

Expenditure and Revenue

Quarterly Bulletin – Q2, 2021



Democratic Republic of Timor-Leste
Ministry of Finance



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Abbreviations

| | |
|--|-------------|
| Appropriation Category | AppCat |
| Anti-corruption Commission | CAC |
| Archive and Museum <i>Resistência Timorese</i> | 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 |
| <i>Falintil-Defense</i> Force of East Timor | F-DFTL |
| Goods and Services | GS |
| Government Resource Planning | GRP |
| Human Capital Development Fund | FDCH |
| State Institutions (<i>Instituto Estado</i>) | IE |
| Infrastructure Fund | IF |
| Integrated Municipal Development Programme | IMDP (PDIM) |
| National Institute for Health | INS |
| International Development Agency | IDA |
| Laboratory National | 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 |
| 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 <i>Oé-Cusse Ambeno</i> - 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 Budget and Planning, Ministry of 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 report will detailed quarterly expenditure and revenue trends based on Programmes for line ministries, municipalities and autonomous agencies in Timor-Leste. The report will also discuss one ministry in detail to shed more light on planning and budgeting in the country.

Readers are cautioned that this report will not present a complete understanding of Programme service levels in each quarter which requires more detailed non-financial information. Additionally the data insights presented in the 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 the report has been generated by the Ministry of Finance. The source of all government accounts data is the Ministry of Finance as of July 2021. Data analysis should be viewed cautiously in-year as there are often delays in reporting, especially for expenditure of compiling data from sources such payroll & Development Partners Disbursement. For more detailed information on service delivery, readers are requested to contact the individual spending agencies.

2 Expenditure trends in Quarter 2

2.1 Aggregate expenditure vs budgeted expenditure

The 2021 State Budget was passed in regular manner and promulgated within the usual budget calendar. The approved budget was \$1,895.0 million including loans and special fund, with a combination total including development partners of \$2,050.1 million.

In April 2021, following devastating Cyclone Seroja and preventing COVID-19 pandemic, Parliament approved a rectification to the original budget, increasing the original ceiling become 1,932.5 million including loans and special fund. Therefore that the government budget for the 2021 combined with development partner's commitment become of \$2,087.6 Million. Hence for some budget reallocation between programmes or appropriation categories also occur affected, to bear in mind when comparing execution rates to previous years.

The materiality directive¹ of Timor-Leste states that the government must spend 25% of the budget in the first quarter (Q1) and 50% on the second quarter (Q2). The total government execution in Q2, 2021 by current budget which includes transfers, virements and contingency transfer) cumulative respectively 27.98%.

The Infrastructure Fund (IF) and Human Capital Development Fund (FDCH) execution for Q2 stands at 16.05% and 38.10% respectively.

The following sections report on the basis of current budget (includes virements and transfers).² Budget execution is calculated as 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.

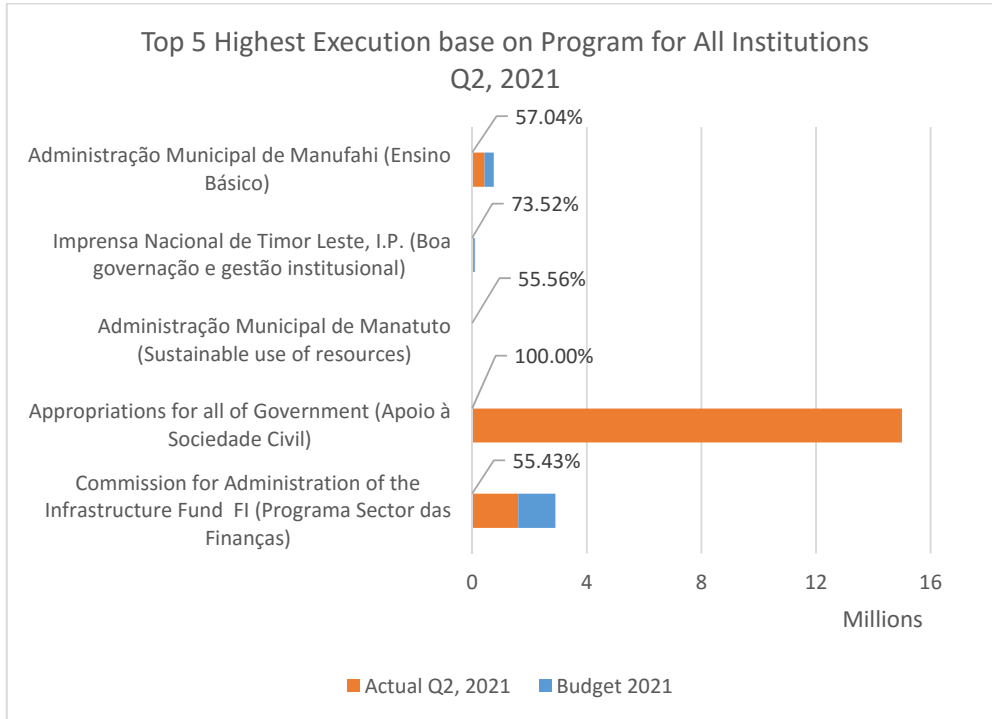
2.1.1 Execution by Programme

This section describes budget execution based on Programme from the Strategic Development Plan (SDP) classification of Timor-Leste. The top 5 highest/lowest execution based on the Programme for all institutions and classification are displayed in the following graphs with combination expenditure data counted report from January to June (Q1 to Q2), 2021.

¹ Ref no: 44/DGT/III/2016 Ministerial Directive on Materiality in Budget execution analysis and conduct of financial reviews

² In Q1 2019, 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.

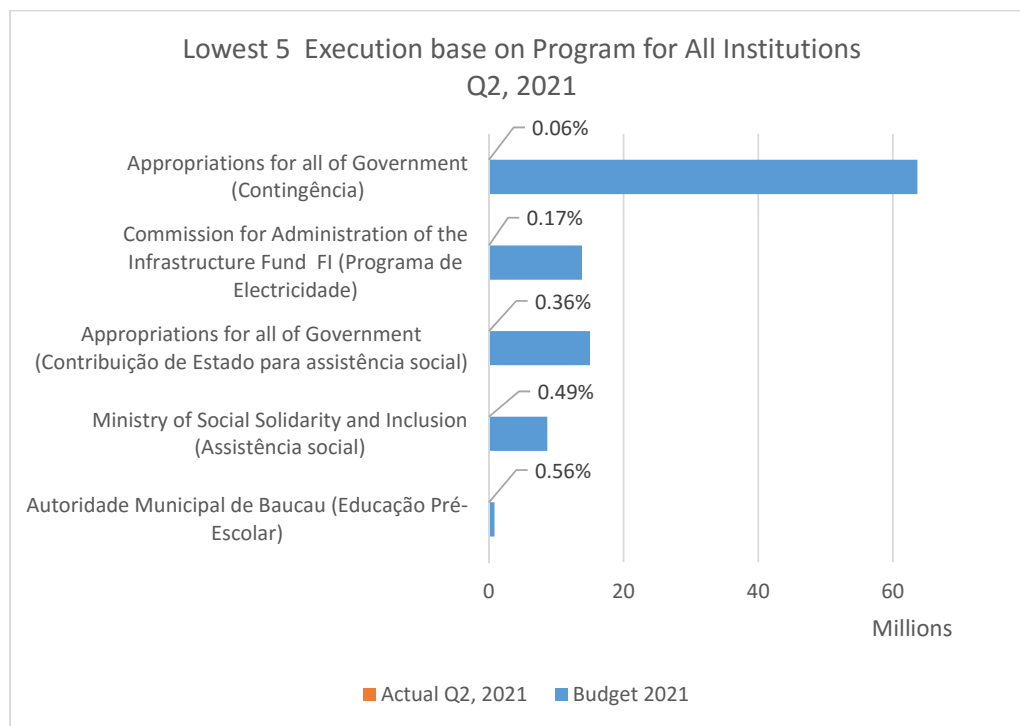
Figure 1: Top 5 executions based on Programmes across all institutions in Q2, 2021



Source: Ministry of Finance, IFMISU, August 2021

The graph above presented top five highest executions based on programmes across all institutions for Q2, 2021. Appropriations for all of Government (DGT), received budget allocation amount of \$15 million consider as the first highest on the graph for its civil society support Programme achieved execution rate 100% in Q2. The Commission for Administration of the Infrastructure Fund (FI), receive budget allocation amount with \$2.9 million for financial sector programme as the second highest, which had have executed up to 55.43%. Administration Municipal of *Manufahi* (AM. Mnf), receive budget allocation amount of \$0.75 million for the Basic Education Programme, progressively executed up to 57.04% in Q2. Imprensa Nacional de Timor-Leste I.P (INTL.I.P), receive budget allocation amount of \$0.10 million in its programme for Good Governance and Institutional Management progressively executed 73.52% range in Q2. Administration Municipal of *Manatuto* (AM.Mtt), received budget allocation amount of \$0.03 million in its programme for Sustainable Resources executed 55.56% through the end of Q2, 2021.

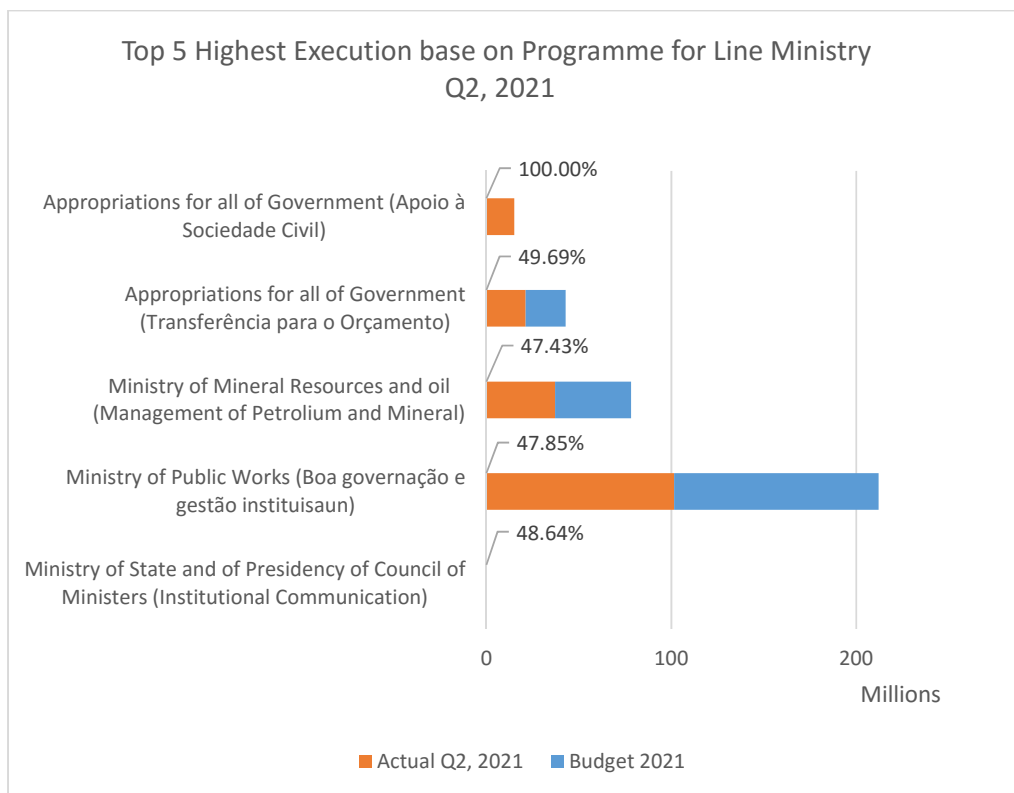
Figure 2: Bottom 5 executions based on Programme across all institutions in Q2, 2021



Sources: Ministry of Finance, IFMISU, August 2021

The graph above presented bottom five lowest executions based on programme in Q2, out of fifty two (52) other programmes which is still no execution progress (0%) until end of Q2, 2021. The Appropriation for All of Government (DTG), received rectification budget allocation amount of \$63.6 million. Consider as the highest referred to the graph in its programme for contingency, executed just 0.06% through end Q2. Within same institution receive rectification budget allocation amount of \$15 million in its programme for State contribution on Social assistance, executed 0.36% only in Q2. Commission for Administration of the Infrastructure Fund (FI), received budget rectification allocation amount of \$13.8 million for Electricity Programme executed 0.17% until Q2. Ministry of Social Solidarity and Inclusion (MSSI), received budget allocation with amount of \$8.7 million for Social Assistance Programme executed 0.49% through end of Q2. Authority Municipal of *Baucau* (AM. *Bcu*), received budget allocation in amount of \$0.83 million in its Programme for Education Pre-School has executed 0.56% only through end of Q2, 2021.

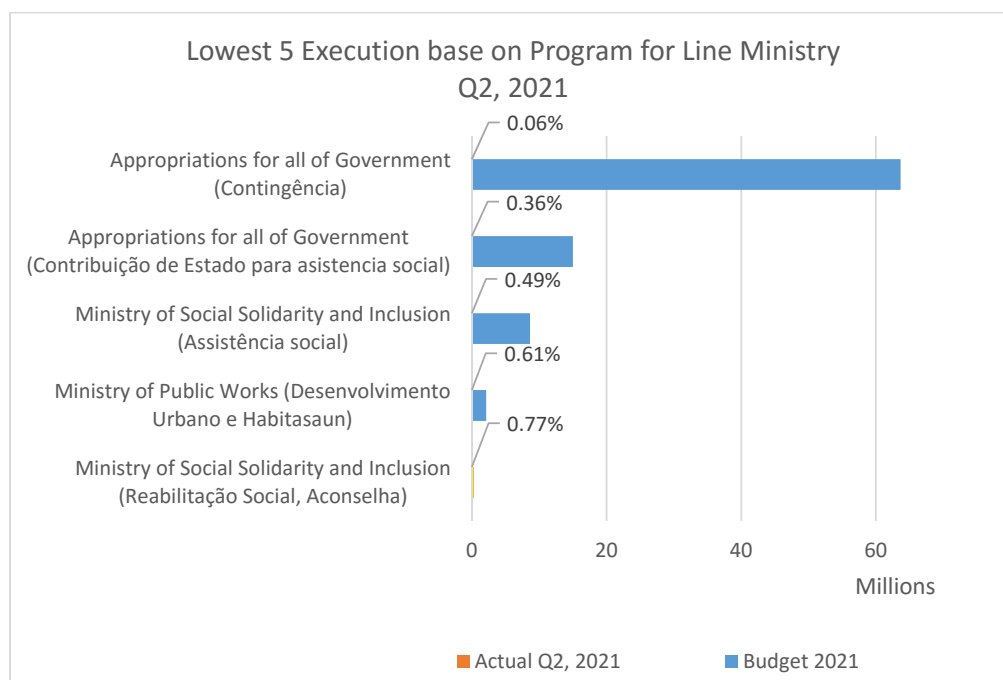
Figure 3: Top 5 executions based on Programme across Line Ministry in Q2, 2021



Sources: Ministry of Finance, IFMISU, August 2021

The graph above presented top five highest executions based on Programme to line ministries during Q2, 2021. The Ministry of Public Works (MOP) received budget allocation amount of \$212 million in 2021. In its Programme for Good Governance and Institutional Management executed up to 47.85% until end of Q2. The Ministry of Mineral Resources and Oil (MPRM), received budget allocation amount of \$78.2 million, for Management of Petroleum and Mineral programme executed just 47.43% in Q2. The Appropriation for All Government (DGT), received budget allocation amount of \$42.7 million for the Budget Transfer programme executed 49.69% in Q2. The Appropriation for All Government (DGT), receive budget allocation amount of \$15 million in its programme for Support to Civil Society progressively executed 100% in Q2. The Ministry of State and of the Presidency of Council Minsters (MPCM), received budget allocation amount of \$0.138 million for Institutional Communication programme, executed just 48.64% through end of Q2, 2021.

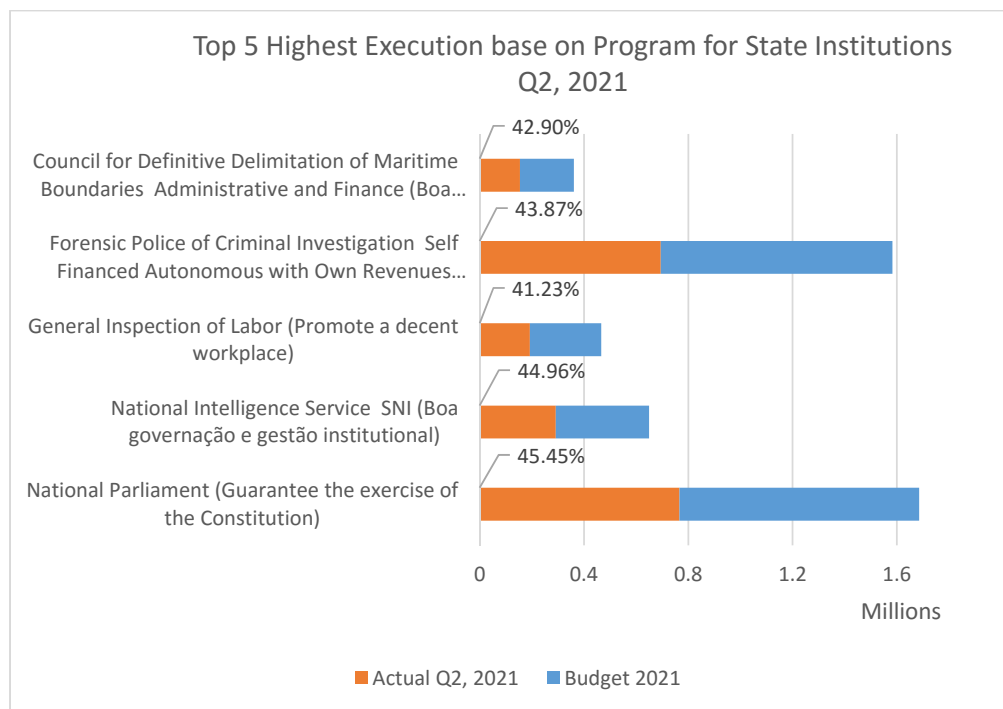
Figure 4: Bottom 5 executions based on Programmes across Line Ministries in Q2, 2021



Sources: Ministry of Finance, IFMISU, August 2021

The graph above presented bottom five lowest executions based on programme for line ministries, out of the twelve (12) other programmes which have no expenditure progress during Q2, 2021. The Appropriation for All Government (DGT), received 2021 rectification budget allocation amount of \$63.6 million for the Contingency programme, executed just 0.06% until end of Q2. The same institution receive rectification budget allocation amount of \$15 million in its programme for State Contribution to the Civil Society, executed 0.36% only until end of Q2. The Ministry of Social Solidarity and Inclusion (MSSI), receive budget allocation amount of \$8.6 million for Social Assistance programme executed just 0.49%. The same Ministry receive budget allocation amount of \$0.16 million for Counselling and Social Rehabilitation Program executed just 0.77%. The Ministry of Public Works (MOP), received allocation budget with amount of \$2.1 million in its programme for Urban Development Plan, executed 0.61% only through end of Q2, 2021.

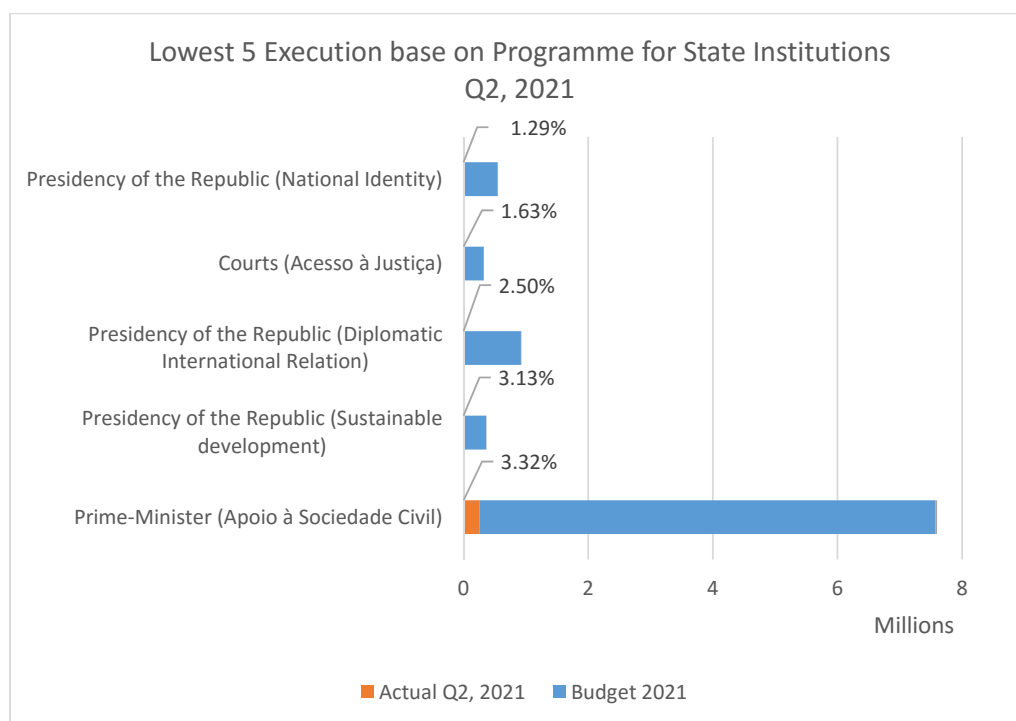
Figure 5: Top 5 executions based on Programmes across State Institutions in Q2, 2021



Sources: Ministry of Finance, IFMISU, August 2021

The above graph presented top five highest executions based on programme across State Institutions through end of Q2, 2021. The National Parliament (PN), receive budget allocation amount of \$1.68 million, in its programme to guarantee the Exercise on the Constitution progressively executed 45.45% until end of Q2. The Forensic Police of Criminal Investigation (PCIC), received budget allocation amount of \$1.58 million for its Programme of Access to the Justice, executed 43.87% only until end of Q2. The National Intelligence Service (SNI), received budget allocation amount of \$0.65 million, in its programme for Good Governance and Institutional Management, executed 44.96% in Q2. The General Inspection of Labour (IGE), receive amount of \$0.47 million in its budget allocation for Promote a Decent Workplace programme, executed just 41.23% through Q2. The Council for Definitive Delimitation of Maritime Boundaries Administrative and Finance (CDDMBAF) received budget allocation amount of \$0.36 million in its Programme for Good Governance and Institutional Management, executed up to 42.90% only until end of Q2, 2021.

Figure 6: Bottom 5 executions based on Programmes across State Institutions in Q2, 2021.



Sources: Ministry of Finance, IFMISU, August 2021

In the graph above shown bottom five lowest execution base on Programme across State Institutions through the end of Q2, 2021. The Prime Minister’s (PM), office receive budget allocation amount of \$7.5 million, in its programme for Civil Society Support had just executed 3.32% through end of Q2. The Presidency of the Republic (PR), receive budget allocation amount of \$0.92 million for Diplomatic & International Relation programme, executed 2.5% until end of Q2. The Presidency of the Republic (PR), receive budget allocation amount of \$0.55 million in its Programme for National Identity, executed 1.29%. Within same institution receive budget allocation amount of \$0.36 million for Sustainable Development programme, executed 3.13% respectively through end of Q2. The Courts received budget allocation amount of \$0.32 million for programme Access to the Justice, executed just 1.63% only until end of Q2, 2021.

COVID-19 Fund

Timor-Leste recorded its first COVID-19 case on 21st March 2020. There has since been a total of 29 recorded cases in the country, all of which have so far recovered with no deaths. There has been no evidence of community transmission and the last active case was announced on 20th August. Following the first confirmed case, President of Republic declared a State of Emergency to run from 28th March to 27th April 2020, and this was subsequently extended until now. The first two State of Emergencies aimed to limit public movement through the suspension of public transport and banned large group meet-ups (5 or more people) including religious services, festivals, sporting events, cultural activities and the running of schools/universities. With no local

contamination, the subsequent state of emergencies aim to limit movements across border, especially the land border and all returning from overseas have to complete a mandatory 14-day quarantine upon arrival in a quarantine centre. Anyone experiencing COVID symptoms had to self-isolate and submit for testing and international commercial flights are suspended until now. The National Parliament approved a total amount of 536.3 million extra-ordinary withdrawal from the Petroleum Fund, with \$219.5 million to be set aside for an autonomous COVID-19 Fund where its planning and allocation is coordinated by the Integrated Crisis Management Centre (CIGC), while the Inter-ministerial Committee approved the measures to prevent and combat COVID-19 before it's proceed to final execution approval by the Council of Management for COVID-19. The bill set out broad spending programs and sub-programs level, including \$198.3 million for prevention and combating COVID-19. This was focused on the acquisition of essential medical equipment and goods, the creation and maintenance of isolation centres and training for key staff. \$4.95 million was used to improve sustainable production and productivity and \$17.0 million to provide access to food and non-food services. The remainder of the extraordinary withdrawal totalled \$316.6 million is used to reinforce the Treasury account during the duo-decimal. On 17 April, the government announced a 19-measure economic stimulus and response package, including deferral tax payments; a universal cash transfer provided a monthly basic income of \$100 to households earning less than \$500/month for up to 2 months.

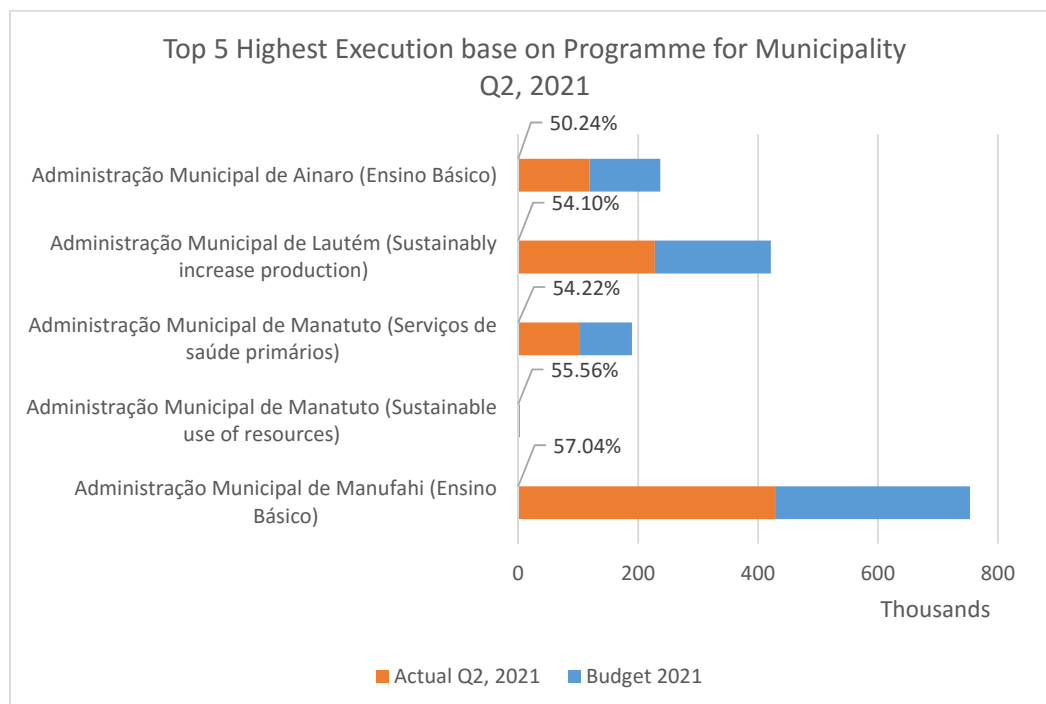
So far, 298,495 families have been supported by the scheme; Private sector employees unable to work owing to the state of emergency still received 60% of their salary provided by the government; All electricity consumers (over 160,000 individuals) received a \$15 credit per month during the state of emergency; Payment of water bills; social security contributions (workers and employers) and rent of government properties was be suspended; over 4,200 Timorese students currently abroad, unable to return to the country, received a stipend and students unable to attend school in Timor received an internet subsidy to allow them to study online; a 3-month emergency supply of rice was be purchased; and movement of food supplies across the country was subsidized, especially to more remote areas. The package also included the creation of new credit opportunities and a reduction in interest payments. Businesses were provided access to emergency loans to prevent bankruptcy and those importing essential goods were given credit guarantees. In 2021, the COVID-19 Fund will receive \$31.0 million to focus on risk mitigation and recovery measures. \$23.9 million will be allocated to Goods and Services, \$3.5 million to Public Transfers and \$3.6 million to Capital development.

Government of Timor-Leste propose another rectification budget to National Parliament to approve \$255.6 million in the month of May instituted for whole year Covid-19 fund (\$286.6 million) for the prevention and mitigation new variant response as well as to support the economic recovery. The budget allocation after rectification allocate in full amount for the prevention and mitigation Programme specifically

executed \$71.96 million (28.04%) between Januarys to June. 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).

2.1.2 Municipalities

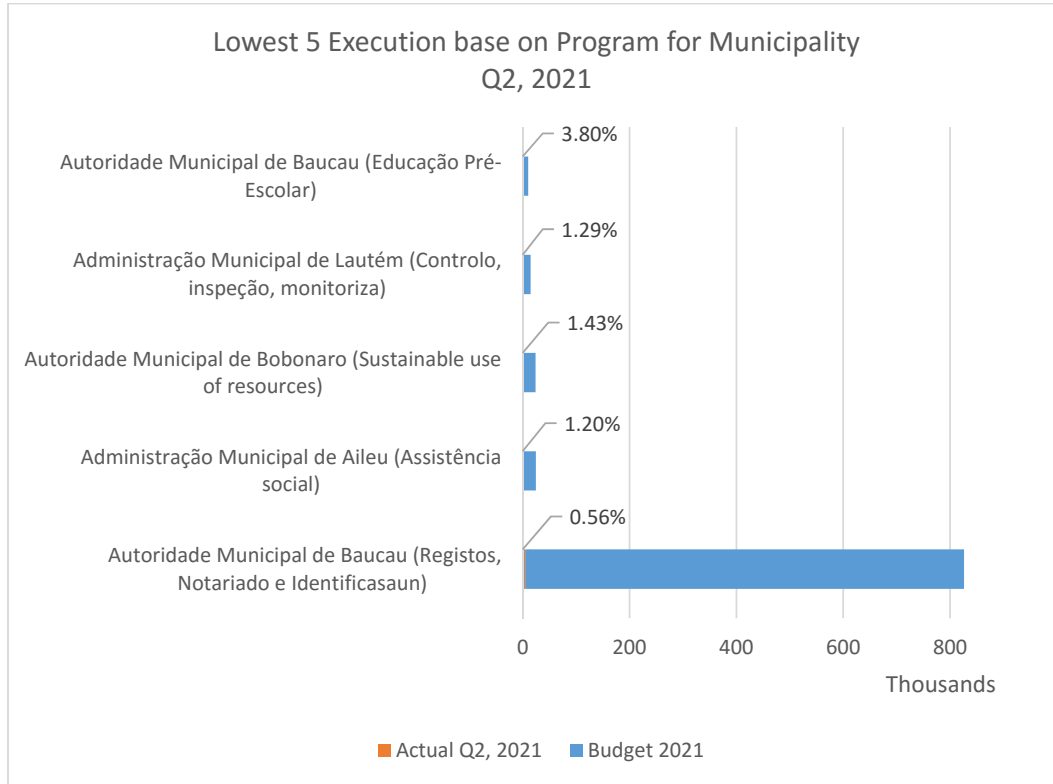
Figure 7: Top 5 executions based on Programmes for Municipalities in Q2, 2021



Sources: Ministry of Finance, IFMISU, August 2021

The graph above presented top five highest execution base on programme for municipality through end of Q2, 2021. The administration municipal of *Manufahi* (AM.Mnf.), receive budget allocation amount of \$753.3 thousand, in its programme for basic education on expenditure progressively executed 57.04% in Q2. The Administration Municipal of *Lautem* (AM. Ltm), receive budget allocation amount of \$421.3 thousand for Sustainability Production programme executed 54.10% until Q2. The Administration Municipal of *Ainaro* (AM. Anr), receive budget allocation amount of \$237.0 thousand for Basic Education program executed 50.24% in Q2. The Administration municipal of *Manatuto* (AM. Mtt), receive budget allocation amount of \$189.8 thousand for Primary Health Service programme, executed 54.22%. Within same municipal receive budget allocation amount of \$2.7 thousand in its programme of Sustainable executed 55.56% range through end of Q2, 2021.

Figure 8: Bottom 5 executions based on Programmes for Municipalities in Q2, 2021



Sources: Ministry of Finance, IFMISU, and August 2021

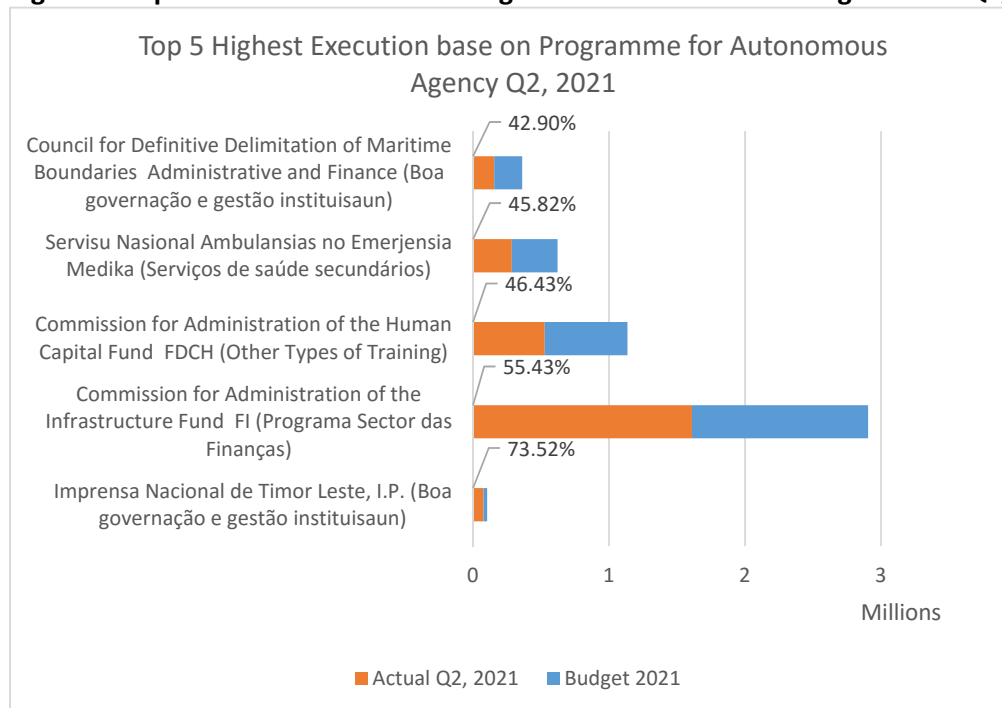
The graph above presented bottom five lowest executions based on programme for municipality, out of thirty other programmes without any executing progress through Q2, 2021. The Authority municipal of *Baucau* (AM.Bcu), received budget allocation amount of \$826.0 thousand for Registration Notary Identification programme, executed just 0.56% only until Q2. Within same authority (AM.Bcu), receive budget allocation amount of \$10.38 thousand for Education Pre-School programme progressively executed 3.80% in Q2. The Administration municipal of *Aileu* (AM.Ail), received budget allocation amount of \$24.68 thousand in its Programme for Social Assistance, executed up to 1.20% only until Q2. Authority municipal of *Bobonaro* (AM.Bnr), received budget allocation amount of \$23.93 thousand for Sustainable Use of Resources programme, executed 1.43% through Q2. Administration municipal of *Lautem* (AM.Ltm), received a budget allocation amount of \$14.52 thousand on its programme of Control, Inspection, and Monitoring had been executed 1.29% through end of Q2, 2021.

2.1.3 Autonomous Agencies

The graph below presented top five highest execution base on programme for Autonomous Agencies through end of Q2, 2021. The Commission of Administration of the Infrastructure Fund (FI), received budget allocation in amount of \$2.90 million for Financial Sector Programme have executed 55.43% in Q2. The Commission for Administration of the Human Capital Fund (FDCH), received \$1.14 million for Other Types of Training Programme, executed just 46.43% only until Q2. The National

Ambulance Emergency Medical Service (SNAEM), received budget allocation amount of \$0.61 million in its programme for Secondary Health Service, executed up to 45.82% only through end of Q2. The Council for Definitive Delimitation of Maritime Boundaries Administrative and Finance (CDDFM), received budget allocation amount of \$0.36 million for Good Governance and Institutional Management Programme, executed just 42.9% until Q2. Imprensa Nacional de Timor-Leste, I.P. (INTL I.P.), received budget allocation amount of \$0.10 million, for Good Governance and Institutional Management programme executed 73.52% range through end of Q2, 2021.

Figure 9: Top 5 executions based on Programme for Autonomous Agencies in Q2, 2021

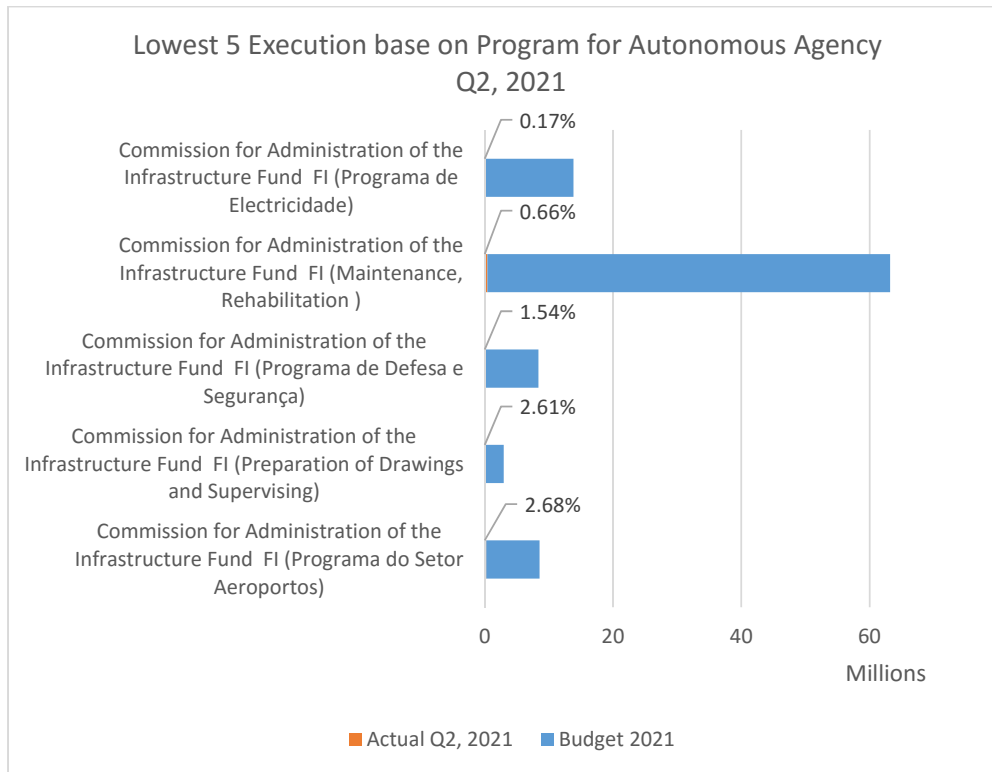


Source: Ministry of Finance, IFMISU, August 2021.

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

The graph below indicated bottom five lowest execution base on programme for Autonomous Agency out of ten (10), other programmes without execution progress until Q2, 2021. The Commission of Administration of the Infrastructure Fund (FI), dominated in five bottom lowest execution base on program concern to the graph shown below. Budget allocation for Maintenance and Rehabilitation Programme with amount of \$63.2 million as of the highest refer to the graph executed just 0.66% during Q2. Electricity Program received budget allocation of \$13.2 million on its activity executed 0.17% only in Q2. Programme for Airport Sector receive budget allocation amount of \$8.54 million, executed up to 2.68% in Q2. Defence and Security Programme receive budget allocation amount of \$8.38 million, executed just 1.54% in Q2. Then another programme for Preparation, Drawing, and Supervision receive budget allocation amount of \$2.94 million in the implementation executed 2.61% through end of Q2, 2021.

Figure 10: Bottom 5 executions based on Programmes by Autonomous Agencies



Source: Ministry of Finance, IFMISU, August 2021.

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

2.2 Execution trends and reasons

The materiality directive of Timor-Leste mandates that all state institutions must executed 25% of their budget cumulatively in each quarter, reaching 100% in Q4. However execution for Q2, 2021 is still below the cumulative mandate expectation. This is largely due to the implementation of mandatory confinement and state emergency corresponding to prevention and mitigation COVID-19 pandemic. Estate emergency and mandatory confinement across the country affected to the public services execution from functioning as normal. Also additional budget allocation of the rectification to the original 2021 budget also increased the budget ceilings of many programmes half way through the year, automatically reducing their execution rates base to the original budget ceiling. The overall execution rate for all institutions cumulatively through the end period of Q2, 2021 was just reach 27.98% only.

2.3 Comparison of budget execution with previous years

In general, budget allocation and execution base on programme 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 50% of the budget must be spent by second quarter (Q2).

When comparing to 2020 budget execution, it is important to note that the execution rate given is based on the final budget allocation which due to the delay in the passing of the 2020 regular budget, was not known until October 2020. Most of the year was

conducted under the duo-decimal system, which disproportionately impacts procurement and capital spending.

2021 started the year with a lower execution than 2020, however by February it had exceeded the execution of the previous year through the month of April in current year. The execution rate slightly decline during month of May through June compared to the previous year. Reason for low budget execution due to rectification additional budget during month of May instituted to the devastating cyclone *Seroja* and prevention towards new variant COVID-19 pandemic, will affect to the cumulative execution constantly through the whole year compared with previous year. These have affected many government functions, with essential services taking precedence. Also as mentioned before, the passing of the rectification budget meant that those programmes given additional spending would have automatically had lower execution rates compared to when the rates were calculated using the original 2021 budget ceilings.

Figure 11: Cumulative Budget execution Q2, 2021 vs 2020



Sources: Ministry of Finance, National Directorate of Budget, August 2021

2.4 Virements

Figure 12: Top 5 virement making LM/AA/Municipality in Q2, 2021

Due to insufficient information therefore virement information not conclude in the Q2 report, however will be assured in the next quarter report, 2021.

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

2.5 Development Partner Disbursements

Donors made a cumulative disbursement of \$32.1 million in Timor-Leste by end of Q2, with \$17.4 million disbursed in Q1, and \$14.7 million within Q2. The following graphs present the projects with the highest cumulative disbursement by the end of Q2, 2021 with highest disbursement was \$4.6 million from Government of Japan to Ministry of Health in preference to prevention of COVID-19 pandemic.

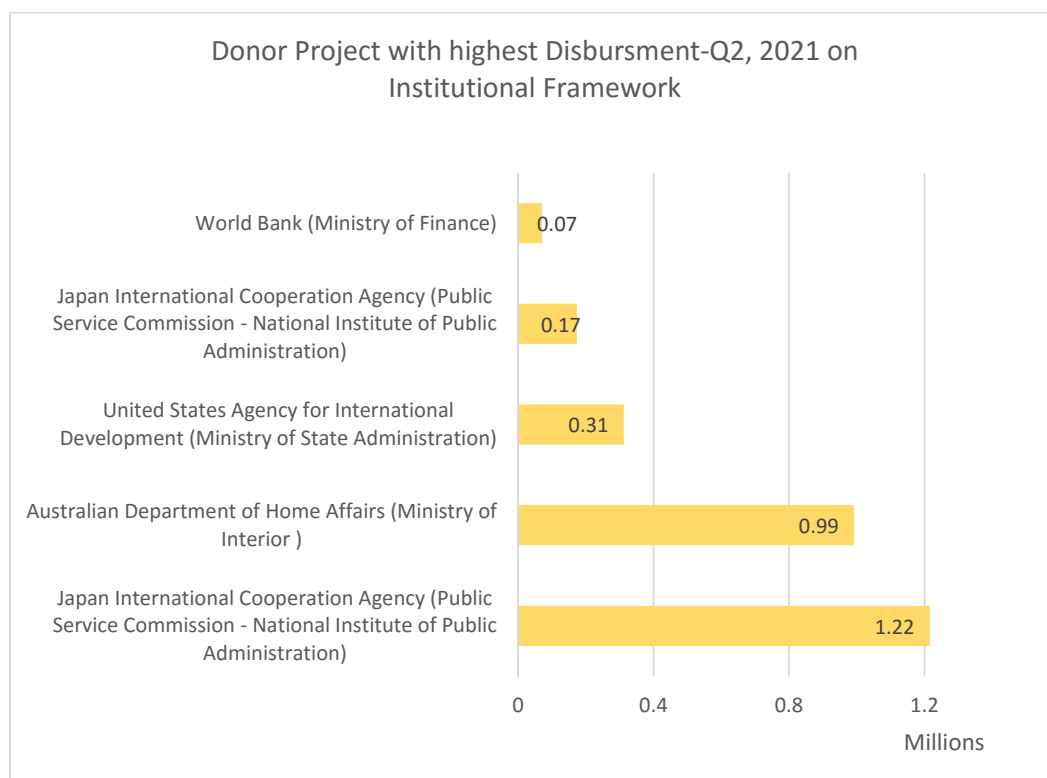
All data is provided by DP's (development partners) and is extracted from the Aid Transparency Portal. Often times, actual disbursement is higher than planned disbursement in Timor-Leste as DP plans change over the course of the year. Hence, only actual disbursement has been shown in the graphs.³ Since 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.⁴

³ 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.

⁴ 1. 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.

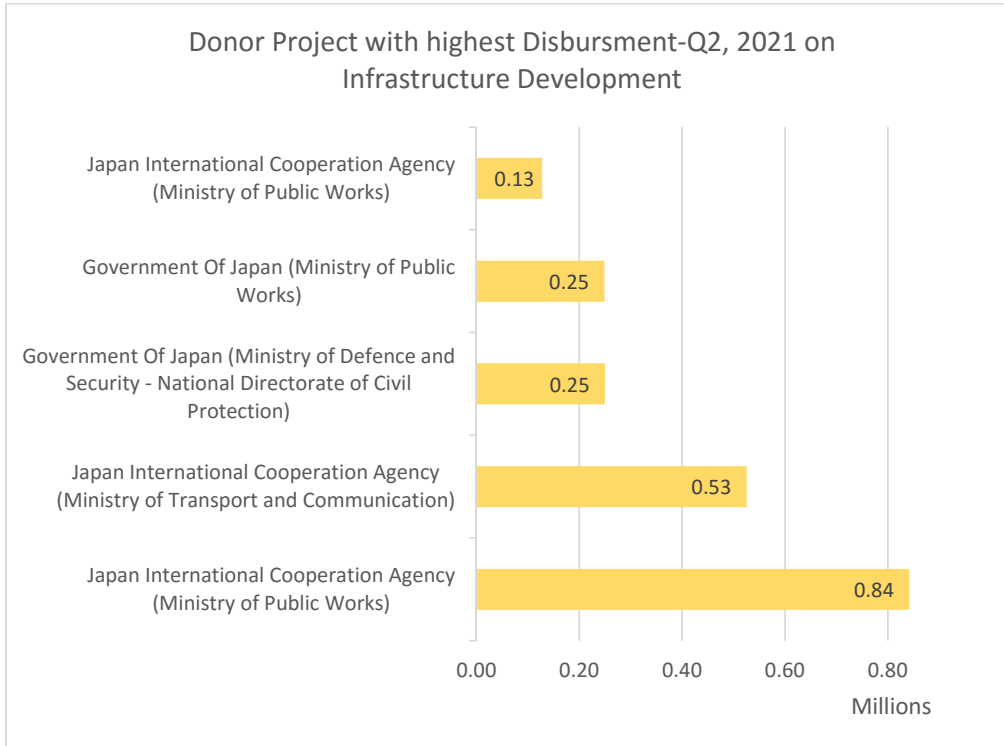
Figure 13: Disbursement for donor projects, SDP Sector - Institutional Framework



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

The graph shows the top five donors supporting to the Institutional Framework Sector with a total cumulative disbursement of \$5.0 million by the end of Q2, 2021. The Government of Japan through the Japan International Cooperation Agency (JICA), had the highest disbursement of \$1.22 million in Q2, 2021 for the Human Resource Development project through National Institute of Public Administration. Australian Department of Home Affairs (ADHA) had the second high disbursement with \$0.99 million for its strengthening the Border Management Capacity in Timor-Leste project run through the Ministry of Interior. The United States Agency for International Development (USAID) had the third highest disbursement of \$0.31 million for Strengthening Inclusive Elections and Political Processes Project through Ministry of State Administration (MAE). Again the Japan International Cooperation Agency (JICA), disbursed \$0.17 million to the Human Resources Development in Science, Technology and Innovation Programme through Public Service Commission - National Institute of Public Administration. The World Bank (WB) gave a disbursement of \$0.07 million during Q2, 2021 for Timor-Leste Poverty Monitoring and Statistical Strengthening Programme through Ministry of Finance (MoF).

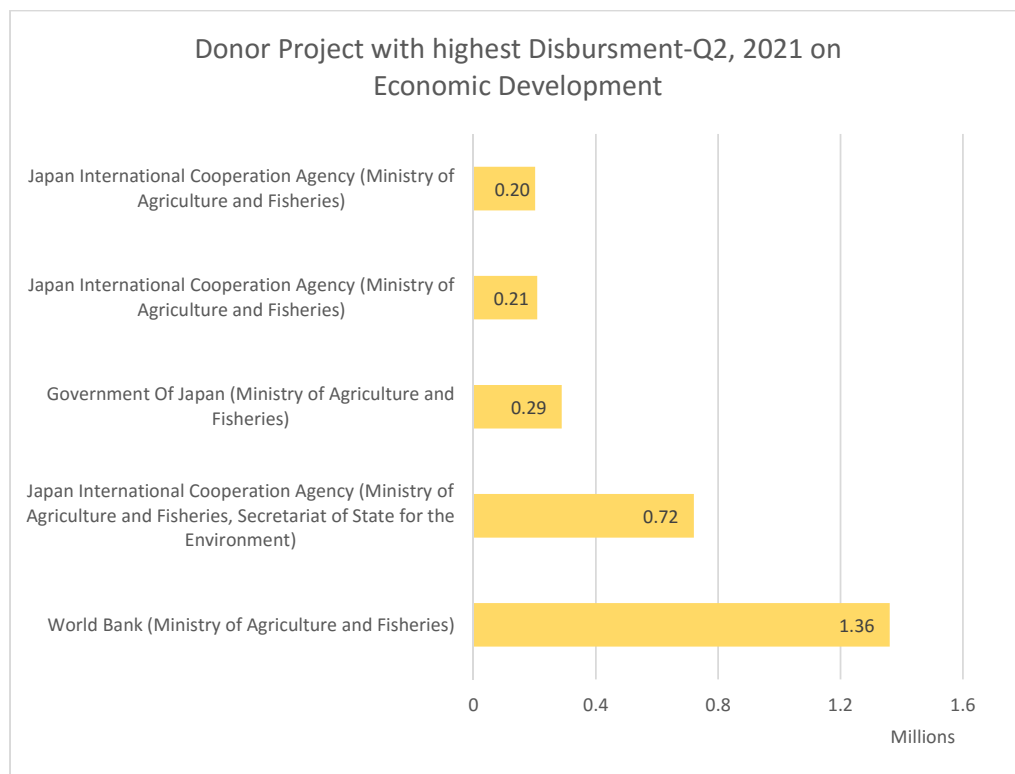
Figure 14: Disbursement for donor projects, SDP Sector Infrastructure Development



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

The graph shows the top five donors to the Infrastructure Development Sector which had disbursed a total of \$4.08 million, of which \$2.08 million was disbursed during first quarter, and then \$2.0 million by end of Q2, 2021. Infrastructure Development sector disbursements were mostly provided from the Government of Japan and his development agency (JICA) as it shown in the graph focus on emergency response to the Tropical Cyclone Seroja in Dili and some other regions of the territory. The Japan International Cooperation Agency (JICA), had the highest disbursement of \$0.84 million for Post Situation and Data Collection Survey on Flood Management in Dili through Ministry of Public Works. The second high disbursement also come from the same agency with amount of \$0.53 million for the Project on Strategic Regional Ports Master Plan through Ministry of Transport and Communication. The Government of Japan also gave a disbursement of \$0.25 million for the House Restoration and NFI Supply to those affected by floods in Timor-Leste channelled through Ministry of Defence and Security - National Directorate of Civil Protection. It also gave \$0.25 million for Distribution of Emergency Materials and Basic Infrastructure Recovery to People Affected by Tropical Cyclone Seroja, as well as disbursement of \$0.13 million for Advisor for Road Infrastructure and Quality Control through Ministry of Public Works.

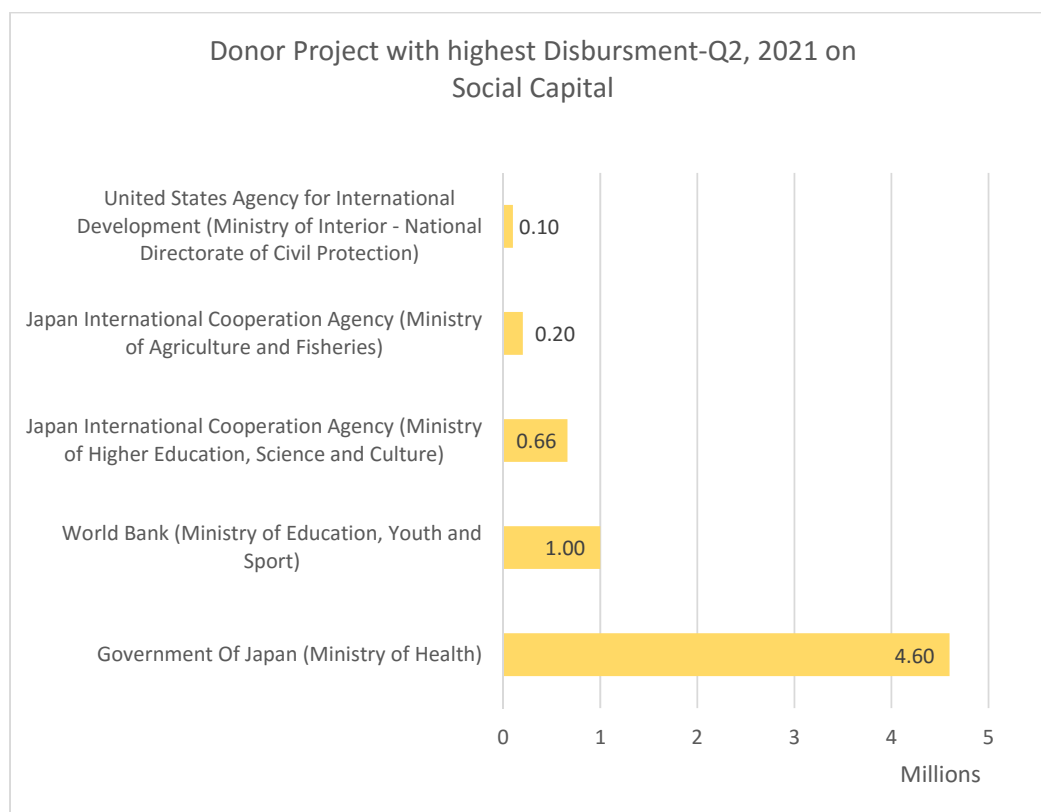
Figure 15: Disbursement for donor projects, SDP Sector- Economic Development



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

The Economic Development sector received a total disbursement from donors of \$6.3 million by the end of Q2, 2021 with a disbursement of \$3.4 million during first quarter and \$2.9 million in the second. This was mostly targeted on agriculture productivity and the environment sector. The World Bank (WB) during Q2 released the highest disbursement with \$1.36 million for Sustainable Agriculture Productivity Improvement Project through Ministry of Agriculture and Fisheries (MAF). The Government of Japan, along with its International Cooperation Agency (JICA), had second high disbursement of \$0.72 million during Q2 for Increasing Farmers Households' Income through Strengthening Domestic Rice Production through Ministry of Agriculture and Fisheries (MAF), and Secretariat of State for the Environment (SEA). It also disbursed \$0.29 million for the Atsabe Rural Development Project for Improvement of Agricultural Water Supply System in Ermera District through Ministry of Agriculture and Fisheries (MAF). It also, though the same Ministry, disbursed two amounts for the same activity on the Project for Community-Based Sustainable Natural Resource Management Phase II, first \$0.21 million and followed \$0.20 million.

Figure 164: Disbursement for donor projects, SDP Sector- Social Capital



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

The Social Capital sector received total amount of \$15.9 million in donor funding by end of Q2, 2021, of which \$9.0 million disbursed in first quarter and \$6.9 million disbursement during in Q2. The Social Capital projects generally focus on the health and education sector. The Government of Japan disbursed \$4.6 million for Medical Equipment through Ministry of Health grant assistance. The World Bank (WB) during Q2 disbursed \$1.0 million in support for Basic Education Strengthening and Transformation Project through Ministry of Education, Youth and Sport (MEJD). The Japan International Cooperation Agency in Q2 made a disbursement of \$0.66 million for Capacity Development of the Faculty of Engineering, UNTL (Phase II) through Ministry of Higher Education, Science and Culture (MESSC), as well as for Community-Based Sustainable Natural Resource Management Phase II through Ministry of Agriculture and Fisheries (MAF), with disbursement of \$0.20 million. The United States Agency for International Development (USAID) disbursed \$0.10 million in Q2 for Enhancing Rapid Disaster Response for Flooding in (Timor-Leste-DP.2326), through Ministry of Interior - National Directorate of Civil Protection.

2.6 Direct 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. In 2019, EU BS was recorded off budget in a separate account and not including in the CFTL total. In 2020, and for all subsequent years, it became on-budget as the funds went directly to the Government system with the money held in a Treasury sub-account. This means EU BS is considered as a financing for 2021 State Budget. However it could also be classified as an additional revenue source. 61 The money from EU BS is used directly by the beneficiary ministries for the public financial management program (Ministry of Finance), malnutrition (Ministry of Health) and decentralization (Ministry of State Administration). 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. Total amount of BS for 2021 State Budget is \$9.1 million. Of that amount, \$4.03 million is distributed to the Ministry of Finance, \$2.24 million to the Ministry of Health and \$2.80 million to the Ministry of State Administration.

(Reference source; Directorate of State Budget Ministry of Finance budget book 1, 2021)

3 Revenue trends in Q2 2021

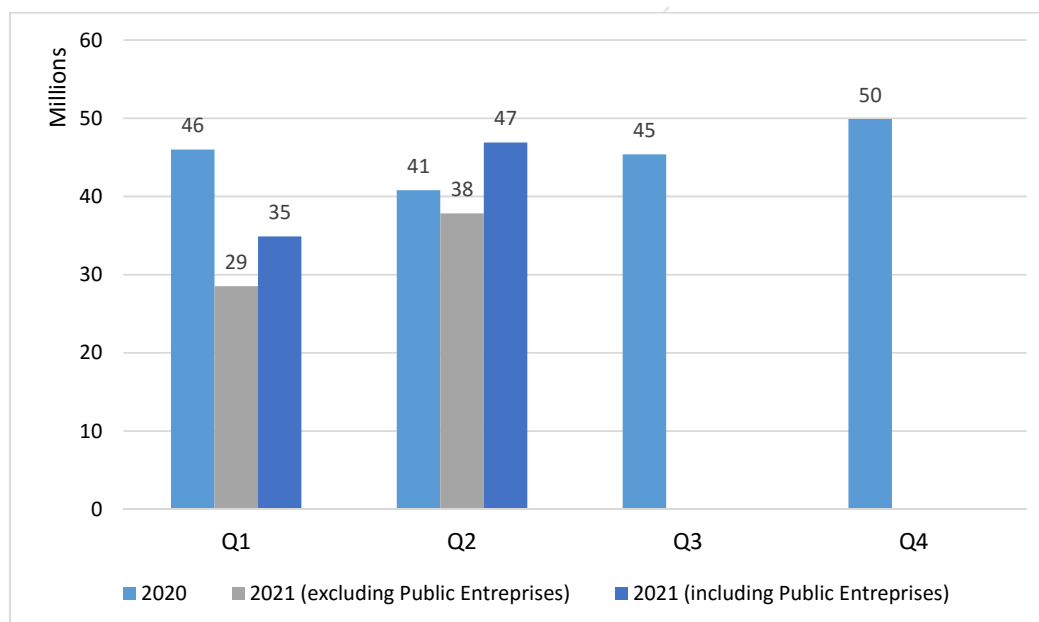
From the start of 2021, Electricidade de Timor-Leste E.P. (EDTL) and BEE Timor-Leste E.P. became Public Enterprises. This means that while they remain in the public sector, their revenues are no longer counted in in the Treasury account as they are not included as part of the General Government. Public Enterprises are the most autonomous of all public entities. In the context of this report, Public Enterprises will refer to the line items that were part of the Treasury account in 2020 but are now included under a Public Enterprise. These are Water Fees, Electricity Fees & Charges and EDTL Receipts from New Installations.

3.1 Revenue trends in Q2 2021

Domestic revenues rose 32.6% between Q1 and Q2 of 2021. They saw a slight decline with the same period last year, with a fall of 7.2%. Note, this is excluding those entities that are now Public Enterprises. To allow a direct comparison between quarters, it is important to include them back into the total, though it is important to note that their revenues are no longer included.

Comparing like for like, domestic revenues rose 15.0% comparing Q2 between 2020 and 2021 and 34.4% between Q1 and Q2 of 2021.

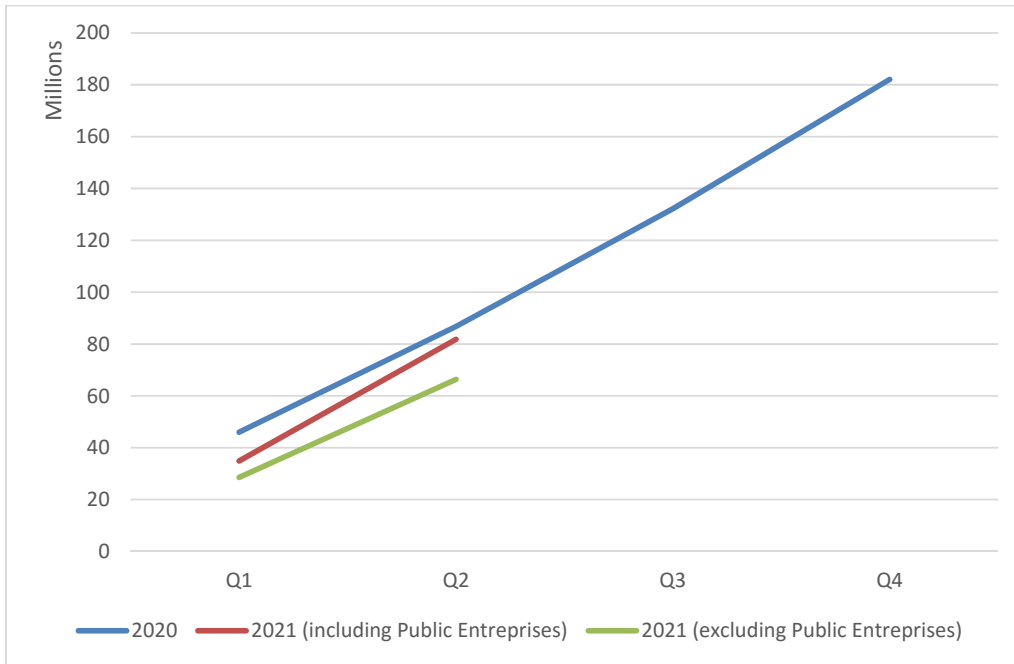
Figure 5: Domestic Revenues 2020 and 2021, Q1 and Q2



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

When looking at the cumulative totals, collections in 2021 are still below those of the previous year even when including the now excluded Public Enterprise line items. At the end of Q1, domestic revenues were \$17.5 million lower than those in 2020. By the end of Q2, that had increased to \$20.4 million.

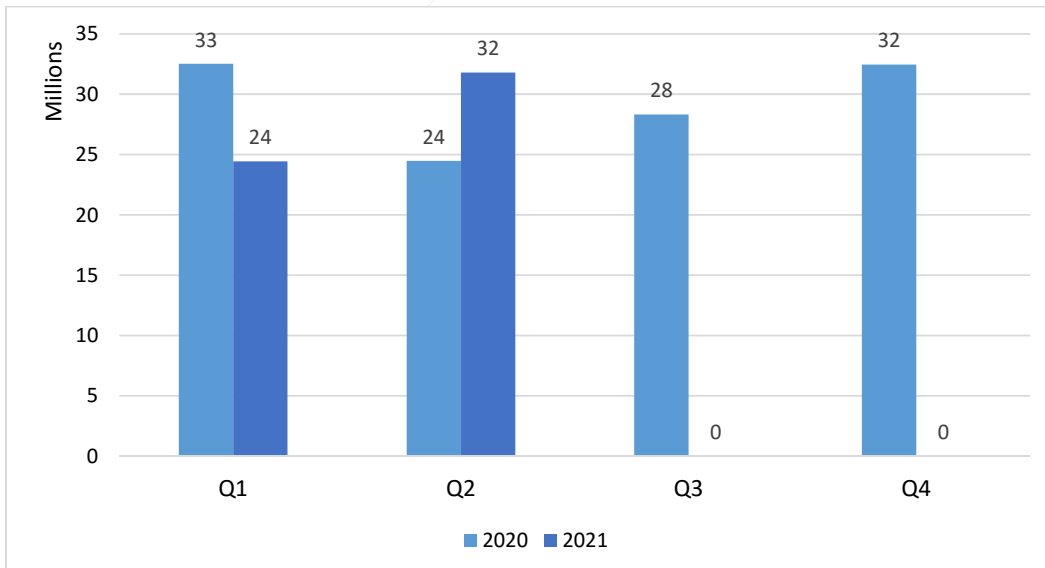
Figure 6: Cumulative Domestic Revenue Totals 2020 and 2021



3.2 Tax trends in Q2 2021

Tax revenues saw a significant rise during the second quarter of 2021, increasing 30.1% on the previous quarter and 29.9% on the same period last year. Both direct and indirect taxes saw a rise on collections in Q1, with total increases of 34.7% and 26.6% respectively.

Figure 7: Tax Revenues, 2020 and 2021, Q1 and Q2

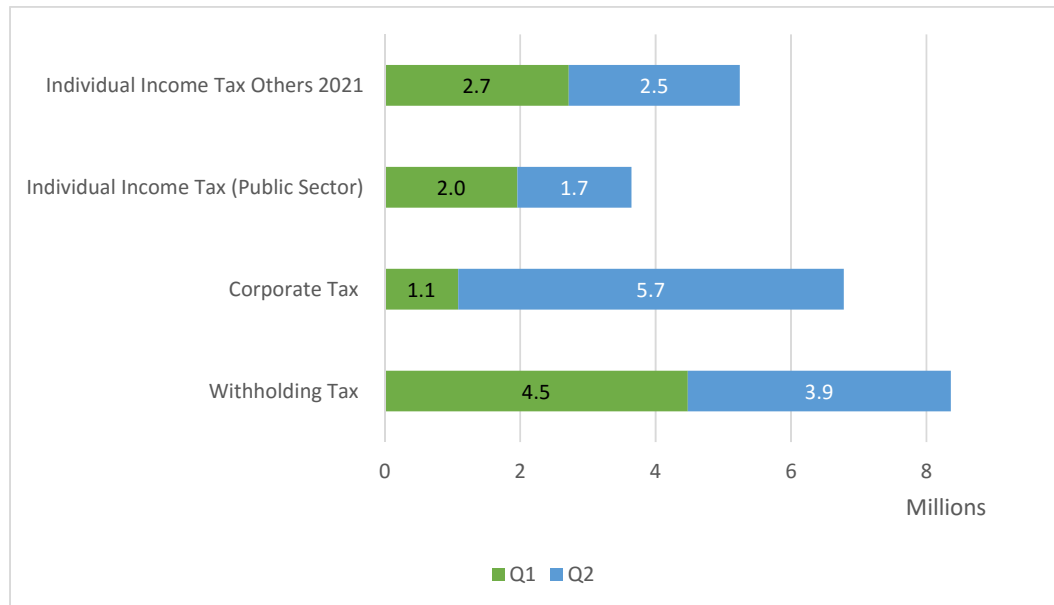


Source: National Directorate of Economic Policy, Ministry of Finance, July 2021.

Focusing on direct taxes only, the only tax that increased in comparison to the previous quarter was corporate tax which collected more than 4 times the amount generated in Q1. However collections are still nearly \$400 million lower than at same point last year. Each of the other

direct taxes saw declines compared to the previous quarter, ranging from -7.1% to -14.2%. Despite this, both Public Sector and Private Sector income taxes are slightly exceeding their aggregate spending compared to 2020. On the other hand, Withholding Tax, commonly linked to the level of capital spending, is down nearly \$4 million.

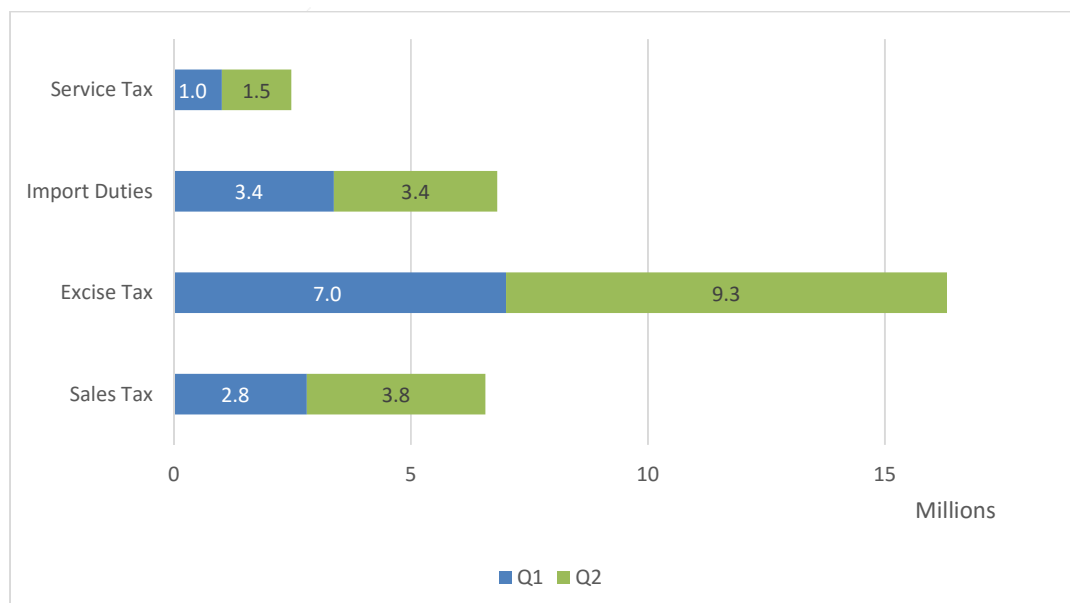
Figure 8: Direct Taxes, Q1 and Q2 2021



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

Indirect taxes also saw an increase compared with Q1, with all 4 taxes rising quarter on quarter. This biggest proportion increase was Service taxes which rose 45.0%, while the largest actual increase was Excise taxes which rose \$2.3 million than collections in Q1. Indirect taxes are often used as proxy for household consumption, therefore this increase shows promising signs for the overall condition of the Timorese economy. Emphasising this, all indirect taxes are exceeding their collections at the same point last year.

Figure 9: Indirect Taxes, Q1 and Q2 2021

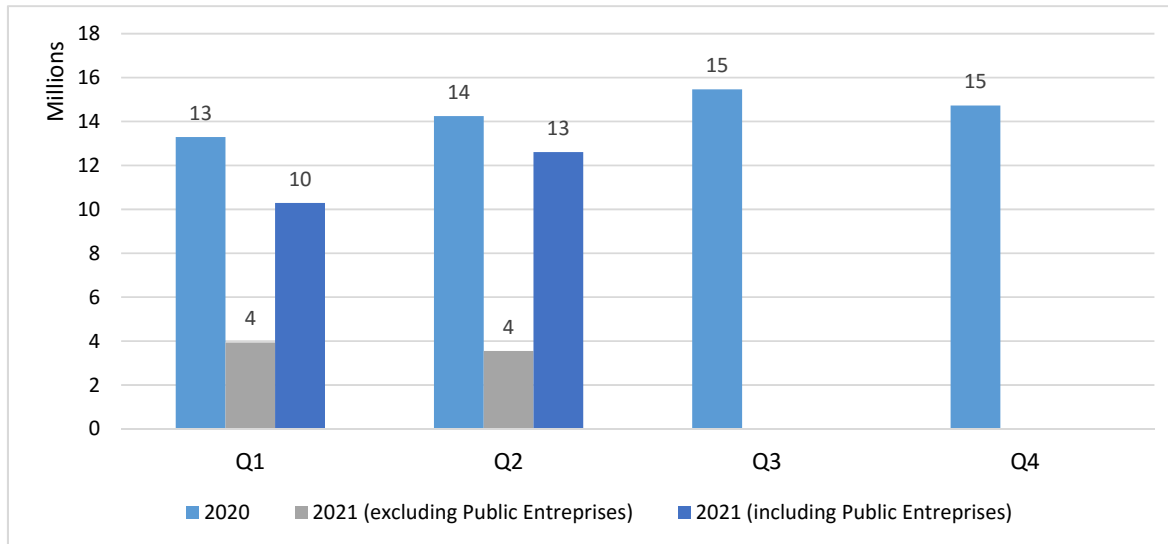


Source: National Directorate of Economic Policy, Ministry of Finance, July 2021.

3.3 Fees and Charges trends in Q2 2021

Revenues from Fees and Charges fell 10.0% in comparison with the previous quarter. In contrast with the same time last year, collections saw a decline of 75.1%. However, as mentioned before, this does not include collections for EDLT and Bee TL. When comparing like for like, with both amounts including all line items, collections are still below those in 2020, with a decline of 11.6%.

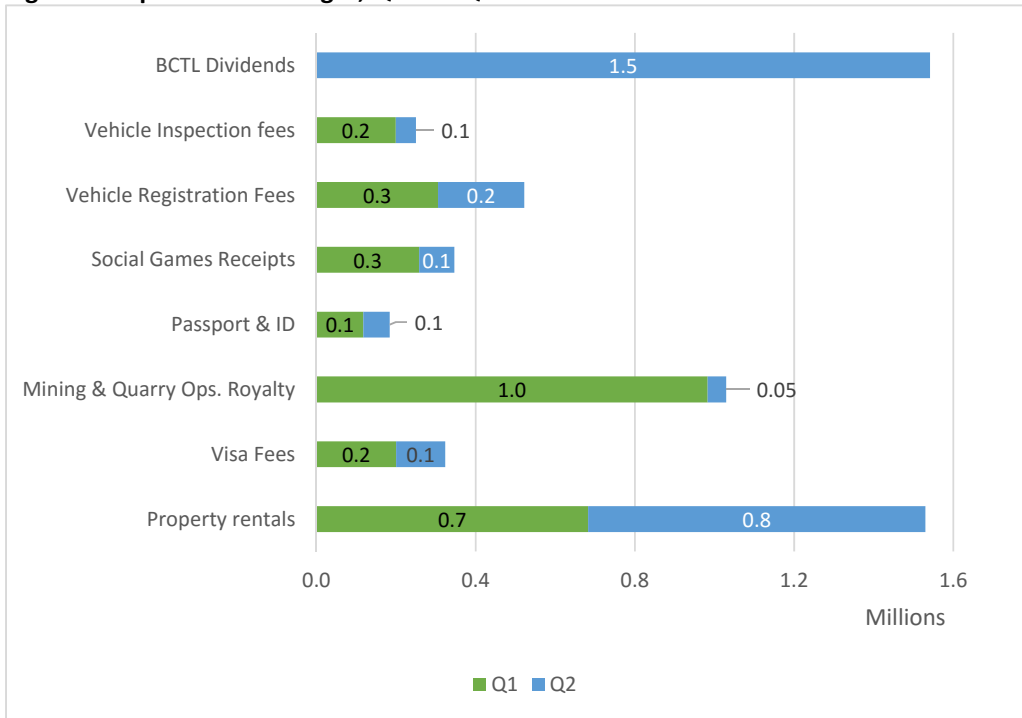
Figure 10: Fees and Charges, 2020 and 2021, Q1 and Q2



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

The revenues generated in Q2 for all the largest Fees and Charges line items, except Property Rentals, were down on those collected in the previous quarter. Mining and Quarry Operations Royalties saw a significant fall from their collections in Q1 2021, declining 95%. Passport and ID collections and Visa Fees remained low, given the continued extension of the State of Emergency. BCTL Dividends saw a significant collection of \$1,541,100. However this is large decline on the same line item last year, when revenues were over \$5 million higher at \$6,549,832.

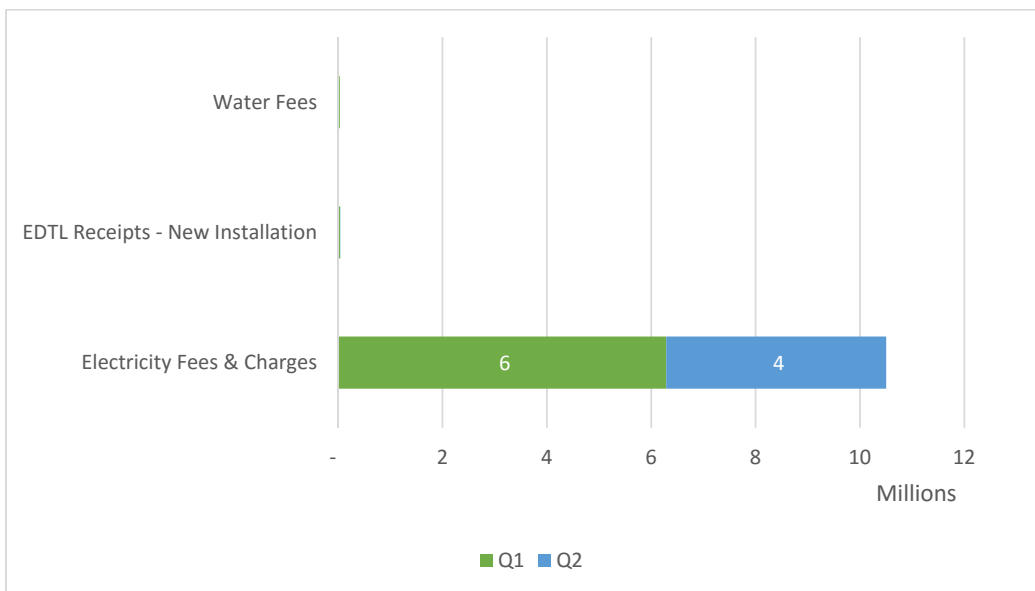
Figure 6: Top Fees and Charges, Q1 and Q2 2021



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

Collections from the line items that are now Public Enterprises and no longer included in the Treasury account are down on the previous quarter. This suggests that the mandatory confinement in Dili may have led to the temporary closure of a number of businesses, therefore reducing their demand for electricity, as people were recommended to stay at home. Revenues from all of the Public Enterprise line items are below the amount they had collected by the end of Q2 last year.

Figure 11: Public Enterprise line items, Q1 and Q2 2021

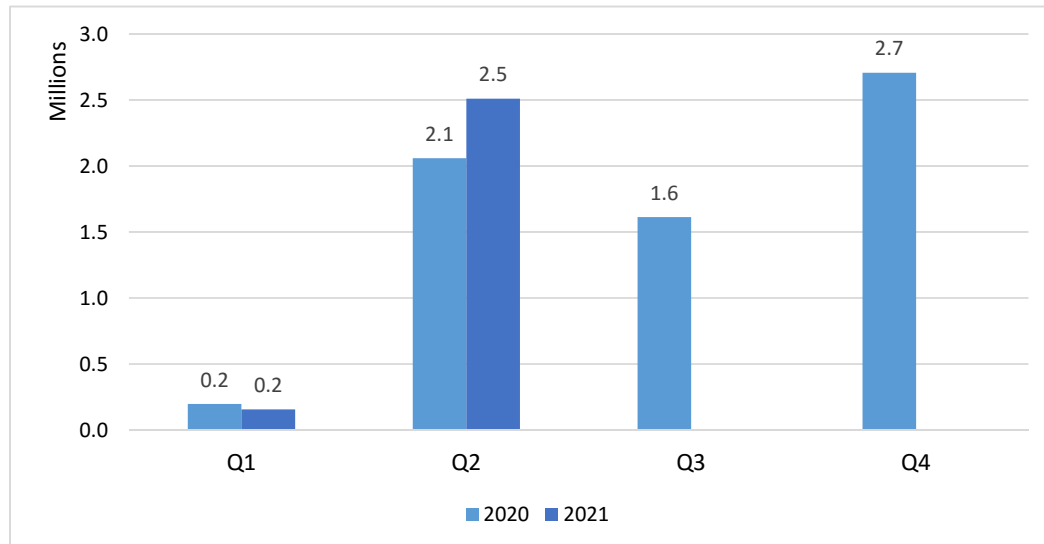


Source: National Directorate of Economic Policy, Ministry of Finance, July 2021.

3.4 Autonomous Agencies and Special Administrative Regions trends in Q2 2021

Autonomous Agencies saw a 21.9% fall in collections when comparing Q1 2021 with the previous year. Revenues were 16 times higher than collections in the previous quarter. Cumulative collections are 18.2% higher than the same point in 2020. This is largely due to a larger number of autonomous agencies reporting in 2021 in comparison to 2020 (6 AA instead of 4 AA).

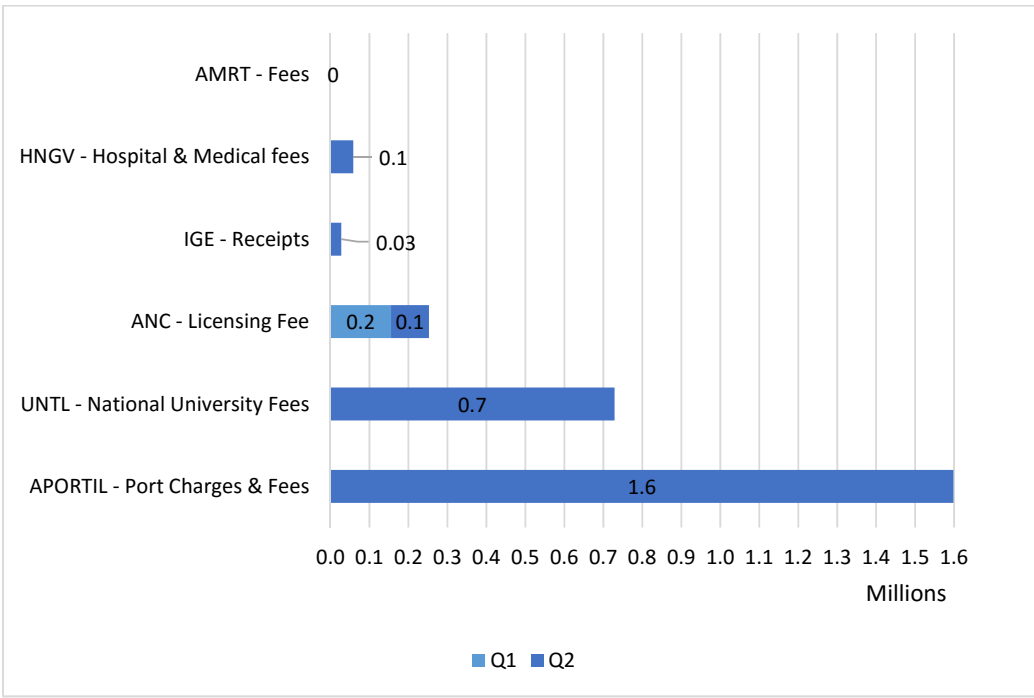
Figure 12: Autonomous Agencies and Special Administrative Regions, Q1 and Q2 2021



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

APORTIL is the autonomous agency with the highest collections so far in 2021, with revenues 26.0% higher than the same point in 2021. The second largest AA collector this year is UNTL. However revenues are 11.4% lower than those at the same time last year. IGE (Instituto de Gestão de Equipamentos), HNGV (Hospital Nacional Guido Valadares) and AMRT (Archives & Museum of East Timorese Resistance) all reported revenues by the end of Q2 of this year, but none by the same point the year before.

Figure 13: Revenue generating Autonomous Agencies, Q1 and Q2 2021



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

4 Ministry in Spotlight: Ministry of Planning and Territorial Ordering

4.1 Ministry in Spotlight: Ministry of Planning and Territorial Ordering

The Ministry of Planning and Territorial Ordering (MPO) was established in 2015 as the Ministry to coordinate all technical activities of strategic planning in the country. It was formed through the merging of the Integrated Planning Unit (IPU) under Ministry of Planning and Strategic Investment (MPSI).

4.2 Mandate and Objective

The Ministry of Planning and Territory is the government ministry responsible for the design, coordination and evaluation of policy related to the areas of promotion of economic and social development of the country, as defined and approved by the Council of Ministers. This is done through the strategic and integrated planning and rationalization of available financial resources, assuming specific responsibilities on the implementation of the Strategic Development Plan, especially with regard to infrastructure and Urban Planning, Petroleum and Minerals, Planning and Territory.

It is up to the Ministry of Planning and Territory to plan, propose and coordinate the implementation of strategic infrastructures.

It is also the responsibility of the Ministry of Planning and Territory to supervise the quality of work and the activities of the execution of physical projects promoted, developed or financed by the Infrastructure Fund or others, whose purposes or attributions are the financing of multiannual strategic projects and the Private Public Partnerships Unit of the Ministry of Finance.

4.3 Strategic framework

The Ministry of Planning and Territory, in accordance with the above and based on the statistical and registration data made available by the competent services, has the following specific tasks:

- To evaluate development capital projects, based on the careful analysis of the feasibility of the projects and their cost-benefit;
- To supervise, monitor and certify the implementation and implementation of projects, contributing to the rationalization of available financial resources and economic development and economic activity, both at national, district and local level;
- To plan and control the costs and quality of development capital projects;
- To promote transparency and quality by providing procurement services for development capital projects; Develop studies, opinions and technical and sectorial analyses to assess the impact and economic viability of development projects;
- To analyse and select investment proposals for the country; Study, plan and propose sectorial development policies;
- To study, plan and propose the national land planning policy, in coordination with the relevant government departments;

- To help promote the adoption of technical and regulatory standards for materials used in construction, as well as develop laboratory tests to ensure the safety of buildings;
- To propose and develop the national policy of natural resources and minerals; support the development of the legal and regulatory framework for activities related to renewable energy resources;
- To support studies on the capacity of renewable energy resources and alternative energies; Keep an information archive on renewable energy operations and resources; Contribute to the development of national transport and communications policy;
- To help prepare and develop, in cooperation with other public services, the implementation of the national road plan; Support the coordination and promotion of a management and maintenance system and the modernization of airport, air navigation, roads, ports and related services infrastructure;
- To promote the creation of the National Development Bank, in coordination with the Coordinating Minister for Economic Affairs and the Minister of Finance; and
- To study, plan and implement spatial planning and national housing policy, in coordination with the relevant Ministries.

4.3.1 MPO SDP targets

| SDP target | SDP achievements 2015 |
|---|--|
| The standard or measure of National Development Agency was developed in consideration of its capacity, human resource experience and is already transited to Economics and Investment Policy Agency | The role of MPO has been established under Integrated Planning Unit (IPU) |
| Economics and Investment Policy Agency has to performed its task as National Economic Planning, supervision and monitoring the implementation of government Programme and projects | This has been created as the function of IPU under Ministry of Planning and Strategic Investment and now is MPO to coordinate technical activities of the strategic planning |

4.4 Priority Programmes

This year the budget allocation will be based on the Programme. MPO has three main priority Programmes including:

1. **Social welfare, social protection and citizenship:** to ensure social inclusion and social and protection for children and girls. This priority falls under two government Programmes namely Good Governance and Institution and Gender Equality and Social Inclusion.
2. **Investing in economy and public finance:** to improve the living condition of rural population. To achieve this, it has been created new Programme- territorial ordering, rural and urban development in addition to current Programme of good governance and institution.
3. **Improving national connectivity:** this priority aims to improve infrastructure sector including the construction of ports, airports, rural and urban roads and bridges.

4.5 Budget by Programme

4.5.1 Budget Allocation

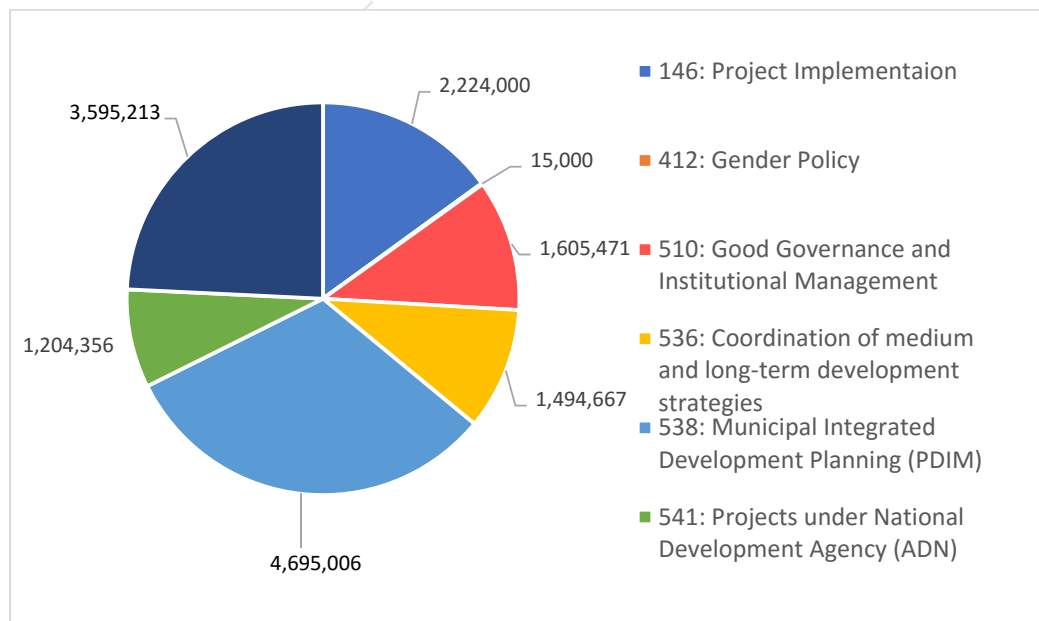
MPO received \$14,833,713 in the original 2021 budget and this amount was unchanged after the budget rectification.

In 2021, MPO had 7 different programmes under its mandate. There were:

- 146: Ensure the quality of implementation and execution of projects
- 412: Implementation of the Gender Policy
- 510: Good Governance and Institutional Management
- 536: Coordination of medium and long-term development strategies
- 538: Municipal Integrated Development Planning (PDIM)
- 541: Implementation of Ministerial Line projects that are under the direct control of the National Development Agency (ADN)
- 978: Establish a Territorial Planning policy, including coastal planning, territorial planning, geographic and cartographic information and that promote national cohesion, while ensuring the defense and enhancement of cultural and natural heritage

From these the biggest programme was 538: Municipal Integrated Development Planning (PDIM) with 31.7% of the total ceiling, followed by 978: Establish a Territorial Planning policy, including coastal planning, territorial planning, geographic and cartographic information and that promote national cohesion, while ensuring the defense and enhancement of cultural and natural heritage (24.2%) and 146: Ensure the quality of implementation and execution of projects (15.0%). The smallest was 412: Implementation of the Gender Policy with only 0.1%. This is for one new sub- programme to promote the participation of rural women in Maubisse in Timor-Leste's economic development.

Figure 14: Budget Allocation based on Programmes- MOP



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

4.5.2 Budget Execution

At the end of Q2, the average execution across all the Programmes was 18%. The total execution rate was 20% (\$2,988,918 out of \$14,833,713). The highest execution was for Programme 146: Project Implementation with 39%. The lowest was 412: Gender Policy which had not spend any money by the end of Q2.

| Programmes | Budget Allocation, \$ | Executed Budget to end of Q2 2021, \$ | Execution Rate to end of Q2 2021 | Final execution 2020 |
|---|-----------------------|---------------------------------------|----------------------------------|----------------------|
| 146: Project Implementation | 2,224,000 | 874,676 | 39% | n/a |
| 412: Gender Policy | 15,000 | 0 | 0% | n/a |
| 510: Good Governance and Institutional Management | 1,605,471 | 166,459 | 10% | 88% |
| 536: Coordination of medium and long-term development strategies | 1,494,667 | 473,975 | 32% | 38% |
| 538: Municipal Integrated Development Planning (PDIM) | 4,695,006 | 1,087,260 | 23% | 99% |
| 541: Projects under National Development Agency (ADN) | 1,204,356 | 233,335 | 19% | 94% |
| 978: Territorial Planning Policy | 3,595,213 | 153,213 | 4% | n/a |

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

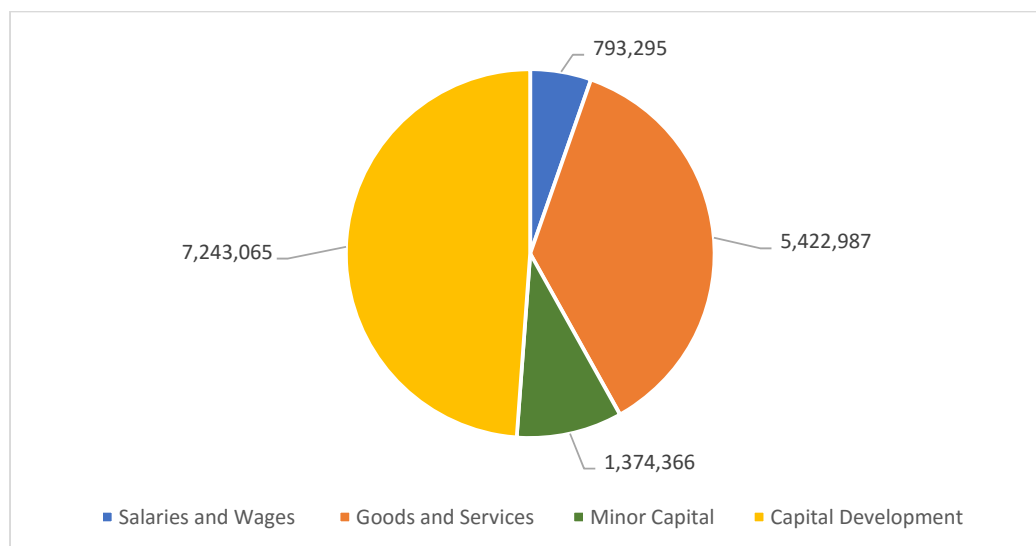
In 2020, there was also an additional programme, Minister's Cabinet (*Gabinete do Ministro*). It had an execution rate of 96% with a budget of \$142,841 and actual spending of \$136,582.

4.6 Budget by Appropriation Category

4.6.1 Budget Allocation

When looking at the MPO's budget broken down by appropriation category, the largest proportion of spending is assigned to Capital and Development with 48.8% of the budget. This is mainly allocated to the Municipal Integrated Development Planning (PDIM) programme, with \$4.7 million. The second biggest category was Goods and Services, with 36.6% of the total. \$2.1 million was assigned to the 146: Ensure the quality of implementation and execution of projects, \$1.3 million to 536: Coordination of medium and long-term development strategies and \$1.1 million to 978: Establish a Territorial Planning policy, including coastal planning, territorial planning, geographic and cartographic information and that promote national cohesion, while ensuring the defence and enhancement of cultural and natural heritage. Given the small salary and wages spending, it is likely a large proportion of this appropriation category was assigned to Profession Services. There is no spending allotted to Public Transfers.

Figure 15: Budget Allocation based on appropriation categories



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

4.6.2 Budget Execution

Looking at MPO's budget by appropriation category, the average execution is 16% to the end of Q2 2021. The highest execution was for Goods and Services with 28%. The lowest was Minor Capital with 3%. At the end of 2020, Capital and Development had the highest execution rate, closely followed by Salaries and Wages, with 97% and 96% respectively. Minor Capital was the lowest, with none of the assigned budget (\$228,250) spent. 2020 also had no expenditure for Public Transfers.

| Appropriation Category | Budget Allocation, \$ | Executed Budget to end of Q2 2021, \$ | Execution Rate to end of Q2 2021 | Final execution 2020 |
|------------------------|-----------------------|---------------------------------------|----------------------------------|----------------------|
| Salary & Wages | 793,295 | 106,824 | 13% | 96% |
| Goods & Services | 5,422,987 | 1,523,608 | 28% | 83% |
| Minor Capital | 1,374,366 | 37,890 | 3% | 0% |
| Capital & Development | 7,243,065 | 1,320,596 | 18% | 97% |

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

4.7 Virements

The MPO made a total virements of \$377,455 in Q1 and Q2 2021. These all occurred in March.

| | January | February | March | April | May | June |
|------------------------|---------|----------|----------|-------|-----|------|
| Total Virements | - | - | -377,455 | - | - | - |

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

During March 2021, a large number of virements were made to increase funding for the Cesta Basica programme. In total, \$39.1 million was made available in virements from 29 institutions between January and March to support its implementation. It is likely these virements were related to the same payments.

Overall \$251,935 was transferred from Minor Capital and \$125,520 from Goods and Services. The largest single virement was from 978: Territorial Planning Policy from its Minor Capital budget at \$160,335. Three programmes (412: Gender Policy, 538: Municipal Integrated Development Planning (PDIM) and 541: Projects under National Development Agency (ADN)) had no transfers during the first half of the year.

| Programmes, \$ | Salary & Wages | Goods & Services | Transfers | Minor Capital | Capital & Development | Total |
|--|----------------|------------------|-----------|---------------|-----------------------|----------|
| 146: Project Implementation | | -29,800 | | -38,000 | | -67,800 |
| 412: Gender Policy | | | | | | 0 |
| 510: Good Governance and Institutional Management | | -55,724 | | -53,600 | | -109,324 |
| 536: Coordination of medium and long-term development strategies | | -14,000 | | | | -14,000 |
| 538: Municipal Integrated Development Planning (PDIM) | | | | | | 0 |
| 541: Projects under National Development Agency (ADN) | | | | | | 0 |
| 978: Territorial Planning Policy | | -25,996 | | -160,335 | | -186,331 |

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

4.8 Contingency Fund

During the first two quarters of 2021, the MPO did not request any access to the Contingency Fund.

4.9 Revenue collections

MPO does not collection any of its own revenues.

4.10 Development Partner Disbursements

MPO does not currently received any development partner support directly.

5 Other Matters of Interest

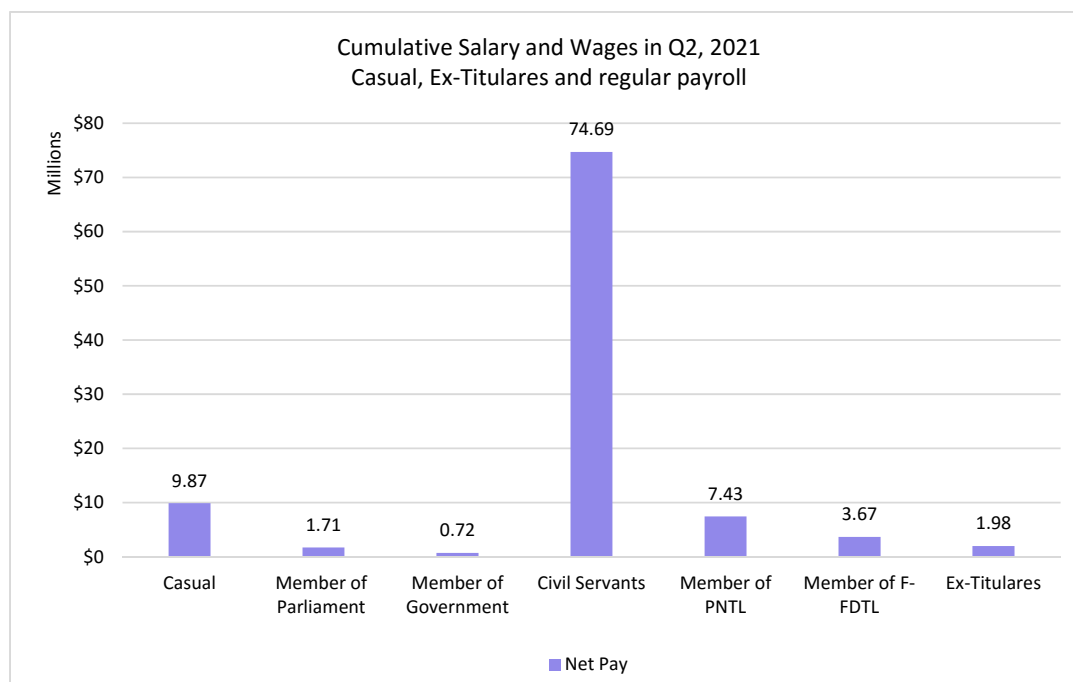
5.1 Procurement

Timor-Leste has instituted a 10% limit on sole source procurement⁵. All line ministries and agencies must focus on competitive procurement which reduces corruption and encourages competition between vendors. As of Q2, all LM/AAs are under the 10% limit. Procurement for the COVID-19 Pandemic Management Fund is an exception to the rule due to the short time frames needed.

5.2 Staff costs

The following graph presents expenditure on salary and wages through Payroll in Treasury for casual⁶ employees, ex-Titular's⁷ and regular payroll (Members of Parliament, Government, PNTL, FDTL and civil servants). Each sub-group is presented on the horizontal axis. In Q2, \$9.87 million was spent on casual employees, \$1.8 million on ex-Titular's, and \$88.22 million on regular payroll.

Figure 16. Salary and Wages - Casual, *ex-titulares* and regular payroll, Q2 2021



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

⁵ Legal Regime for Procurement, No 10/2005 amended by 38/2011

⁶ 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.

⁷ 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)

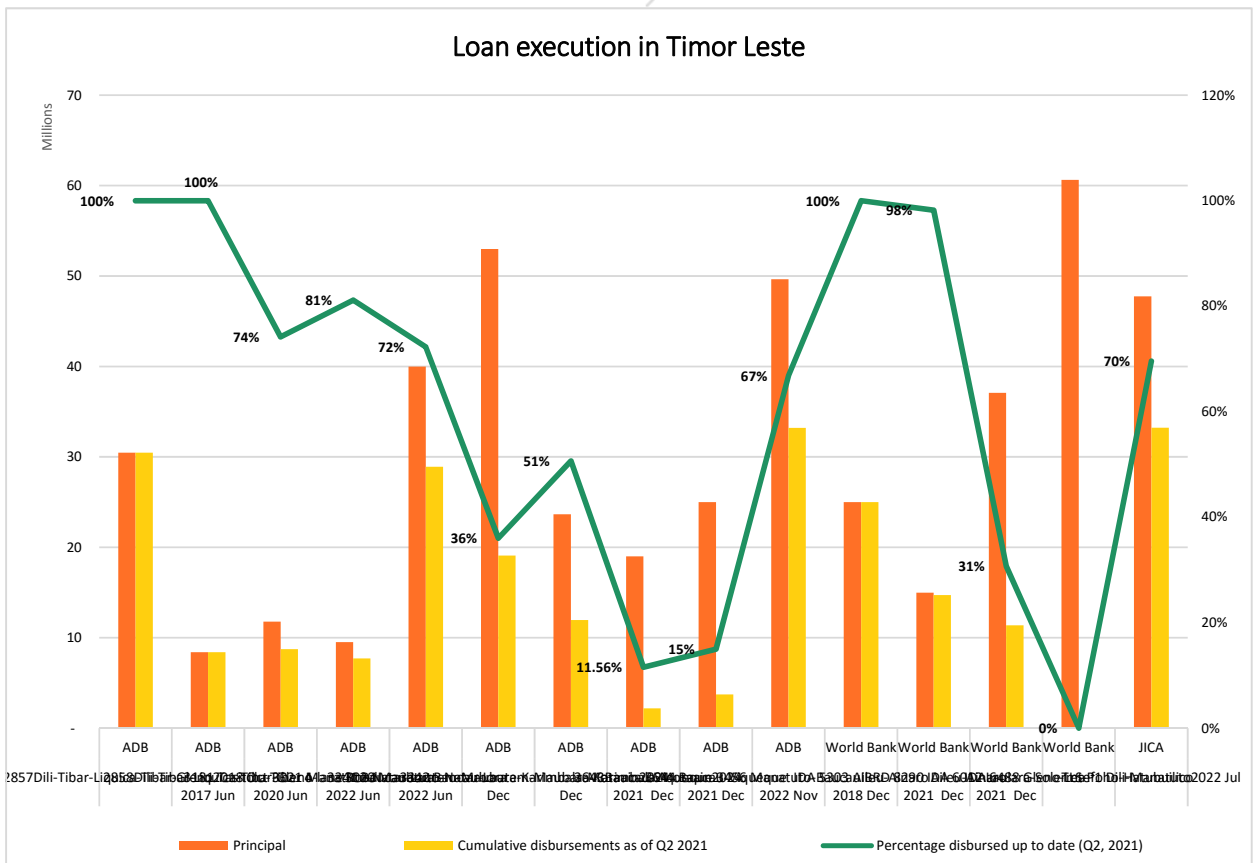
5.3 Loans

The following graph shows the ongoing and disbursed loan projects in Timor-Leste as of June 30, 2021. The loan disbursement must be utilised six months before the closing date of the loan. There has been almost no change in loan execution between Q2, 2020 and Q2, 2021 which can be attributed to issues related to state of emergency due to 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 50-85% by Q2, 2021. The loan execution of 3181 which was due to close on September 2020 has not moved since Q4, 2019 and disbursement slightly move at 74%. Similarly 3341 has increased execution by only 36% since Q4, 2019. The ADB loans for *Baucau-Viqueque* (3643 and 3644) have the lowest disbursement, range 11.56%, and 15% but are still due to be completed by December 2021. JICA TLS-P1 *Dili – Manatuto* which with loan due in July 2022, disbursement is 70% up to Q2, 2021 report. IDA 6488 (*Gleno-Letefoho-Hatubulico*) is a new World Bank addition to the loan portfolio.

Figure 17: Loan execution until Q2, 2021



Source: Loan Unit, Ministry of Finance, October 2021.