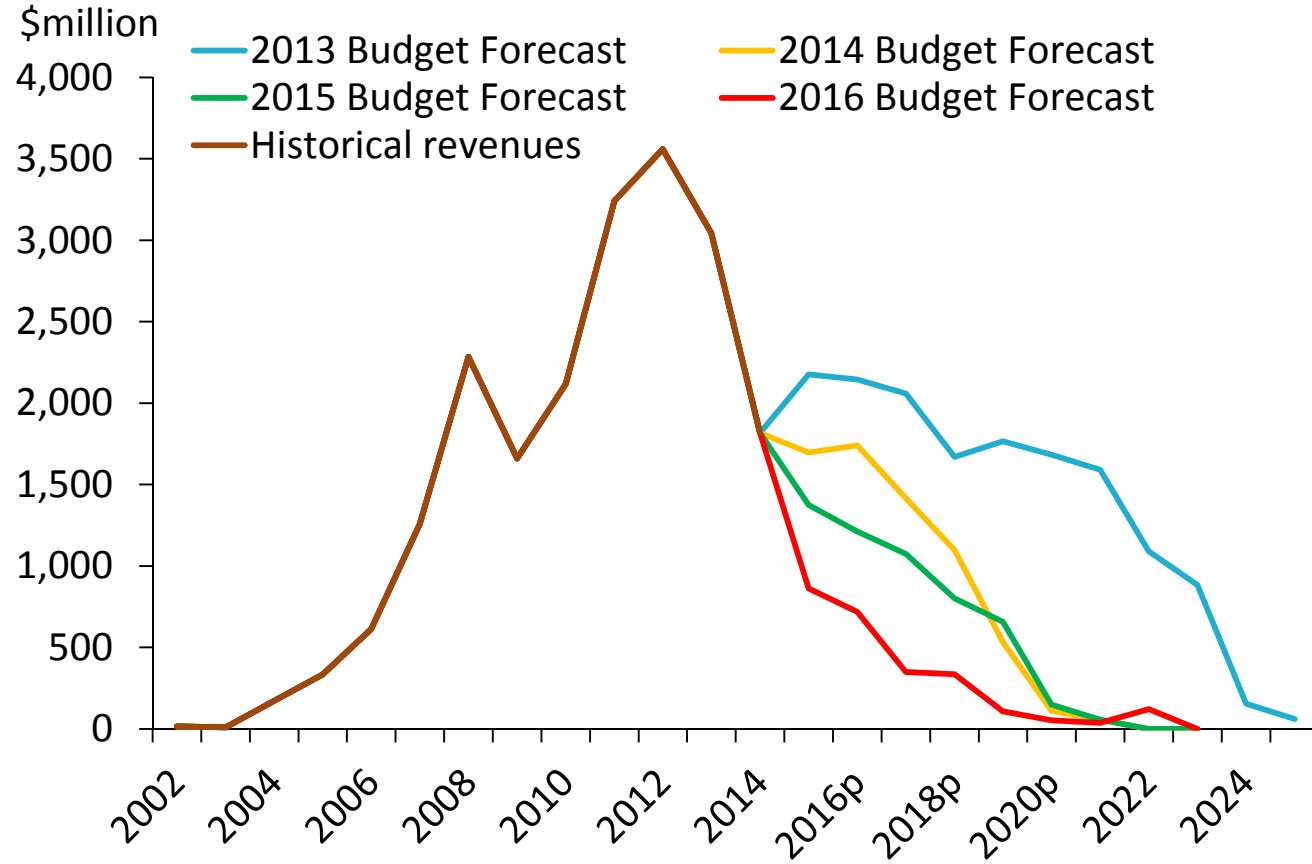


Presentation on the draft 2016 Budget

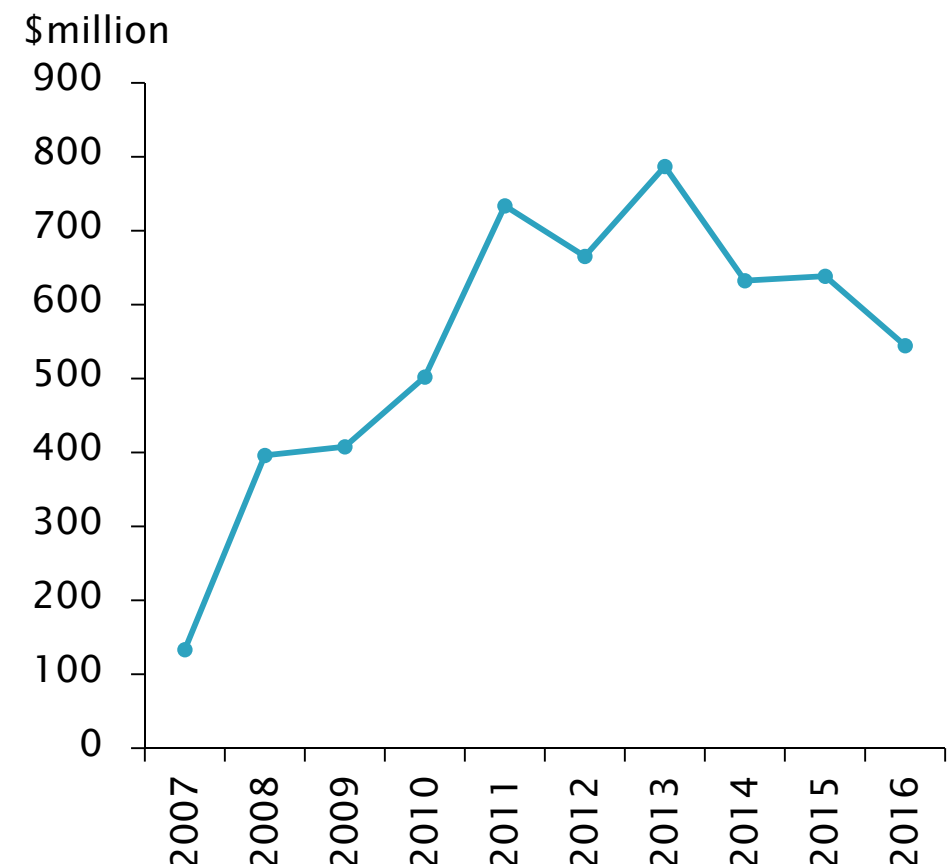
David Freedman, ADB Country Economist
10 November, 2015

Impact of lower oil production and oil prices on ESI

Actual and forecast petroleum revenues, 2002-2025



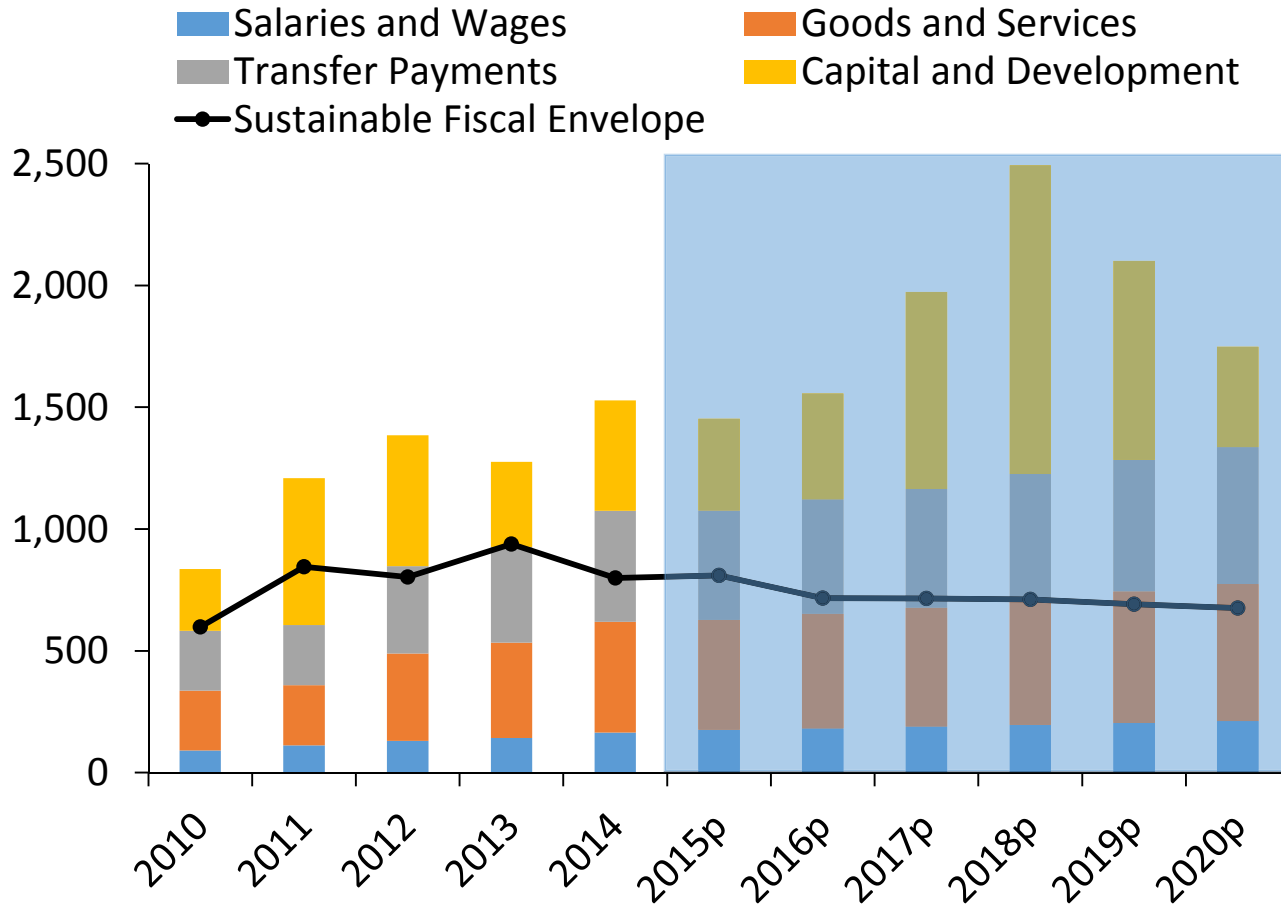
Estimated Sustainable Income 2007-2016



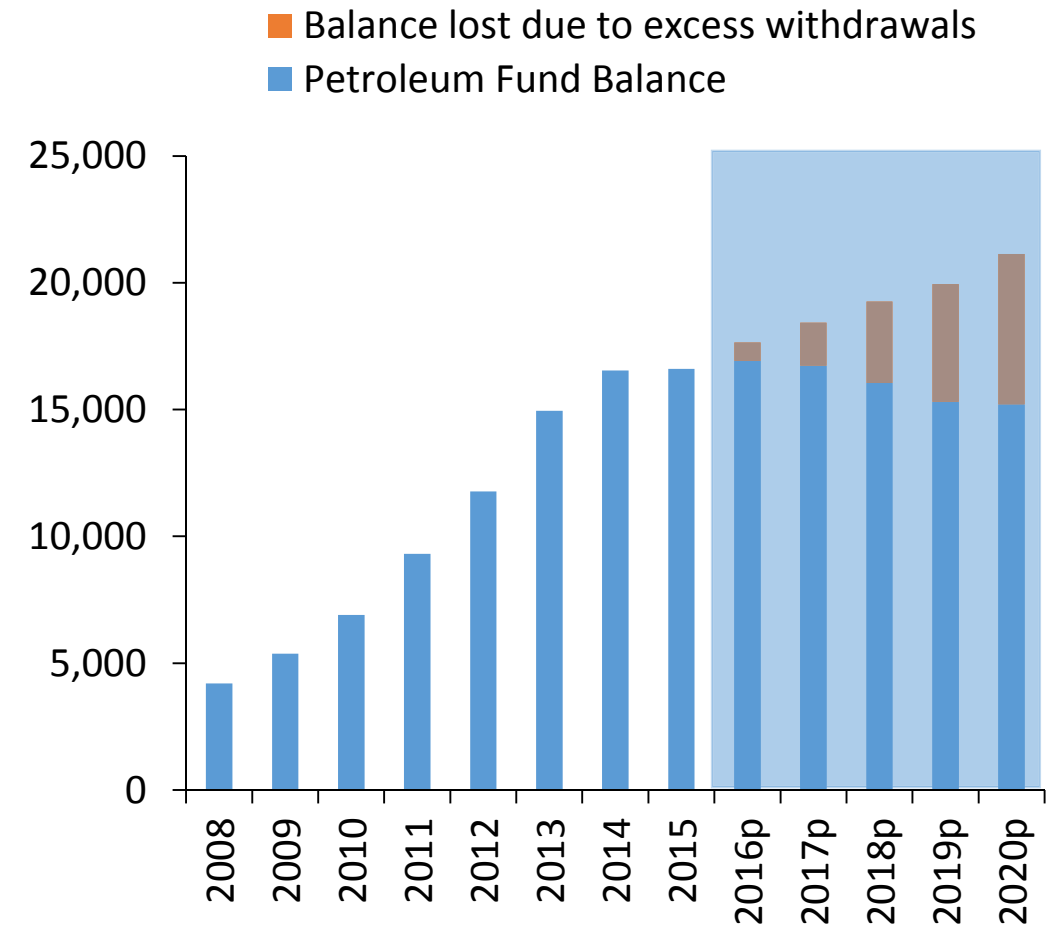
Source: Budget Books, various years

Planned expenditure and impact on Petroleum Fund

Actual and planned spending 2010-2020



Actual and forecast Fund Balance, 2002-2025



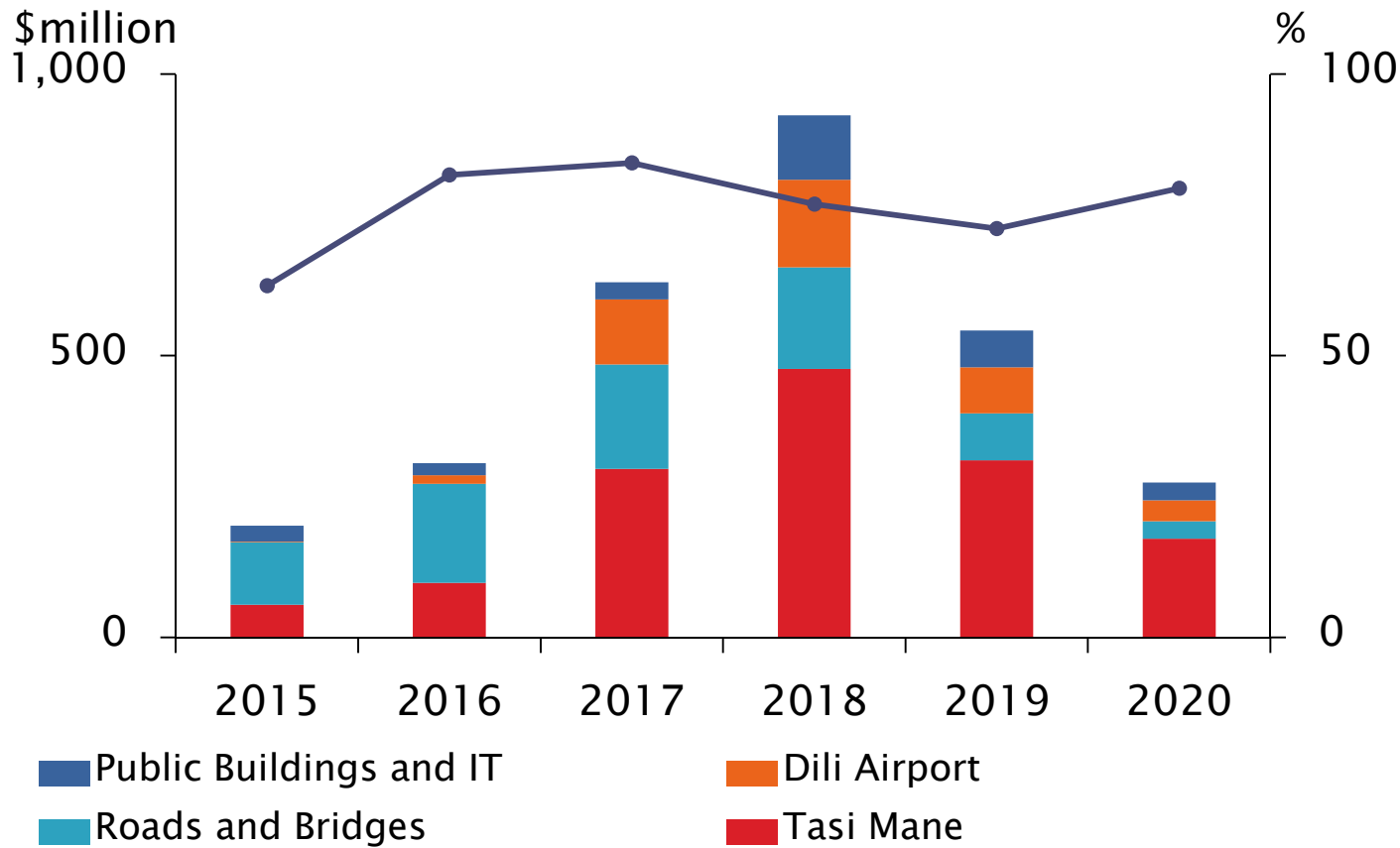
Source: Timor-Leste Transparency Portal, 2016 Draft Budget, Authors calculations

Key issues for Budget 2016

1. High quality Infrastructure
2. Financing for SDP priorities – education, health, agriculture
3. Long term fiscal sustainability

Issue 1: Better infrastructure - Choosing the right projects

Infrastructure Fund Budget – 2015-2020



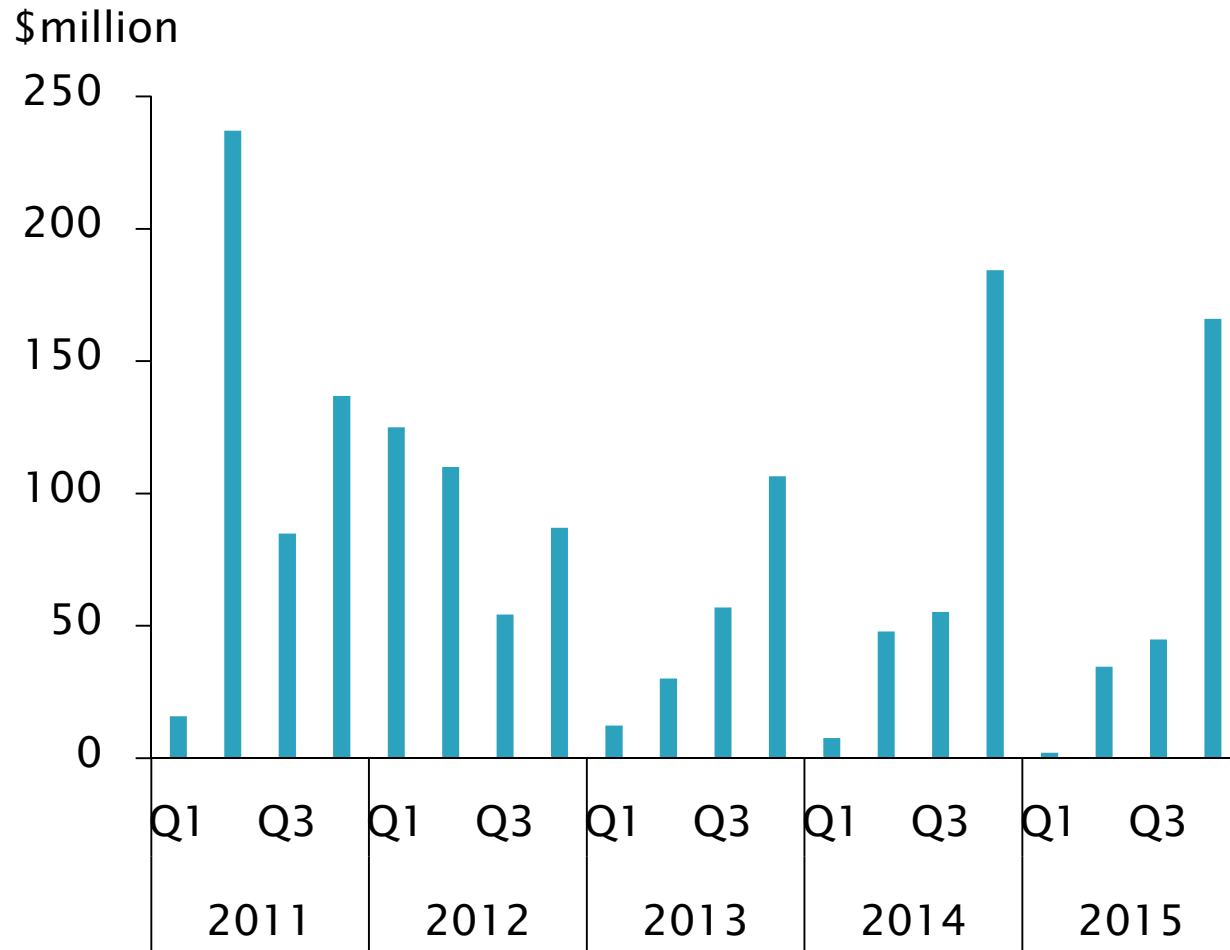
Key MOF Recommendations¹

1. Public Gateway Review process for very large projects.
2. Multi-project appraisal process for the south coast corridor.
3. Involve the Major Project Secretariat early in the project cycle.
4. Establish an EPIA-style agency to assess economic rates of return and inter-sectoral planning.

¹Recommendations taken from Ministry of Finance and World Bank Public Expenditure Review: Infrastructure

Improving project implementation

Infrastructure Fund disbursements, 2011-2015



Key MOF Recommendations¹

1. Pass the new omnibus procurement law and prepare standard operating procedures.
2. Require line ministries to submit procurement plans to the national procurement commission, and publish these.
3. Clarify circumstances in which direct awards can be considered.

¹Recommendations taken from Ministry of Finance and World Bank Public Expenditure Review: Infrastructure

Sustainable operations and maintenance (O&M)

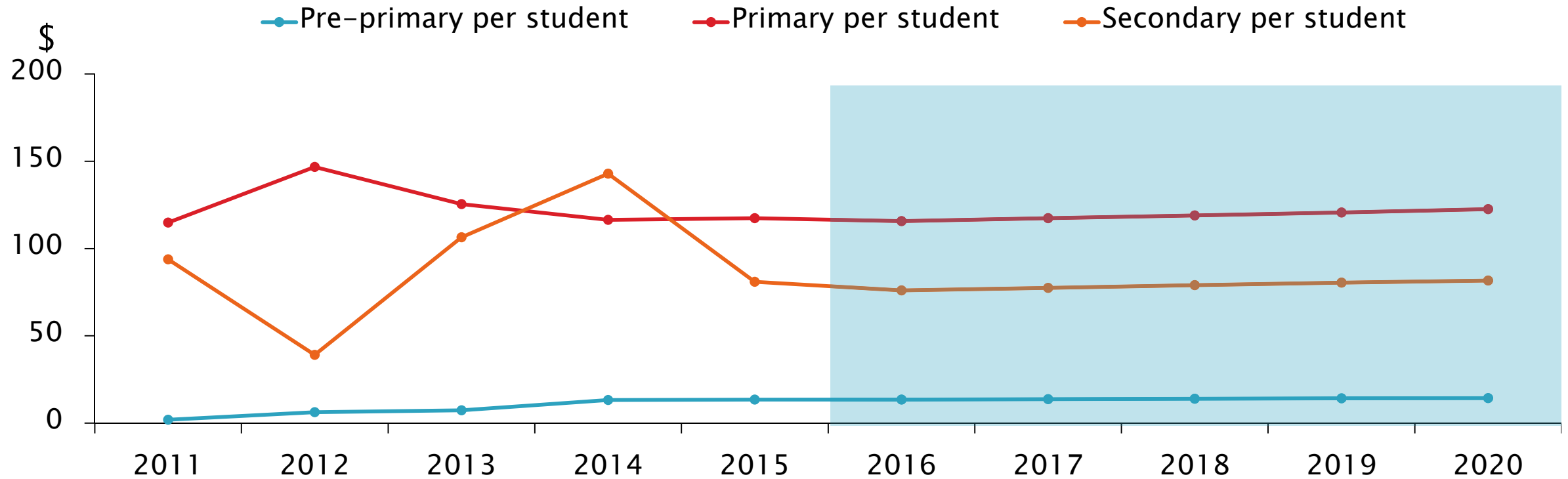


Key Recommendations

1. Allocate funding for maintenance of upgraded roads in 2016 – (\$25 million)
2. Develop clear O&M strategy for each sector – roads, water, electricity, etc.
3. Use public private partnerships to leverage private sector expertise for O&M.
4. Review options for cost recovery to fund O&M
5. Require maintenance plan and O&M budget for all new investment projects.

Issue 2: Funding for SDP Priorities of Education, Health, Agriculture

Education budget by level of schooling



Source: Budget Books – Various years, Timor-Leste National Census 2010, Author’s calculations.

Note: The chart shows the recurrent budget allocated to each level of schooling divided by the total cohort of students at each level.

Issue 3: Long term fiscal sustainability

1. **Reform public expenditure** – focus on core SDP priorities, excess withdrawals from Petroleum Fund limited to investments with high rates of return.
2. **Grow the non-oil economy** – Macroeconomic stability, investment in infrastructure and human capital, reforms to improve legal and regulatory framework.
3. **Improve domestic revenue collection** – Possible legal reforms to strengthen tax code, improved tax administration.

Thank you!