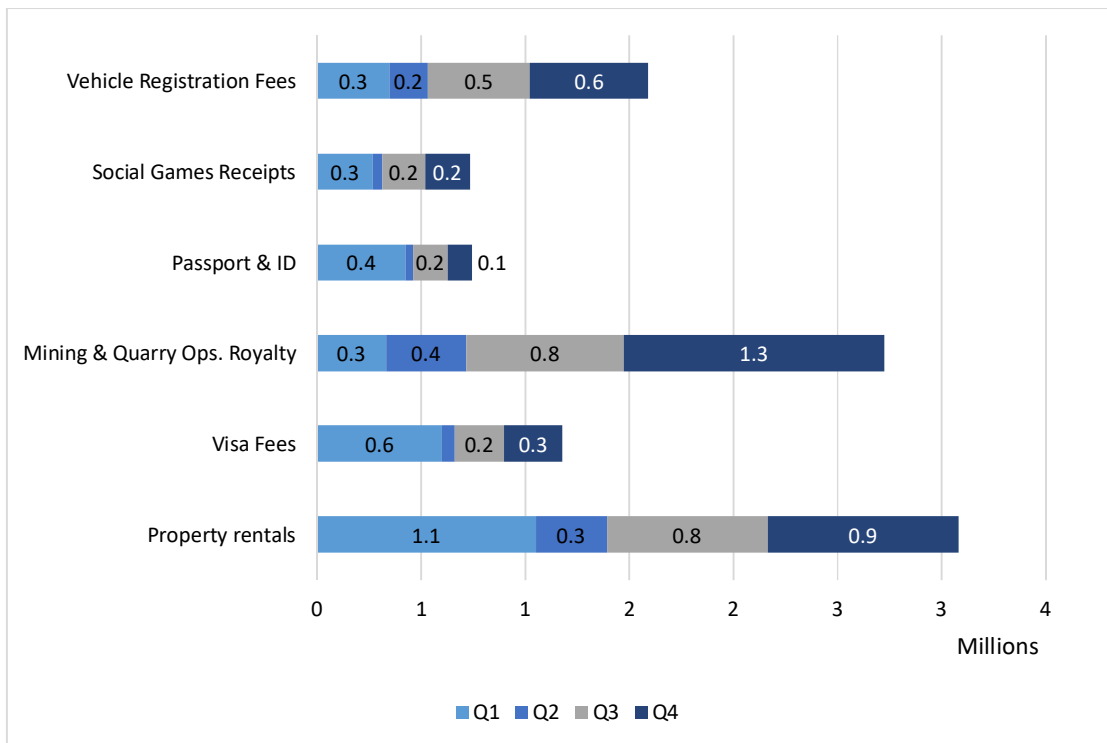
The main reason for the quarter on quarter fall was a reduction in revenues from electricity fees and charges which fell 13%. However there were small increases in some of the larger fees and charges contributors including mining and quarry royalties and property rentals.

Figure 19: Top Fees and Charges by quarter (BCTL Dividends and Electricity F&C), 2020



Source: National Directorate of Economic Policy, Ministry of Finance, January 2021.

Figure 20: Top Fees and Charges by quarter (Other), 2020

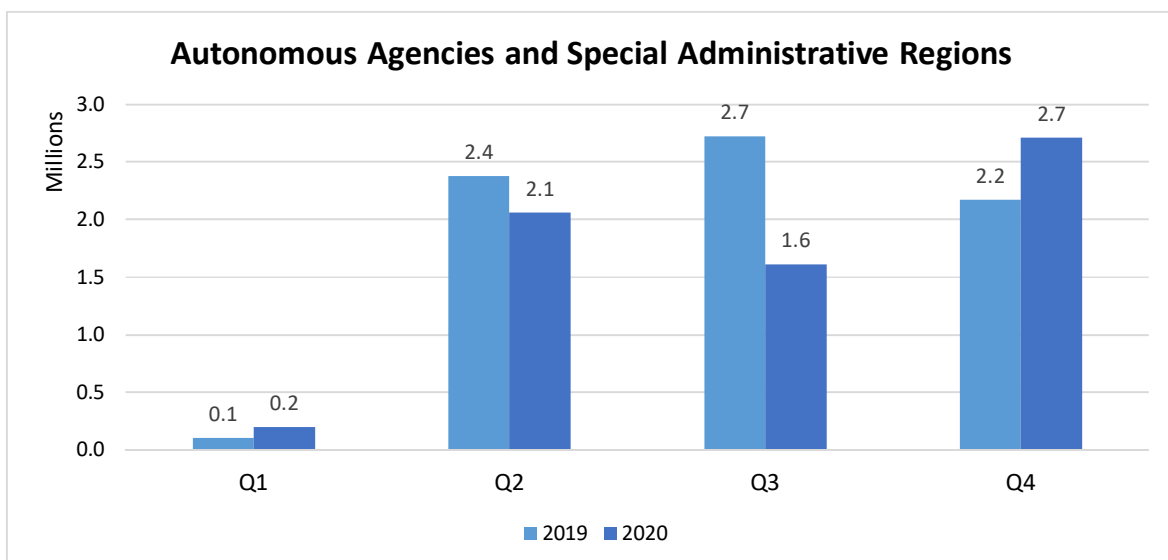


Source: National Directorate of Economic Policy, Ministry of Finance, January 2021.

3.4 Autonomous Agencies Revenues in Q4 2020

Autonomous Agencies saw a substantial rise in revenues between Q3 and Q4 and year on year between Q4 2019 and Q4 2020.

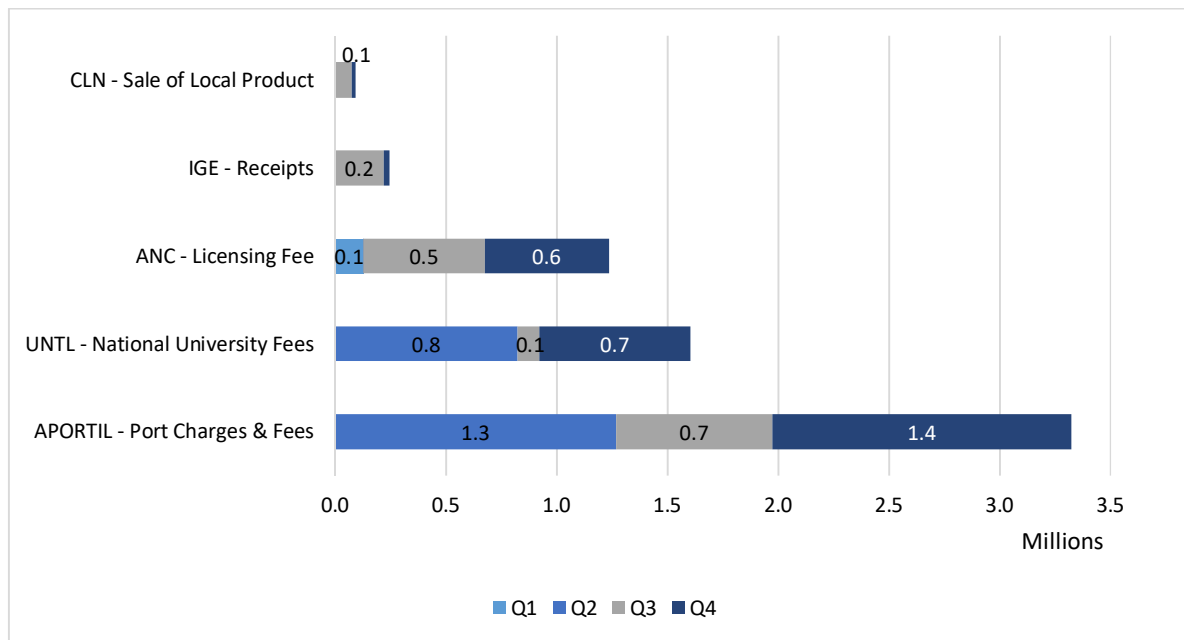
Figure 21: Autonomous Agencies and Special Administrative Regions Revenues Q1-Q4 2019 and 2020



Source: National Directorate of Economic Policy, Ministry of Finance, January 2021.

There were large rises in collections by UNTL and APORTIL. University fees were 6 times higher and port fees and charges nearly doubled. A number of agencies reported no collections in Q4. These include HNGV (Hospital & Medical fees), SERVE IP and CLN (Sale of Rice).

Figure 22: Revenue generating Autonomous Agencies by quarter, 2020



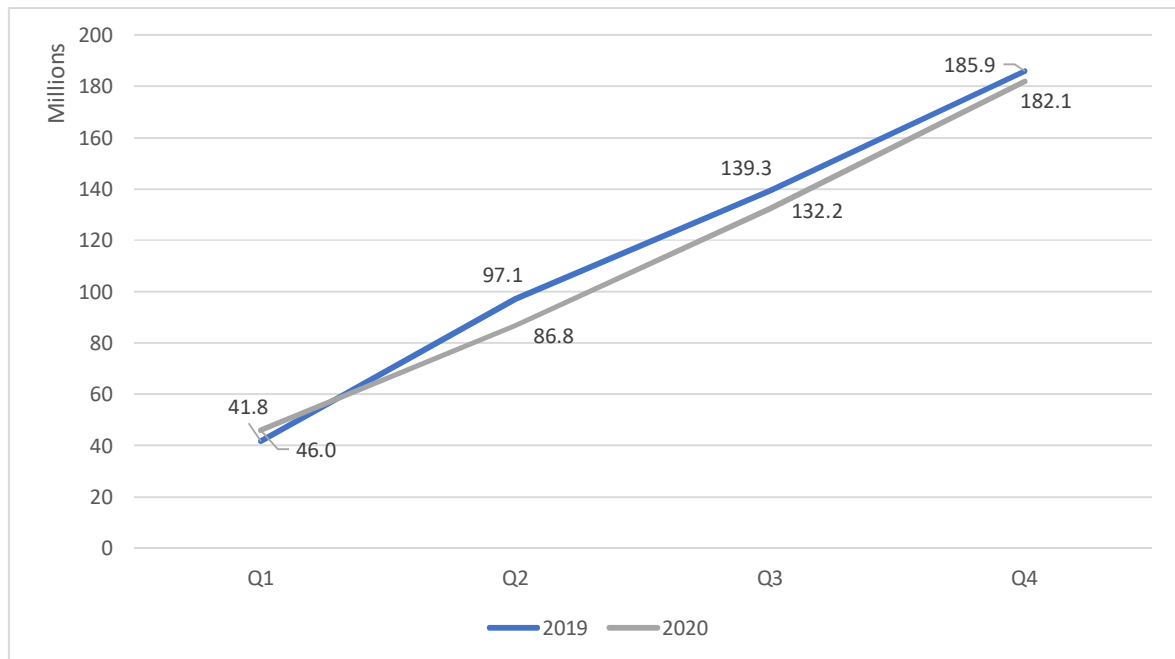
Source: National Directorate of Economic Policy, Ministry of Finance, January 2021.

3.5 Revenue Trends in 2020

Revenues in 2020 ended the year only 2% lower than those collected in 2019.

This is much unexpected given the COVID-19 crisis and related global economic crisis. The effect of the first state of emergency can clearly be seen in the cumulative total graph below. While 2020 revenues were up on those in 2019 during Q1, they failed to remain higher in Q2. In fact, they fell from being 10% higher to 11% lower than collections in 2019 at the same time. However, collections in Q3 recovered quickly and the gap between collections in 2019 and 2020 narrowed even more by the end of the fiscal year.

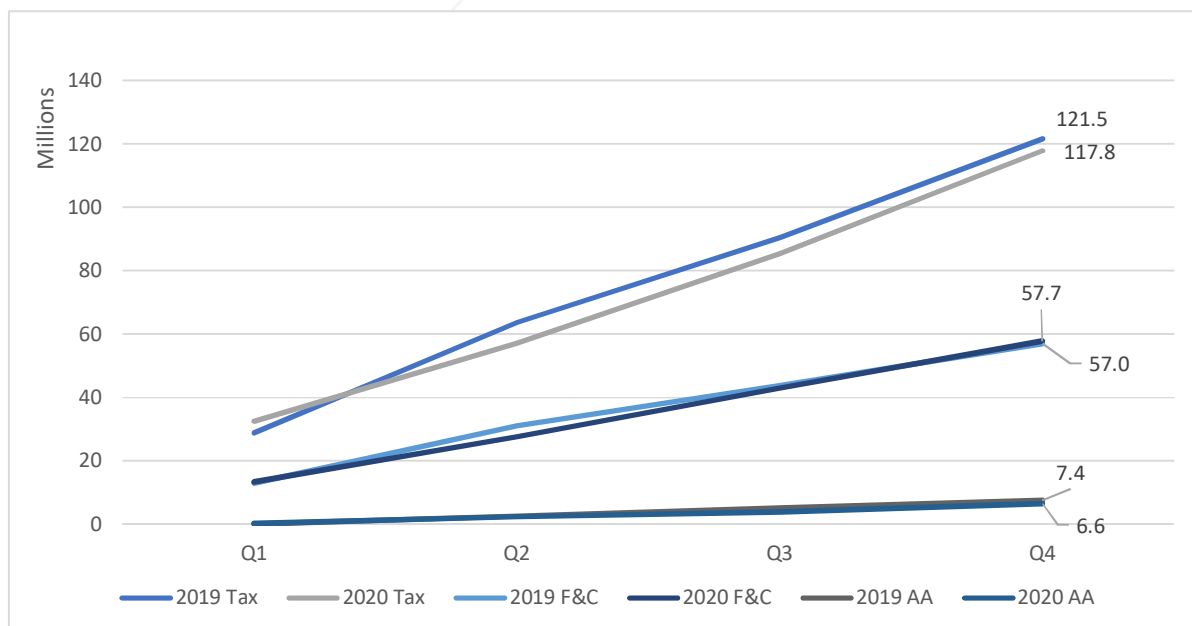
Figure 23: Cumulative Domestic Revenue Totals 2019 and 2020



Source: Source: National Directorate of Economic Policy, Ministry of Finance, January 2021.

When looking at the breakdown of revenues, it is clear to see what the driver of this growth has been. **Fees and charges saw an 8% rise in collections between Q2 and Q3.** Electricity fees and charges, the largest single contributor to fees and charges in 2019, more than doubled in the same period; a pattern that was echoed across nearly all of the largest contributors. Due to the rise in collections during Q3, the final fees and charges total for the year was 1% higher than those collected the year before.

Figure 24: Cumulative Revenue by Component Q1- Q4 in 2019 and 2020



Source: National Directorate of Economic Policy, Ministry of Finance, January 2021.

On the other hand taxes and revenues from autonomous agencies both ended the year down on collections in 2019. Taxes saw an overall fall of 3%, while autonomous agencies were 11% lower.

Taxes in 2020 started the year higher than those in 2019 but saw a significant flattening during Q2 and continued to remain lower. The biggest year on year fall was seen by income taxes which fell 24% for the public sector and 10% for the private. Excise and sales taxes and import duties were also all lower than the previous year. Withholding taxes in fact rose 9%, largely due to high collections during Q1 as a spill over from projects at the end of 2019. Corporate and sales taxes also saw rises. Excise taxes continued to be the largest contributor, making up 31% of total tax revenues. Withholding taxes, making up 19%, and sales tax, making up 12%, remained the second and third highest taxes.

6 autonomous agencies recorded no collections over the whole of 2020 despite receiving revenues in 2019. These included HNGC (hospital and medical fees), AFAESA (fees) and SERVE IP (revenues). UNTL was the only autonomous agency to see a rise in revenues, increasing 24% and becoming the second largest contributor. A new revenue stream was added from the National Laboratory which received \$66,993. The largest contributor, APORTIL, fell 5% but still made up 50.5% of total collections for the sub-group. ANC (licencing fee) and CLN (sale of local products), the 3rd and 4th largest contributors, declined 16% and 18% respectively.

4 Ministry in the Spotlight

The Ministry in the Spotlight is excluded from Q4, 2020 report due to the insufficient information to publish. However, it will return in the future publications to provide detailed and credible information on the selected Line Ministry, State Institution or Autonomy Agency.

5 Other Matters of Interest

5.1 Procurement

Timor-Leste has instituted a 10% limit on sole source procurement⁴. However, this rule does not apply to DOT system therefore affected to most expenditure on Q4 for some line ministries and autonomous agencies unable to execute minor capital and capital of development from appropriation category due to state budget just get approved at National Parliament and promulgated by President of Republic late at of mid of Q3, therefore Q4 is just a short time to proceed execution accordingly within procurement standard procedure on this two specific categories which is affected to the cumulative execution in Q4 report period.

5.2 Staff costs

The following graph presents expenditure on salary and wages through Payroll in Treasury for casual⁵ employees, ex-Titular's⁶ and regular payroll (Members of Parliament, Government, PNTL, FDTL and civil servants). The average number of employees (for Q4) for each subgroup is presented on the horizontal axis. In Q4, \$19.63 million was spent on casual employees, \$3.91 million on ex-Titular's and \$155.77 million on regular payroll.

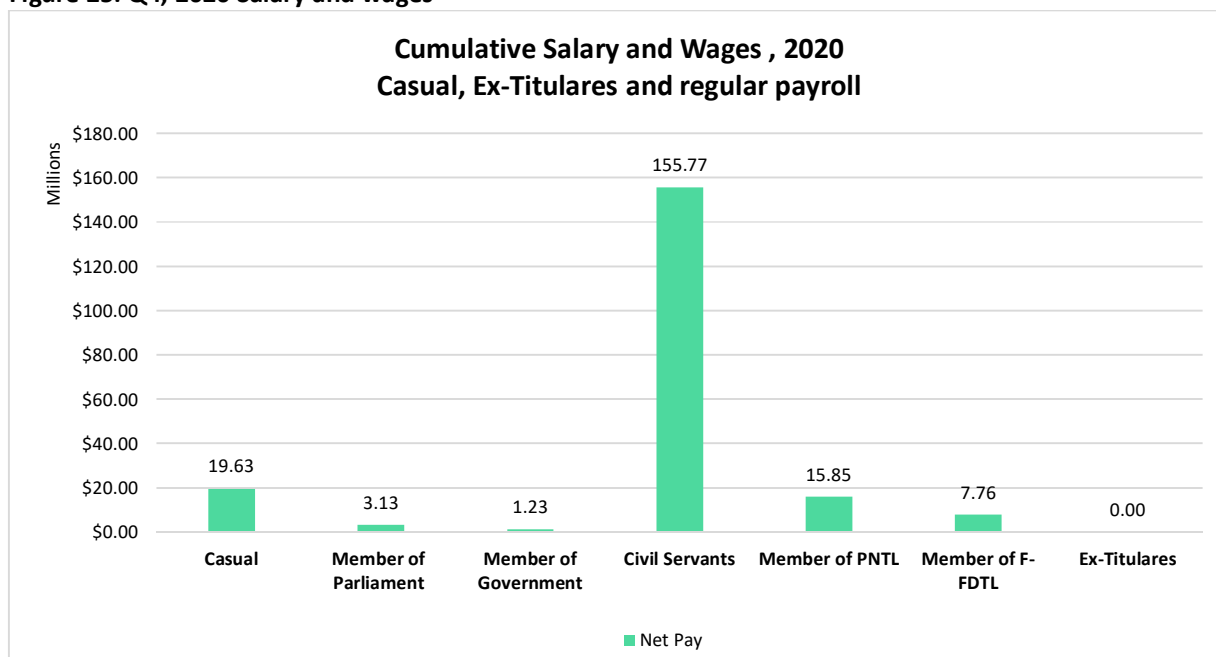
Expenditure by Q4 2020, \$19.63 million was spent on casual employees, \$3.91 million on ex-Titular's and \$155.77 million on regular payroll.

⁴ Legal Regime for Procurement, No 10/2005 amended by 38/2011

⁵ A Casual Employee is an employee who is recruited for short term period or defined period of time, for instance, 3 months, 6 months and 1 year, which is also normally called "Contrato Termo Certo". The salary of the casual employee is paid through Payroll from Professionals services item (Goods and Services Category). The advisors salaries paying from same category but process through CPV and not through Payroll.

⁶ Ex-Titular's are Former members of the Government and Parliament (The formers of Political Positions) and they are pension paid from Personal Benefits (Public Transfer Category)

Figure 25: Q4, 2020 Salary and wages



Source: National Directorate of Payment – General Directorate of Treasury, Ministry of Finance, January 2021.

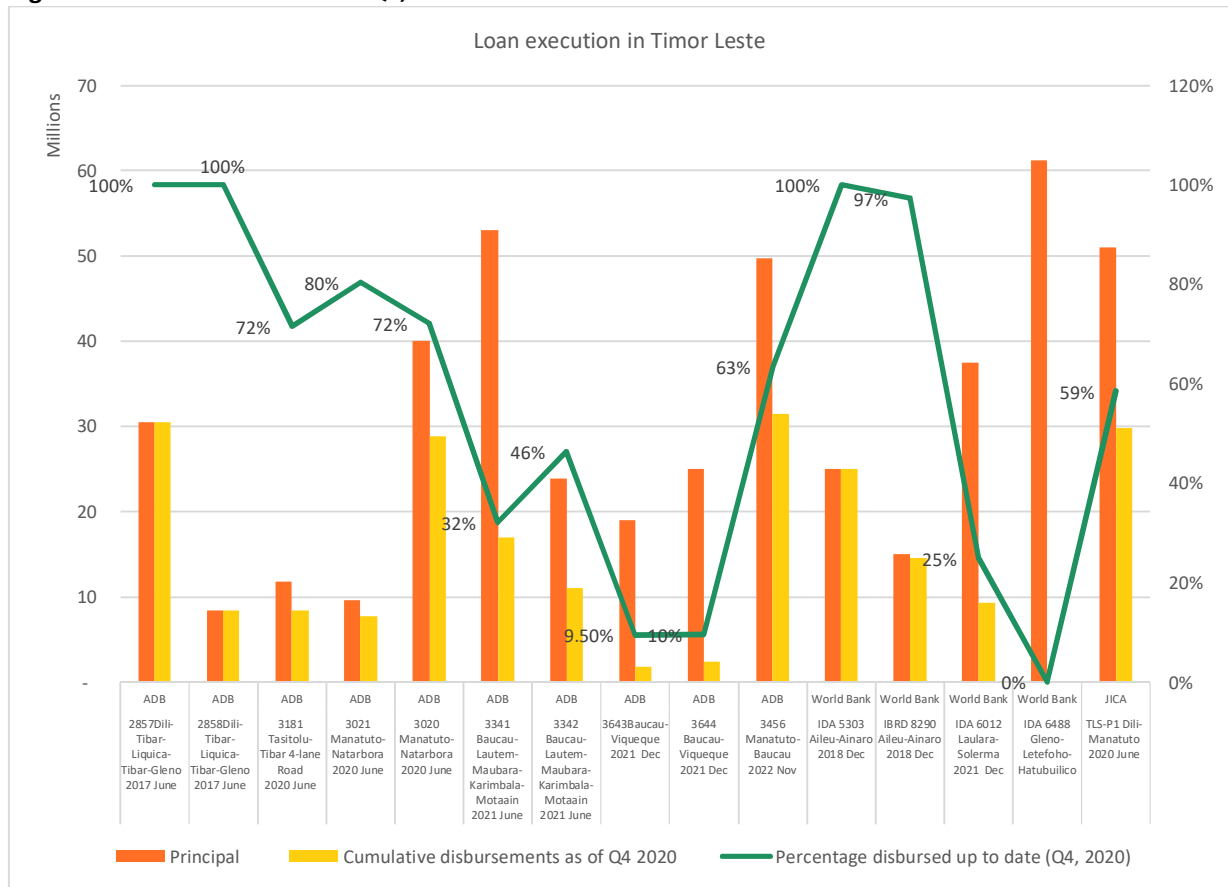
5.3 Loans

The following graph shows the ongoing and disbursed loan projects in Timor-Leste as of December 31, 2020. The loan disbursement must be utilised six months before the closing date of the loan. There has been shown on the disbursement progress for Q3 on loan execution compare to the mostly no execution quarter report, 2020 which can be attributed to the issues related to state of emergency due to outbreak of pandemic Covid-19.

As of date, three loans have been completed, Loans 2857 and 2858 for the construction of road between Tibar-Liquica-Tibar-Gleno have completed 100% disbursement. Loan IDA 5303 for the construction of Aileu-Ainaro road has also been disbursed 100%.

Loans 3020, 3021, TLS-P1 (loan end date extended for first three) and 3181 disbursed between 70-85% by Q3, 2020. The loan execution of 3181 which was due to close on September 2020 has not moved since Q4, 2019 at 62% have shown moving progress up to 72% in Q3, 2020. Similarly 3341 has increased disbursement execution by 30% at Q3, 2020. The ADB loans for Baucau-Viqueque (3643 and 3644) have the lowest disbursement between 5-10%, but are still due to be completed by December 2021. Although loans disbursement execution not shown significant progress thus state budget approved by national parliament and promulgated at the end of Q3 period. Therefore, next quarter report will perform significant progress on the loan disbursement execution towards ADB 3181 (Tasitolu-Tibar), ADB 3021 (Manatuto-Natarbora), ADB3341 & 3342 (Baucau-Lautem, Maubara-Karimbala-Motaain), ADB3643 & 3644 (Baucau-Viqueque), ADB3456 (Manatuto-Baucau), IDA6012 (Laulara-Solerema), TLS-P1 (Dili-Manatuto). IDA 6488 (Gleno-Letefoho-Hatubulico) is a new World Bank addition to the loan portfolio.

Figure 26: Loan execution until Q4, 2020



Source: Loan Unit, Ministry of Finance, January 2021