PARLAMENTO NACIONAL
República Democrática de Timor-Leste

PUBLIC FINANCE COMMITTEE

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For more information and documents on the proposed 2020 State Budget, go to **www.laohamutuk.org/econ/OGE20/19OGE20.htm**

Report and Opinion

Report :

Deputy António Maria Nobre Amaral Tilman (KHUNTO)

Deputy António da Conceição (PD)

Deputy Angelina Lopes Sarmento (PLP)

Draft Law No. 22/V (3rd) - General State Budget for 2020

Approved in the meeting of 01 October 2020

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I. PRIOR CONSIDERATIONS

(i) Admission of the Proposal

Draft Law No. 22/V (3rd) - State Budget for 2020 (PPL 22/V (3rd) or 3rd PPL OGE 2020) was admitted to the National Parliament on 15 September of 2020, under the provisions of Article 97.1(c) and Article 145.1 of the Constitution, with a request for priority and urgency.

The purpose of the proposed law is to approve the General State Budget (OGE) for the year 2020, having been drafted under the terms of articles 115.1(d) and 145 of the Constitution. It is the third bill to this end, since the first proposal presented by the Government on October 15, 2019 (PPL 8/V (2nd)), was withdrawn on 3 December 2019 under Article 95.2 of the Rules of Procedure of the National Parliament and the second proposal, subsequently presented on December 17, 2019 (PPL 9/V (2nd)), was rejected by the National Parliament, in the general debate on January 17, 2020.

After giving entry to the National Parliament, the bill in question was immediately referred to the Permanent Specialized Committee on Public Finance (Public Finance Committee or Committee “C”) for consideration within 24 hours of the order of priority and urgency requested by Government, as well as to the Plenary Support Division (DIPLEN) for registration, numbering and preparation of a technical note, under the provisions of article 4(f) and (i) of the Regulation on Mandates of Divisions of the General Secretariat of the National Parliament.

At the plenary session on 17 September 2020, with reference to the reasoned opinion of the Public Finance Committee on the urgency of the request, the National Parliament approved the emergency debate of PPL 22/V (3rd), allowing the reduction the deadlines required for the normal processing of the OGE’s legislative process.

Once the urgency of the debate was approved, as determined by His Excellency the President of the National Parliament, the legislative initiative was sent on the same date to the Public Finance Committee for the issuance of a report and reasoned opinion and also to the other permanent specialized committees, for the elaboration of a sectoral opinion, as provided for in article 163 of the National Parliament’s Rules of Procedure.

The Government has, in accordance with the constitutional provisions indicated in the draft law, exclusive competence to propose the legislative initiative under consideration and the National Parliament has exclusive competence to approve it (article 95.3(d) and article 145 of the Constitution).

PPL 22/V (3rd) includes, for the period between January 1 and December 31, 2020, all projections of revenues and expenses of the entities of the Public Administration Sector[1], including the Social Security sector (with its own OSS Budget) and the Oe-Cusse Ambeno Special Administrative Region (RAEOA), excluding, however, the Petroleum Fund income and expenditure projections [2] (entity of the Central Direct Administration of the State[3]), presented only as a source of financing for the OGE[4], and also excluding the Institute of Petroleum and Geology (IPG) and the National Petroleum and Minerals Authority (ANPM), as entities of indirect administration of the State[5]. The proposed OGE does not yet include the Central Bank of Timor-Leste BCTL, as an independent body under the terms of Law 5/2011, of 15 June.

Given the date of entry of the present law proposal, on September 15, 2020, and the coincidence between calendar year and financial year under the terms of article 3.6 of Law 13/2009, of October 21 (Law on Budget and Management Finance - LOGF), as amended by Law 9/2011, of 17 August, and by Law 3/2013, of 11 September, there has been budget execution on a duodecimal basis since 1 January 2020, in accordance with Article 31 LOGF, an execution that the Government now intends to see integrated in a State Budget for 2020, under the terms of Article 31.2 of the LOGF, with the present law proposal, if approved by the National Parliament.

The 3rd PPL OGE 2020 contains an article consisting of 27 articles and two annexes with six budget tables, in the following terms:

- Annex I (State Budget and Income for 2020):

Table I - Estimated revenue to be collected by the bodies and services of the Central Administration and the Special Administrative Region of Oe-Cusse Ambeno in 2020 (accompanied by a table for reference relating to the Petroleum Fund Receipts and in 2020);

Table II - Appropriations from the State Budget for 2020 (accompanied by two tables for reference relating to the Expenditures of the Infrastructure Fund, per program and the Expenses of the COVID-19 Fund, per program);

Table III - Global Income and Expenses for Autonomous Funds and Services in 2020;

Table IV - Global Income and Expenses for the Oe-Cusse Ambeno Special Administrative Region in 2020.

- Annex II (Income and Expenditure of the Social Security Budget for 2020):

Table I - Total Social Security Global Revenues, by economic classification;

Table II - Total Social Security Expenses, by economic classification;

accompanied by 12 tables for reference relating to:

Table III.1 - Total Income from the Non-contributory Social Security Scheme, by economic classification;

Table III.2 - Total Income from the Contributory Social Security Regime of Distribution, by economic classification;

Table III.3 - Total Income from the Contributory Capitalization Social Security Scheme, by economic classification;

Table III.4 - Total Social Security System Administration Revenues (INSS + FRSS), by economic classification;

Table IV.1 - Total Expenses of the Non-contributory Social Security System, by economic classification;

Table IV.2 - Total Expenses of the Contributory Social Security Distribution Scheme, by economic classification;

Table IV.3 - Total Expenses of the Capitalization Social Security Contribution Scheme, by economic classification;

Table IV.4 - Total Social Security System Administration Expenses (INSS + FRSS), by economic classification;

Table V.1 - Total INSS Revenues, by economic classification;

Table V.2 - Total FRSS Revenues, by economic classification;

Table VI.1 - Total INSS Expenses, by economic classification;

Table VI.2 - Total FRSS Expenses, by economic classification.

(ii) Public Finance Committee

In view of the matter, the Public Finance Committee considers itself competent to consider the present legislative initiative, under the Resolution of the National Parliament 2/2018, of June 26 and of Article 3 of its Regulations, which attributed it, among others, competences in matters of the General State Budget.

By virtue of article 164, paragraphs 1 and 2 of the National Parliament's Rules of Procedure, it is incumbent upon the Public Finance Committee to prepare a report and a reasoned opinion, which must take into account the sectoral opinions of the other Permanent Specialized Committees.

During the preparatory work carried out for the production of this report and opinion, the Public Finance Committee, Committee "C", heard and received written contributions from the various entities, based on the 3rd PPL OGE 2020, in the budget books received together[6] (proposal and books both subject to errata received on September 17, 2020) and in the information collected from these entities that Committee "C" developed its analysis and supported the conclusions and recommendations that it included in this report and opinion.

The sectoral opinions of the other permanent specialized committees and the Group of Women Parliamentarians of Timor-Leste (GMPTL) are attached to this report and opinion. Occasionally, whenever referred to, this report and opinion have also formed such opinions.

Committee "C" received on September 28, 2020 from all other Permanent Specialized Committees, as well as from the Group of Women Parliamentarians of Timor-Leste (GMPL), the sectoral opinions attached to this report and opinion.

(iii) Rapporteurs

Were designated as rapporteurs Deputy Antonio Maria Nobre Amaral Tilman (KHUNTO parliamentary caucus), Deputy António da Conceição, (PD), and Deputy Maria Angelina Lopes Sarmento (PLP).

In the preparation of this report and opinion were observed, mutatis mutandis, the provisions of Article 34 of the Rules of Procedure of the National Parliament.

(iv) Public hearings

Observing the provisions stipulated in article 80 of the National Parliament's Rules of Procedure (RPN), Committee "C" decided to hold a series of public hearings with several entities.

On September 23, starting at 9 am, the joint hearings of Committees C and A with the Prime Minister's Office (GPM), accompanied by the Integrated Crisis Management Center, State Inspector-General and Interministerial Council for Tax Reform and Planning, Monitoring and Evaluation Unit (UPMA) took place in the Plenary Room of the Parliament.

On the same date, starting at 2 pm, Committees C and D listened together with the Minister of Finance (MF), accompanied by the Vice Minister of Finance, Customs Authority, National Procurement Commission and the MF's management team and at the same time had the opportunity to hear Governor of the Central Bank of Timor-Leste (BCTL).

On September 24 from 9 am, took place at the Parliament Plenary Hall, a joint hearing of the Committees C, D and E with the Minister of Planning and Planning, Minister of Public Works and the Minister of Transport and Communications.

Finally, on September 25, from 9 am, took place at the Parliament Plenary Hall, a joint hearing of the Committees C and D, with the Minister of Petroleum and Minerals, accompanied by IPG, ANPM and TIMOR GAP.

Later, at 3 pm, Committee "C" met individually in PN's Conference Room with the Vice President and Regional Finance Secretary of the Special Administrative Region Authority of Oe-cusse Ambeno (RAEOA) and of the Special Zone of Social Market Economy (ZEESM).

The representation of the European Union (EU) announced in a timely manner to its willingness to respond to the invitation that had been addressed by the Committee "C", to present its views on the budget proposal of the Government for 2020, but later said it would not attend. The Office of the National Authorizing Officer/MNEC announced that the meeting would not take place because the MNEC had not been previously notified of it, which raises the greatest doubts about the Government's respect for Parliament, as a sovereign body, and the principle of separation of powers. Committee "C" regrets what happened, because the Parliament has, for years, directly benefited from EU support and has maintained very cordial relations with this Development Partner.

During the aforementioned hearings, the aforementioned entities had the opportunity to clarify Members' doubts, express opinions and convey their positions on the budget proposal.

Due to the fact that the legislative process related to the OGE 2020 law proposal was approved as an urgent matter, and the schedule of public hearings of the Committees has been significantly shortened, it was not possible for Committee "C" to hear in person all the relevant entities that it wanted namely, the Petroleum Fund Consultative Council (CCFP), the Federation of Non-Governmental Organizations (NGOs) FONGTIL and its associates, among others. Even so, several entities, in addition to those mentioned above, delivered additional documentation during the hearings with Committee “C” or sent written contributions, at the request of this Committee, namely:

- Sectoral opinions of the Permanent Specialized Committees.
- Report and Opinion of the Group of Women Parliamentarians of Timor-Leste (GMPTL).
- Report on the activities of RAEOA ZEESM: January to June 2020.
- Report and Opinion of the Petroleum Fund Consultative Council (CCFP).
- Report and Opinion of the NGO *Lao Hamutuk.*
- Information on execution in the duodecimal period presented by the Minister of Finance and written answers to questions posed during the hearings.
- Fund budget execution report COVID period 19 April 17 at is August 31, 2020.
- Proposed OGE 2020 and Report of the Audited Financial Statements of 2019, from ANPM.
- Proposed OGE 2020 and Report on the execution of the duodecimal period through 31 August 2020 from TIMOR GAP.
- Presentation of the answers to the questions posed by Committee “C” to the Minister of Finance.
- Annual Action Plan for 2020 of the CHEGA National Center and its implementation of the 2019 plan.
- Analysis of the OGE 2020 proposal and execution of the DOT until 17 September prepared by the superior parliamentary technician of Committee “C”.

II. LEGAL FRAMEWORK

The National Parliament, under the terms of the Constitution, is responsible, in addition to the primary functions of representing the People and the legislature, to monitor and supervise the activity of the Executive, holding the Government responsible, namely in financial and budgetary matters.

The Government has, in accordance with the constitutional provisions, exclusive competence to propose the legislative initiative under consideration, with the National Parliament having exclusive competence to approve it (article 95.3(d) and article 145 of the Constitution).

(i) Extemporaneity

Under the combined terms of Articles 97.1(c), 115.1(d) and 145.1 of the Constitution and Article 30.1 of the LOGF, the State Budget proposal for the following economic year must be submitted to Parliament National, in the form of a law proposal, until 15 October of the year preceding that which concerns, in this case until 15 October 2019.

As mentioned above, the present law proposal (PPL 22/V (3rd) or 3rd PPL OGE 2020) was submitted to the National Parliament on September 15, 2020, as a result of the Government's withdrawal on December 3, 2019 of the first proposed budget law for 2020 (PPL 8/V (2nd)), which was presented on time on October 15, 2019, and the rejection by the National Parliament, in the debate on January 17, 2020, of the previous one (second) budget proposal for the year 2020 (PPL 9/V (2nd)), presented on December 17, 2019.

The extemporaneity, in view of article 30.1 of the LOGF, of the proposed budget law under analysis, the third relating to 2020, is thus justified by the vicissitudes of the process of discussion and approval of a State budget for 2020, even though, as stated in the opinion of this committee[7] regarding the request for urgent processing of this 3rd PPL OGE 2020, if there had been no reason, namely set out in article 97.3 of the Constitution, for the Government to have waited for the beginning of the new legislative session to renew a budget proposal, after the rejection of the previous proposal.

(ii) Formal and Material Structure and Content

On the matter of substantive law, the budget system, as well as framed by the Constitution as succinctly explained above, is also regulated by LOGF. Under the terms of this Budget and Financial Management Law, the draft budget law has the structure and formal content defined in Articles 24-29 of LOGF and the State Budget itself the content of Articles 22 and 23 of the same LOGF.

Regarding its formal configuration, as a normative act or instrument, it should be noted first of all that the draft law respects the formal requirements that the draft laws must generally comply with for its admissibility, in harmony with the provisions of articles 91, 96.2 and 98 of the Rules of Procedure of the National Parliament, namely being written in Portuguese, in the form of articles, containing a title that translates its main object and accompanied by an explanation of reasons. It is also in compliance with the provisions of Law 1/2002, of 7 August (Law of Publication of Acts). The proposed law thus obeys the general rules of formal legislation.

The conformity of the 3rd PPL OGE in 2020 with the legal rules applicable to the structure and content formal of a proposed budget law in particular, arising from Articles 24 to 29 of the LOGF, the bill in question has some deviations, some adequate and even necessary, others questionable.

Obviously, there is no provision for funds allocated to local authorities (cf. Article 25(d) LOGF), as local authorities have not yet been established in concrete.[8] in Timor-Leste[9]. On the other hand, since an autonomous region has already been established, the Autonomous Region of Oe-Cusse and Ambeno (RAEOA) in compliance with article 5.3 of the Constitution, the draft law provides, and, well, a separate table (table IV of Annex I of the draft law) with the global revenues and expenses of that region, under article 28(d) LOGF[10].

It should also be noted that there is a natural occasional deviation from the constant LOGF nomenclature, which is itself often incongruous.

Right from the start, the (same) budget is sometimes referred to as the "State Budget", sometimes the "General State Budget", and the Government opted in its proposal to follow the designation "General State Budget" to designate the Central Government Budget[11] and the RAEOA, as opposed to the Social Security Budget (OSS), which LOGF does not cure. Without this being an addiction, we will choose below to recommend, in order to achieve greater clarity and conceptual stability, that the Central Administration Budget[12] and the RAEOA together compose the "State Budget" (OE), and that the term "General State Budget" (OGE) be used for all the budgets that are the subject of the proposed law, thus including in this designation of OGE the Social Security Budget (OSS).

Another deviation of LOGF nomenclature present in the 3rd PPL OGE 2020, to a large extent inevitable, is found in the designation of Table III of Annex I, which surprisingly LOGF designates in its article 28 (c) of "Autonomous Bodies that are partially financed by own revenues within the General State Budget" in obvious reference, however, to Services and Autonomous Funds (SFA), and this designation of SFA is the one that proliferates in the rest of the LOGF. The present law proposal rightly chooses to name Table III of Annex I "global income and expenses of SFA in 2020". It should be noted that the present law proposal proposes, in addition to previous budget laws and Government enforcement legislation, alongside the SFA, the different concept of "Autonomous Organs Without Own Revenue" (OASRP) for, in contrast to the SFA, designate the entities of the public administration that, while having administrative and financial autonomy[13], do not have legal personality, unlike SFA who have this personality. Without prejudice to the fact that such an OASRP designation proposal does not constitute an addiction to the proposal, we will choose below to recommend, in order to achieve greater clarity and conceptual stability, another conceptual change, this time eliminating the reference to "Without Own Revenues" designation of these Autonomous unincorporated organs, which has generated a lot of confusion in the legal system of Timor-Leste.

In fact, it must be said, as has been repeated in recent years in reports of this committee, that, due to these and other failures of the LOGF[14], it is urgent that the Government approves a new Budgetary Framework Law that collects them.

It should be noted that, unlike the budget of the Central Administration and RAEOA subsectors, the budget of the Social Security subsector does not yet have standards enshrined in the Timorese legal system, a lack that should be repaired[15], except for some references in the law that created the contributory social security regime, Law 12/2016, of 14 November[16]. Therefore, the structure and formal and material content of the Social Security Budget (OSS) presented by the present proposal does not present an error of illegality and seems, moreover, adequate.

Nevertheless, and given that the Government has chosen to include in the Annex to the draft bill, either in the OE (Annex I) and in the OSS (Annex II), multiple informative tables listed for reference, that are not to be voted on and do not form, strictly speaking, part of the budget law, we recommend below their exclusion from the body of the law to be voted on; it seems that the proper place for these information tables would be in the books that accompany, frame and explain the proposed law.

Finally, in what still refers to the normative content, in this particular regarding the criteria for the use of the resources from the Petroleum Fund (FP), it appears that under the terms of article

6.2 of the law proposal, the amount of Estimated Sustainable Income (ESI) referred to therein, it is duly certified by an independent auditor, as required by article 8 of Law 9/2005, of August 3, amended and republished by Law 12/2011, of September 28 (Petroleum Fund Law LFP). Any transfers from the FP that exceed the ESI are subject to the requirements set out in Article 9 of the LFP. Since the Government requests the National Parliament an authorization to make a transfer above the ESI[17][18] , in accordance with Article 6 paragraphs 2 and 3 of the bill, it appears that it has complied, in relation specifically to the information to be provided to Parliament, reports and justification (in the formal sense[19]) referred to in Article 9, points a), b), c) and d) of the LFP.

As for the material content of the budget, governed by articles 22 and 23 LOGF, it should be noted that, as in previous years, information on assets does not include State assets and information on liabilities does not include guarantees given to third parties or non-financial debt, in contravention of article 22.1(c) LOGF. Likewise, the proposed proposal does not include the estimated cost of previous revenues not collected as a result of tax or customs benefits or the forecast of revenues not collected as a result of tax exemptions and due to non-financial benefits, in contravention of article 23.3 points m), n) and o) LOGF.

Even so, it is concluded, as a consequence of the above and in strictly legal terms, that nothing seems to hinder the appreciation and vote in Plenary of the draft law of the State Budget for 2020, under the terms of articles 166 and following of the Rules of Procedure of the National Parliament.

(iii) Object, scope and associated terminology

The object of the proposed law is the approval of the General State Budget, which, as mentioned above and in order to achieve greater clarity and conceptual stability, will be recommended as a generic designation for all budgets (the revenue and expenditure forecasts) contained in of the present law proposal, that is to say, encompassing the budgets of the Central Administration and the RAEOA, which will thus compose together the most simply called "State Budget" (OE), and also the Social Security Budget (OSS).

However, this terminological change will not be enough to ensure the clarity and conceptual stability of the proposed law.

From the outset, it is important to warn that the basic concept of the entire scope of the proposal, in compliance with the principles of unity and universality of the OGE, is the concept of "bodies and services", defined in Article 3(j) of the proposal as "the Public Administrative Sector entities subject to budgetary discipline". Such a legislative technique presents several problems.

First, the description of the scope of the proposal should result clear reading of Article 1 of the proposal, and not referring tacitly to settings that are in later articles as the essential matter and should avoid the use of this concept something obscure in primary provisions such as Article 1; and essential here will be the concept of "budget perimeter", which unfortunately is not clearly defined in the legislation in force.

Article 145.2 of the Constitution and, in particular, Article 4 LOGF point out that they must be subject to budgetary discipline (that is, they must belong to the budgetary perimeter) tending to all entities of the State[20], with obvious exclusion (tacit) of associations and business sector or quasi-business, or should the State Budget cover the "General Government Sector". In order to clarify this basic concept as well, Article 3 (r), which defines it, should be more extensive and explanatory, clarifying the exclusion of companies, foundations and associations and listing the various dimensions of the Central Administration, composed of the Direct Administration (Concentrated and, in the case of the Municipal Authorities and Administrations, Decentralized) and Indirect, a composition that should also be reflected in the list of entities of the Central Administration, as to their financial regime, contained in article 1.2 of the proposal. This list, in turn, should include reference to regulatory powers [21] and tax[22] that entities with administrative and financial autonomy sometimes have and, as for Autonomous Services and Funds (SFA), the credit capacity[23]; and it would be advisable, as discussed above, to eliminate the reference to "Without Own Revenues" from the designation of Autonomous Bodies (without legal personality), which has caused a lot of confusion in the legal system of Timor-Leste, since, according to definition proposed for these Bodies, they can collect their own revenues. In addition, the addition of a definition of own revenues appropriate to the Timorese legal system[24] would be decisive so that, once and for all, doubts about this prime financial category would disappear. Finally, as an ancillary concept in the list of Central Administration entities, regulatory, tax and credit powers should also be included in the concept of administrative and financial autonomy, which separates Services Without Administrative and Financial Autonomy (SSAAF), which do not have it, of the others, who have it (namely, the Autonomous Bodies, without legal personality, and the SFA, with legal personality).

In an effort to clarify the scope of the proposed law, i.e. the proposed OGE, article 1.3 of the proposal rightly clarifies that the SFA National Social Security Institute (INSS) and the Social Security Reserve Fund (FRSS)[25] belong to the Social Security Sector, then to the OSS, and not to the Central Administration for the purposes of the diploma, therefore excluded from the OE (as defined above); Nos 4 and 5 of the same Article 1 clarifies the decentralized administration of the municipalities and the Human Capital Development Fund, although Special Fund excluded from the Timor-Leste Consolidated Fund [26] , fall under the category of Autonomous Bodies as to the financial regime. But it overlooks other important clarifications that should be added, subject to the scope of the proposal remain confused and described incompletely:

a) The COVID-19 Fund, despite having the nature of an Autonomous Body, has a financial management subject to the regime applicable to autonomous funds and services (SFA), under the terms of article 14 of Decree-Law no. 12/2020, of April 14, as amended by Decree-Law no. 19/2020, of May 27;

b) The Petroleum Fund Budget, despite being an Autonomous Body under the terms of article 5 of the LFP, is not included in the OE, as it has not been included so far;

c) The Institute d the Petroleum Geology and [27] and the National Petroleum and Minerals Authority[28] , although SFA, are not included in the OE, something that should be corrected already in the OGE proposal for 2021[29] ;

d) The Central Bank of Timor-Leste, as an independent body [30] , clearly should not be part of the OGE, but it should be said.

(iv) Legal issues related to estimates of income and expenses

Much of the legal analysis that it is up to the content of the proposed legislation is intrinsically linked to its financial content consists of respective parts V (Income and State Expenditure for 2020) and VI (Social Security Budget), together with the economic-financial analysis, for the sake of systematic and discursive clarity.

However, it is important to talk about some eminently legal issues right away, even if linked to more specific financial issues.

Still in terms of terminology, it is important to correct the definition of "public transfers", as, as proposed, it is presented as a circular and empty definition - what distinguishes public transfers from other categories of expenditure is the fact that it involves the delivery of sums (to the public and non-public sector) without any consideration. On the other hand, as opposed to the residual sub-concept of "payroll deductions", "public subsidies", due to their importance and political sensitivity, should be a category of expenditure expressly defined, in the wake of Government Decree 4/2007, of 29 August, which regulates them[31].

Then, and because it is proposed, as mentioned above, to categorize all the budgets proposed under consideration as "General State Budget (OGE)", it will be necessary to approve both the budgets of the Central Administration and the RAEOA (jointly "State Budget (OE)") or the budget of the Social Security (OSS) logo in Article 4 of the proposal, together, eliminated proposed Article 22 and proposed a new name for chapter II, to designate as "State budget", starting with Article 5.

With regard to taxes and fees, it is important to make several legal considerations now.

Article 5 of the proposal rightly authorizes the Government to collect taxes and fees under current legislation, but nothing is said about the collection of such taxes by the RAEOA, under the terms of its statute [32], which is imperative to correct. Likewise, if some Autonomous Bodies and SFA can, under the legal terms, collect taxes (from the moment the OA and SFA endowed with tax capacity according to the respective statutes, as long as the fees have been legally created[33]), it will be important to explicitly provide for such a possibility in the same Article 5 of the proposal.

Still with regard to taxes, article 5.3 of the proposal provides for exemptions (as for arms and ammunition, medical assistance abroad and goods donated by legal entities of international law and by public legal persons from other states) that are repeated annually - it would be to integrate such exemptions, if in fact permanent, in the General Tax Law [34], for greater legal clarity, certainty and stability.

Finally, Article 5.4 of the proposal introduces a tax increase for malt beer with an alcohol content of 4.5% and above, without expressly safeguarding non-tax retroactivity, a dimension of the rule of law principle of protection of confidence[35]; in addition to what does not seem to be possible for the alteration of the tax regime to be subject, now, of sufficient discussion in parliament.

In connection with the taxes potentially charged by the Autonomous Bodies, it should be noted that the revenues of these entities, which also include prices[36], are not mentioned anywhere in the draft law, while the SFA see them referred to in article 8 of the proposal. Admittedly the forecasts of own revenues for OA are for the year 2020 from zero, but certain is that there are several OA that, in fact, charge its own revenues, including during the budget execution in 2020[37]. Thus, it would be appropriate for a provision to refer to the OA's own revenues, even if by mere reference to its financial management regime [38].

With regard to financing through independent donors, contained in article 9 of the proposal, it should be noted that paragraph 2 requires a mandatory prior opinion from the Minister of Finance on agreements with donors that add to the financing provided for in the budget appropriations of the budget proposal – it would be strange if the opinion was not binding, so it is proposed to add this reference, even in order to fill this gap in the regime[39].

Of even greater importance is the need, even with regard to financing through independent donors, to exempt agreements established between donors and other sovereign bodies from the mandatory and binding opinion of the Minister of Finance [40], ***maxime*** the National Parliament, as this would certainly violate the separation of powers[41].

Article 12 of the proposal accommodates a methodological non-conformity in the accounting treatment of some SFA[42] that occurred during the duodecimal budget execution of 2020 - the budget implementation of the SFA in question was carried out under the supervision budget. Such an irregularity not only undermines the administrative and financial autonomy of the entities in question, but also confuses the public in the State's accounts, and from the outset the National Parliament, which is why it is something to avoid in years to come.

As a clarification, but it is believed to be important, it should be included in Article 15 of the proposal reference to the need for authorization of expenditure, under the terms of the legal supply regime, in order to alert to this important requirement prior to the signing of public contracts (in this case multiannual).

As a clarification, it would also be important to include in Article 20 of the proposal an express reference to the exemptions from payment of social security contributions introduced in the context of measures to combat the social impact of the COVID-19 pandemic [43].

(v) Legal issues relating to budget execution in general

Finally, it is important to make some eminently legal considerations regarding the provisions of the proposed law relating to budgetary execution.

From the outset, it will be important, as indeed throughout the text of the proposal and its annexes, to replace references to "General State Budget" and "OGE" with references to "State Budget" and "OE", whenever it refers to the budget of the Central Administration and RAEOA, as opposed to all the budgets of the proposed law and in order to pass on the terminological amendment proposed above - it will be important to do so in article 24 of the proposal, since only the rules for implementing the OE they are approved, every year, by Government decree, and not those of the Social Security Budget.

Regarding the quarterly debates on budget execution, the usual forecast in the budget laws and for 2020 contained in article 25 of the proposal, it will be necessary to correct a legal gap in article 44 LOGF (pending the approval of the already announced new Budget Framework Law), which does not refer to a budget execution report for the 12th month despite the fact that this report is included in article 171 of the National Parliament's Rules of Procedure[44] .

Finally, with regard to the various types of responsibility relevant to correct budget execution, namely civil, financial and criminal liability (alongside political responsibility), it is important to introduce some clarifications that are considered important in Article 26 of the proposal:

a) Article 26.3 of the proposal, referring to the realization of financial responsibility, expressly refers to the condemnation in restoring the amount corresponding to an undue payment, without mentioning the possibility of a fine [45] which it will be important to mention at the same time;
b) Paragraphs 4 and 5 of article 26 of the proposal specifically refer to the legislation that densifies financial and criminal liability without mentioning the legal assumptions and terms of civil liability, which must be mentioned in order to clarify and complete the standard.

III. ECONOMIC AND FISCAL OVERVIEW FOR 2020

(i) Recent Evolution

According to the latest projections from the Ministry of Finance (MF), Timor-Leste's economic activity (non-oil GDP) grew by 2.7% in 2019, after two consecutive years of decline (-3.8% in 2017 and -0.8% in 2018, which represents a downward revision compared to previous MF forecasts of -3.5% and -0.7%, respectively). This contributed to the significant growth in public consumption (9.5%), which more than offset the significant reduction in public investment (-14.4%). Net external demand (excluding gas and oil) is expected to make a negative contribution as a result of increased imports. Private investment is also projected to remain, however, at very low levels (US$115.0 million, henceforth simply dollars). In addition, private consumption is projected to stabilize at $1,040.0 million.

Economic growth in 2019, although positive, is still well below the 7% growth target described in the Strategic Development Plan as necessary to make Timor-Leste a medium-high income country by 2030.

Table 1 - Components of real non-oil GDP (million USD)

Componentes do PIB	2018	2019	2018	2019
Consumo privado	1037	1040	2,6%	0,3%
Consumo público	864	946	-1,0%	9,5%
Investimento privado	70	115	-51,0%	64,3%
Investimento público	465	398	16,0%	-14,4%
Exportações líquidas	-881	-891	-2,0%	-1,1%
PIB	1578	1620	-0,8%	2,7%

Source: Ministry of Finance.

In the first half of 2020, the various economic and fiscal indicators indicate a downturn in the economy. Therefore, it is noted that this fall was lessened because of the behavior of economic activity in the 1st quarter.

On the one hand, only 21.3% of the budget foreseen in 2020 for the Infrastructure Fund was executed, with a drop in capital and development expenditure of 8.7%, compared to the first half of 2019.

Another indicator of economic activity is tax revenue, which fell by 12.5% in the first half compared to the same period last year.

Additionally, there was a 36% reduction in commercial traffic at Dili Airport (kg cargo) and a 35% reduction in the acquisition of motorcycles and passenger automobiles.

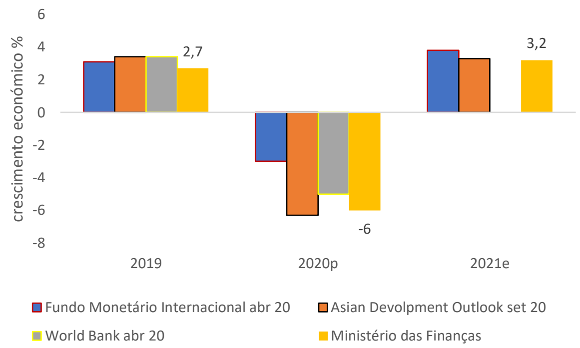
Even so, there was an increase of 25% in heavy vehicles registered, this being an indicator of private investment. Finally, merchandise imports fell 13.2%, indicating a fall in national expenditure (consumption and investment).

(ii) Forecast for 2020

In 2020, the pandemic situation, the State of Emergency, political uncertainty, the delay in the approval of the State Budget for 2020 and the recourse to the duodecimal regime, should lead to an abrupt fall in non-oil GDP. The Ministry of Finance foresees a 6% reduction, which is in line with the forecasts of the various international institutions, namely: (i) the International Monetary Fund foresaw a 3% fall in April; (ii) the Asian Development Outlook of September 2020, estimates a decrease of 6.3%, and, (iii) in April the World Bank predicted a contraction of 5%.

In this context, the Ministry of Finance's forecast can be considered prudent. The same is true in relation to the forecast for the year 2021, of growth of 3.2%.

Figure 1 - Forecast of real non-oil GDP (million USD)



Componentes do PIB	2020	2021	2020	2021
Consumo privado	981	1026	-5,7%	4,6%
Consumo público	948	1055	0,2%	11,3%
Investimento privado	100	135	-13,0%	35,0%
Investimento público	334	281	-16,1%	-15,9%
Exportações líquidas	-845	-927	5,2%	-9,7%
PIB	1524	1573	-6,0%	3,2%

Source: Ministry of Finance

For the behavior of the economy in 2020, according to the Ministry of Finance, the significant drops in private consumption (-5.7%), private investment (-13%) and public investment (-16.1%) should contribute. As a consequence of lower investment and consumption, there should be a reduction in imports and the consequent positive contribution of net external demand. Public consumption is expected to remain stable due to the response and economic stimulus measures taken on April 17.

According to projections, public investment will show a significant reduction during the analyzed period, namely it will fall at an average annual rate of 15.2% during the period 2019 and 2020, a situation of concern in view of the infrastructure needs that Timor-Leste still presents.

The difference that exists between the budget item development capital expenditures and public investment, as a concept used in the economic panorama, should be noted. Both relate to investment, but differ in registration. Budget lines are recorded considering cash accounting (i.e. they record payments and receipts). The calculation of real non-oil GDP is analyzed from the perspective of commitments (i.e. the registration is made at the time the charge, the expense is assumed and not when it is paid) [46] [47]. The difference between both is, above all, the commercial debt and late payments (from the perspective of commitments, these do not exist)

[48]. In this context, it makes sense that there are differences annually between the values of capital expenditure and public investment. However, there are variations from one year to the next that need further explanation.

The difference between the values of capital expenditure and public investment was 89.7 million dollars, becoming null in 2019. In 2020 it is expected to be 120.6 million dollars.

Table 2 - public investment and capital expenditure (million USD)

	2018	2019	2020
investimento público	465	398	334
Despesas de Capital e Desenvolvimento	375,3	400,7	213,4
Diferença	89,7	-2,7	120,6

Source: Ministry of Finance

Looking more specifically at public investment, the Ministry of Finance says that it will fall (-16.1%) in 2020 and (-15.9%) in 2021. On the other hand, it indicates that capital expenditure will increase 335% in 2021 (from $153.4 million in 2020 to $667.8 million in 2021). This addition also needs a more detailed explanation. However, it is expected that this explanation can be found in the 2021 State Budget proposal.

Regarding inflation, the Ministry of Finance predicts that in 2020 it will be 0.9%, a value similar to that projected for 2019. However, attention is drawn to the expected increase in the price of Thai rice, the reference for Timor -Leste, which is expected to increase 8% between 2019 and 2020 and also the fall in coffee prices. In the event of this situation, will reduce the income available families (rice is a large part of the diet) and the revenues from coffee exports.

On the other hand, after a slight appreciation of the US dollar in recent years, there was a strong depreciation that started in late April, which should contribute positively to exports in the 2nd semester.

Finally, the reduction in global oil demand due to the COVID-19 pandemic, led to a reduction in the international price of a barrel of oil (Brent). After reaching a low of $17.6 a barrel on April 17, the price of oil has stabilized at approximately $42.0 since early June. The MF predicts that the average price in 2020 will be above $40.0/barrel, which represents a 33% decrease compared to 2019. It also predicts that the price will increase to $50.0/barrel in 2021.

(iii) Structural Indicators

Timor-Leste's low level of private investment is justified in the "Doing Business 2020" Index [49] released by the World Bank. In this, Timor-Leste is one of the 10 most difficult countries in the world to do business, occupying the 181st position in a total of 190 countries listed.

According to the World Bank, in order to stimulate private investment, it is necessary to concentrate efforts on measures aimed at protecting minority investors, facilitating property registration, ensuring that the contract is executed faithfully by the parties - considering the time and the cost of resolving trade disputes - and making it easier to obtain credit.

The difficulty in obtaining credit is expressed in the high level of commercial and credit interest rates, which were around 16% in May 2020. This is due to the high market risk and liquidity of companies and families in Timor-Leste, despite the low inflation rate and the US dollar reference rate.

There are several mechanisms that allow the reduction of the interest rate, namely bank guarantees, the existence of markets that allow the diversification of financing sources by companies and the reduction of the duration and cost of insolvency procedures, as well as the robustness of the legal regime. applicable to company liquidation and reorganization processes.

On the positive side, the Organization for Economic Cooperation and Development (OECD), in its 2020 States of Fragility Report, published on 17 September[50], removes Timor-Leste from the list of states considered fragile. This results from, according to the OECD, sustained investments over time in conflict mitigation, the strengthening of political institutions and the building of economic resilience.

(iv) Sustainability analysis

A fiscal sustainability analysis was presented in the budget books. To this end, the current government policy defends the concentration of expenditure in the first years, with high government budgets in the short term. The figures for GDP and inflation are those estimated by the Ministry of Finance.

Based on that analysis, the Petroleum Fund will run out in 2035[51]. In this sense, the Ministry of Finance predicts that, following the current strategy, expenditure will have to fall by 71% in two years (2034 and 2035), namely the expenditure will have to be fixed at $659.0 million in 2035. I would like to point out this amount would not be sufficient to currently finance the sum of expenditure on salaries and wages and expenditure on goods and services.

In this context, it can be concluded that if no additional measures are taken during the period in question (until 2033), we may be facing a problem of sustainability of public finances.

Additional measures may involve diversifying sources of finance through either an increase in tax revenue or new long-term public debt instruments - the limit for new foreign loans to be negotiated in 2020 is $200 million. Additionally, there should be a stimulus for private investment so that economic activity is not so dependent on public consumption and public investment[52].

IV. PLAN AND PRIORITIES FOR 2020

The Government summarizes its plan and priorities for the year 2020 in point 2.3, pages 19 to 22 of budget book no. 1 that accompanies Law Proposal no. 22/V (3rd) - State Budget for 2020, where it makes known the global objectives and priorities it defined in 2019 for the period from 2020 to 2023, and are aligned with the Program of the VIII Government, with the Strategic Development Plan 2011-2030 (PED) and with the Sustainable Development Goals (SDG).

In the book, the Government prudently warns that objectives that it estimated to achieve by 2023, centered on increasing economic growth, reducing poverty and improving inclusive employment opportunities, may deserve annual adjustments in view of the progress observed and the immediate needs of the country. In fact, the Government and also the National Parliament cannot remain indifferent to Timor-Leste's prolonged exposure in 2020 to the global threat of the pandemic caused by the COVID-19 virus and the resulting socio-economic impacts. The extension of the duodecimal regime in 2020 also caused additional constraints and considerable challenges to the management of public finances.

The Government Plan identifies three priority sectors for the year 2020, two of which are stabilization:

Priority 1 - Stabilization of the Social Sector (32% of the OGE 2020 allocation)

- Health : Continue to improve the quality and service delivery of the health sector, especially in response to the COVID-19 pandemic;
- Education : Improve educational and training quality in an inclusive way in order to respond to the needs of the economy;
- Basic sanitation : Improve drinking water and sanitation infrastructures, in order to guarantee the quality of life and health and prevent diseases;

The proposed State Budget Law for 2020 (PPL of OGE 2020) allocates 32% of the global allocation to Ministries and Institutions of the Social Sector (7% for Education, 14% for Social Protection and Education and 10% for Health).

Priority 2 - Stabilization of the Economic Sector (51% of the allocation in the 2020State Budget)

- Private sector : Facilitating investment in the private sector and prioritizing small and medium-sized companies;
- Employment and productivity : Creating job opportunities to increase national productivity and opportunities for all;
- Diversification and economic growth, in an inclusive and sustainable way;

The 2020 OGE proposal allocates 51% of the total allocation to the Economic Affairs sector (27.5% for Economic Development and 23.3% for Infrastructure Development).

Priority 3 - Public Administration Reform, Economic Reform, Judicial Reform and Public Finance Management Reform.

The proposed law allocates $3.8 million to the Ministry of Justice for the registration reform program, passports and identity cards and $0.73 million for the alteration of salary brackets for public employees. The Government doesn't give any more clues regarding this third priority for 2020, omitting information about the concrete measures it wishes to take in the context of Public Finance Management Reform and Economic Reform.

Later in the book 1, the Government emphasizes the voluntary national review of the Sustainable Development Goals (SDGs) conducted in 2019 and whose conclusions underline the need for priority investment in the correction of disparities between municipalities in terms of health and education, that the State should invest more in quality education and provide greater support to vulnerable women and people with disabilities. That national voluntary review also highlighted the existence of an incipient private sector and the need to ensure decent employment for young people, and to invest in their qualification and, finally, to promote economic diversification and job creation in intensive productive sectors, including tourism and agriculture. Another conclusion of the review was the need to pay attention to child health, combating malnutrition and child food insecurity, improving access to drinking water and basic sanitation.

Finally, the review conducted by the State in 2019 highlighted the need to strengthen the justice sector, to find new forms of State financing less based on petroleum, and to find an integrated State financing strategy.

On pages 42 to 46 of budget book 1, the main government measures for 2020 and associated expenses are identified, totaling $875.4 million, distributed among five categories of expenditure, namely:

- **Salaries and Wages (main measures):**

Measures	Entity covered	Cost (million $)
Salary increases resulting from staff promotion	PNTL	1.3
Promotion of civil servants	Various ministerial lines	0.73
Total - main measures in Salaries and Wages	**-**	**2.03**

- **Goods and Services (main measures):**

Measures	Entity covered	Cost (million $)
Electric generators of Hera and Betano - purchase of fuel and maintenance of electrical transmission towers and substations, for (includes payment of debts)	MOP	158.4
Health and economic recovery response projects	COVID-19 Fund	85.6
Counterpart Fund (including construction on the vessel *Nakroma* II)	Whole of Government	17.0
Provision of legal services to the State	Whole of Government	10.0
Payment of dues to international institutions	Whole of Government	2.3

Scholarship programs, technical, vocational and other training	FDCH	10.7
Design - road and water and sanitation projects	MOP	10.0
Flood control program on the coast and inland	MOP	5.0
Maintenance - water and sanitation projects in urban and rural areas	MPP	3.0
Acquisition of medicines and pharmaceutical goods	SAMES	5.5
Continuation of the cadastral reform program Materials for passports and identity cards	MJ	3.8
Purchase of fuel and maintenance of the vessel *Nakroma*	APORTIL	1.5
Health support and accommodation for Government members	MPCM	1.2
Total - main measures in Goods and Services	**-**	**307.5**

- **Minor Capital (Main measures)**

Measures	Entity covered	Cost (million $)
Financing health response and economic recovery projects	COVID-19 Fund	4.1
Purchase of an electrical transformer, prepaid meters and water equipment	MOP	2.5
Total - main measures in Minor Capital	**-**	**6.6**

- **Development Capital (Main measures)**

Measures	Entity covered	Cost (million $)
Continuation of multi-annual projects (excluding loans)	FI	124.1
Completion of ministerial line projects retained and endowed again	?	13.2
Financing health response and economic recovery projects	COVID-19 Fund	10.2
Completion of retained and endowed PDIM projects	PDIM?	5.9
Total - main measures in Development Capital	**-**	**153.4**

- **Public Transfers (Main measures)**

Measures	Entity covered	Cost (million $)
Health and economic recovery response projects	COVID-19 Fund	120.5
Pension payments to ex-combatants	MACLN	93.3
Financing of TIMOR GAP, IPG and ANPM for 2020	MPM	13.4

Payment of SS Contributory and Non-Contributory Scheme	MSSI	44.6
Payment of a social assistance program at community level	MSSI	9.2
HIV/AIDS Program	MSSI	0.58
Overseas treatments, primary health care and allowances for Cuban doctors in TL	MS	11.5
Amortization of loans taken out by the State	Whole of Government	8.0
Payment of pensions from former members and former members of sovereign bodies	Whole of Government	5.5
Support for the Episcopal/Church Conference	Whole of Government	5.0
International financial support contributions	Whole of Government	1.0
G7+ Secretariat	Whole of Government	1.0
PNDS	MAE	7.2
Program designed to increase the capacity of the municipal administration - decentralization policy	MAE	1.3
Capitalization of BNCTL	Whole of Government	65.0
Payment of bank fees on imported goods for concession projects	Whole of Government	4.0
Concessions for public and private schools, payment of teachers' salaries and operating costs of CFE schools	MEJD	4.0
Support for sporting events and youth activities, including a grant to the Football Federation and the Amateur League	SEJD	1.1
Support for NGOs, the construction of churches in Ai-Mutin and Becora and various activities of civil society	PM's Office	3.4
Contingency measures related to natural disasters	MI	1.9
Subsidy to Parliamentary Benches and the Parliamentary Project managed by UNDP	PN	1.8
Subsidy to RTTL, news agency TATOLI and community radio.	SECS	1.8
Subsidy for groups of cooperatives	SE Cooperatives	0.786
Total - main measures in Public Transfers	**-**	**405.9**

On August 12, 2020, the Council of Ministers approved the Economic Recovery Plan, a program designed to stimulate post-COVID-19 economic recovery through the application of a set of measures to mitigate the economic and social impacts of the crisis, in the short term (2020) and in the medium and long term (horizon 2021-2022), divided into priority areas and sectors of intervention focusing on agriculture, tourism, housing, human capital (education, health and social protection) and institutional reform.

In the short term, the mitigation and economic recovery measures approved by the Government, with costs estimated at $113.0 million, aim to support families and local producers, with the introduction of a “basic basket” in November and December and the support to the private sector - companies and other employers - based on the granting of a subsidy to support the economic recovery (August to December), contributory exemption of the portion in charge of employers (July to December) and special support for workers informal sector (October to December).

In the proposed OGE 2020 law, the Government apportioned this amount of $113.0 million to finance the short-term measures provided for in the Economic Recovery Plan, among the categories of Goods and Services and Public Transfers of the Coordinating Minister’s budget Economic Affairs, which will make it difficult if not impossible to execute, without exceeding the limits of budgetary changes enshrined in article 38.1 of Law No. 2/2020, of April 6 on Budget and Financial Management. In the case of measures to mitigate economic and social impacts that aim to respond to the economic consequences of measures to prevent and combat COVID-19 disease, it would be more appropriate and feasible to allocate this amount directly to the COVID-19 Fund.

V. STATE REVENUE AND EXPENDITURE FOR 2020

Law Proposal No. 22/V (3rd) contains the forecast of expenses to be made within the scope of the State Budget (OE) between January 1 and December 31, 2020 and the estimate of revenues to be charged in the same period to finance those. The expenditure and revenue forecast for the year 2020 amounts to $1,497.1 million (currency unit hereinafter referred to as dollars). The OE includes the Consolidated Fund of Timor-Leste (FCTL), the Human Capital Development Special Fund (FDCH) and the Budget of the Oecusse-Ambeno Special Administration Region (RAEOA and ZEESM);

But this draft law also includes the Social Security Budget (OSS), comprising all expenses and revenues from the National Social Security Institute (INSS) and the Social Security Reserve Fund (FRSS). The OSS foresees expenses and income in the amount of $138.4 million. Taken together, the OE and OSS proposals constitute the OGE proposal for 2020.

The articles and budget tables included in the proposed 2020 OGE law provide essential information for their analysis. They were not always uniform, with regard to monetary units which made it Committee “C”’s analysis task more difficult. This is the case of Table I of Annex I which is expressed in millions of dollars, Table II of Annex I expressed in thousands of dollars and the tables concerning the Social Security Budget presented in dollars, among others. It is hoped that in the budget proposal for 2021 the Government will be able to overcome the situation.

Expenses and income proposed for the OE (including FCTL, the FDCH and RAEOA) are distributed as follows:

Table 3 - proposed expenses and revenues for the 2018-2024 State Budget

	2018 concr.	2019 orçam.	2020 orçam.	2021	2022	2023	2024
Total da despesa (inc. empréstimos)	**1.195,5**	**1.482,0**	**1.497,1**	**2.083,0**	**2.080,4**	**1.845,6**	**1.730,5**
Total da despesa (exc. empréstimos)	**1.156,3**	**1.395,0**	**1.437,1**	**2.002,8**	**2.026,5**	**1.799,7**	**1.696,7**
Correntes	*812,4*	*1.049,8*	*1.274,8*	*1.325,8*	*1.378,8*	*1.433,9*	*1.491,3*
Salários e vencimentos	197,2	214,2	206,7	215,0	223,6	232,5	241,8
Bens e serviços (inc. FDCH)	302,7	472,9	499,3	519,3	540,1	561,7	584,2
Transferências públicas	312,5	362,7	568,7	591,5	615,1	639,7	665,3
Capital	*383,1*	*432,2*	*222,3*	*757,3*	*701,6*	*411,7*	*239,2*
Capital Menor	7,8	31,5	8,9	9,3	9,7	10,0	10,5
Capital e Desenvolvimento (inc. empréstimos)	375,3	400,7	213,4	748,0	691,9	401,6	228,8
Receita	**741,1**	**727,6**	**716,7**	**719,0**	**691,1**	**662,6**	**639,7**
Receita doméstica	190,8	198,6	172,3	183,5	190,8	198,8	206,6
Rendimento Sustentável Estimado (RSE)	550,4	529,0	544,4	535,6	500,3	463,7	433,1
Saldo fiscal	**(454,4)**	**(754,4)**	**(780,4)**	**(1.364,0)**	**(1.389,2)**	**(1.183,0)**	**(1.090,8)**

Source: Book 1 - Budget Overview

The variation in OE expenses between 2019 and 2020 is shown in the following table:

Table 4 - variation of OE expenses between 2019 and 2020

	OGE 2019	**OGE 2020**	**Quantitative variation**	**% Change**
Salaries and Wages	214.2	206.7	(7.5)	**(3.5%)**
Goods and services	472.9	499.3	26.4	**5.6%**
Public Transfers	362.7	568.7	206	**56.8%**
Minor Capital	31.5	8.9	(22.6)	**(71.7%)**
Development Capital	400.7	213.4	(187.3)	**(46.7%)**
Total Expense (inc. Loans)	1,482.0	1,497.1	15.1	**1%**

Source: Committee E

(i) Sources of financing and revenue in the State Budget for 2020

To finance its expenditures in 2020 (OE) the Government proposes to use seven different sources of financing, as indicated in Table I of Annex I to PPL OGE 2020 which is summarized here:

Table 5 - Revenue to be collected by the State in 2020

Tabela I do Anexo I da PPL OGE 2020 - Estimativa das receitas a serem cobradas pelo Estado (milhões de dólares)

Categoria de Receita	Valor
Transferências do Fundo Petrolífero	963,9
Receitas Tributárias	165,0
Receitas próprias da RAEOA e dos SFA	6,8
Doações de Parceiros de Desenvolvimento (UE e OIT)	10,7
Juros	0,5
Parte do saldo depositado na conta do Tesouro	214,2
Parte do saldo depositado na conta da RAEOA-ZEESM	76,0
Empréstimos externos concessionais	60,0
Total de Receitas do OGE propostas para 2020	**1 497,1**

Source: Book 1 - Budget Overview (adapted)

Government forecasts point to a 9.5% drop in revenues in 2020 compared to 2019, reflecting this sharp decline in the country's prolonged state of recession, in which the fall in tax confidence was the main factor contributing to the global decline non-oil revenue. The Executive foresees a recovery in the national and international economy as from 2021, which is expected to continue until 2024, as well as the positive growth of domestic non-oil revenues by 6.5% that same year, thanks to the increase in the activity of the sector private sector, political stability and the continuity of public investment projects.

a) Transfers from the Petroleum Fund

The Government asks the National Parliament for authorization to transfer from the Petroleum Fund in 2020, up to $963.9 million, 544.4 million corresponding to Estimated Sustainable Income (ESI) and the remaining 419.5 million to withdrawals above the ESI. The next table marks them:

Table 6 - Petroleum Fund Transfers in 2020

OE 2020 Funding Sources PPL No. 22/V (3rd)	Value (million dollars)
Transfer of Estimated Sustainable Income (ESI)[53]	544.4
Petroleum Fund Transfers above Estimated Sustainable Income (ESI)	419.5
Total amount to be transferred from the Petroleum Fund in 2020	**963.9**

Source: Book 1 - Budget Overview (adapted)

It should be added that with the year 2020 almost ending, there was a need to carry out two withdrawals from the Petroleum Fund, previously authorized by laws of the National Parliament, to finance temporary budgetary expenses (DOT) during the term of the duodecimal regime during the year, and to also finance the newly created COVID-19 Fund.

Law No. 2/2020, of April 6, authorized the first extraordinary transfer of the Petroleum Fund in 2020, in the amount of $250.0 million, allocating $100.0 million to normal State expenses (DOT) and $150.0 million to finance the new Covid-19 Fund. The first withdrawal from the Petroleum Fund (FP) occurred in the 2nd quarter of the year. Two months later, the National Parliament, with Law No. 5/2020, of June 30, authorized a second extraordinary transfer from the Petroleum Fund, in the amount of $216.8 million, which allocated an additional $150 million to cover regular State activities (DOT) and a reinforcement of $69.5 million to the Covid-19 Fund allocation.

Budget book no. 1 in the Portuguese version devotes pages 23-40 to projecting revenues, starting by referring to the significant drop in domestic non-oil revenues during the second quarter of the year due to the application of the State of Emergency in the country in order to prevent the spread of the COVID-19 virus. This measure will have had an adverse impact on consumption and also created significant direct pressure on revenue collection by the State. The substantial delay in the approval of the OGE 2020 law also obliged the State to finance its activity with duodecimal appropriations and all of this reduced the confidence of the private sector in the economy.

It is noted that to the performance of the Petroleum Fund observed throughout the year, the Government proceeded to change the oil price this year and updated the value of ESI for the year 2020, $536.8 to $544.4 million (+1.4%). Article 9 (d) of the Petroleum Fund Law[54] requires a detailed explanation of the reasons why it is considered to be in the long-term interest of Timor-Leste to transfer the amount in excess of the Estimated Sustainable Income.

The current value of the Petroleum Fund, estimated in August for the year 2020, is estimated at approximately US $18.2 billion, based on an average price of *Brent* barrel estimated at US $41.2. On September 28, 2020, the market price of *Brent* barrel stood at $42.52[55].

The Petroleum Fund continues to remain the main source of State financing, with petroleum revenues representing more than 80% of the country's revenues, but withdrawals from it continue to be governed by the value of Estimated Sustainable Income (ESI), in order to ensure its sustainability.

In budget book 1, the Government calls attention to the decrease in oil revenues as the production from fields currently under exploitation is moving towards depletion, and to the need to give priority to Fiscal Reform and Public Finance Management, overcoming the issue of the tax base, improving revenue collection capacity, introducing new tax instruments and reviewing existing ones, improving legislation that promotes investment and increasing tax and non-tax revenue collection. The revenue growth projections for 2021 do not yet reflect the projection of additional revenue resulting from the two reforms.

A table presented on page 24 offers an estimate of oil and non-oil revenues up to 2024. Committee "C" considers it relevant to incorporate this table in this opinion, as it reflects the difficult recessive situation that the country is going through and the increasing pressure that falls on the wealth accumulated in the Petroleum Fund, as oil and gas exploration approaches its depletion in 2024:

Table 7 - Projection of domestic oil and non-oil revenues until 2024

Receitas (milhões de dólares)	2019 Concreto	2020 Projeção	2021 Projação	2022 Projeção	2023 Projeção	2024 Projeção
Receitas domésticas não petrolíferas globais (Incluindo RAEOA-ZESSM)	191,7	172,3	183,5	190,8	198,8	206,6
Receitas petrolíferas (excluindo retormo de investimentos)	756,3	268,7	68,0	32,7	108,7	0
Total de Receitas	**948,0**	**441,0**	**251,5**	**223,5**	**307,5**	**206,6**

Source: Committee E

b) Tax revenue (and customs duties)

Tax revenues are divided into direct and indirect taxes and include taxes levied by RAEOA, comprising the largest source of domestic revenue of the country. In 2020, they should represent 66% of the volume of all domestic revenues, based on government forecasts. Tax collection (including customs duties) declined in 2019 compared to 2018. Import duties fell by almost 30 percent due to low levels of imports of goods and services in the first half of 2019 while the other categories of taxes even showed slight increases.

The 2020 forecasts point to a sharp drop in tax revenues. In the second quarter, they decreased by almost 30% compared to the same period in 2019. Indirect taxes applied to goods and services have been the most affected. The Government estimates that the coming years will bring an increase in tax revenues, in a more stable macroeconomic scenario and as a result of reforms in tax collection systems and an increase in the tax base. The projection of tax revenues for 2020 is $110.5 million.

c) Other Tax and Non-Tax Revenue

The other domestic revenue includes the remaining income tax (rates) and even non-tax revenue (payments), including that the revenue from the exploitation of natural resources other than petroleum. According to Table 10 of budget book 1 the result from the fees and payments that the state estimates it will raise in 2020 is $51.3 million, $5.0 million less than in 2019.

d) Donations from Development Partners

The European Union (EU) and the International Labor Organization (ILO) will contribute in 2020, with donations to the State of Timor-Leste in the form of direct budget support, in the amounts of $9.9 and $0.7 million, respectively.

e) Public (financial) debt

In 2020, the Government estimates to finance the OE with $60.0 million from external loans, which means a reduction of 31% compared to the allocation of the OE in 2019. There are no significant new investments and the end of many projects in progress, this is the justification given by the Government for the reduction of public funding in 2020.

In addition, the Government is proposing to Parliament that it authorize it to underwrite new foreign loans up to the amount of $200.0 million, this year. It will be hard to realize this intention when there are three months to the end of the year. By mistake the draft law indicates $750 million dollars, but in the errata that the MF later handed over to Committee "C", the amount was corrected to $200 million.

The Committee was unable to ascertain which projects the Government intends to finance using these new loans and which bank entities should finance them.

f) Public-Private Partnerships

Public-Private Partnerships (PPP) are another form of financing public expenditure that has been privileged by the Government. Timor-Leste started exploring PPPs as a means of implementing infrastructure projects approximately seven years ago.

In 2020 is not expected additional expense for the financing of infrastructure projects in the form of Partnership 's public-private (PPP). Timor-Leste started to explore in a financing model 7 years ago, having created a Unit dedicated to its management, within the Ministry of Finance. The implementation of a PPP implies the creation of a formal framework in which the public and private sectors agree to be parties to an agreement for the construction and/or management of quality infrastructures, in which they share costs and economic returns, with the transfer of part of the State's risks to its private partner.

Currently, a PPP project related to the design, construction and operation of the Port of Tibar is under construction, whose Concession Agreement, approved in 2016 and co-financed by both parties (the State as the lender and the private consortium Timor Port SA as concessionaire), effective for a period of 30 years, and the port's operations should start in May of 2022. The State's financial contribution to this project amounts to 45% of its total cost, with the Timorese State depositing in 2016, in an escrow account in Singapore, the total corresponding to its total disbursements. This account has already generated interest of US $8.23 million by June 2020, and it should be transferred to the Treasury account after its closure. The interest on the collateralized account totaled $5.41 million on September 16, 2019, being deposited in the collateral interest account. The first disbursement of this escrow account occurred on August 20, 2019.

There are other projects in the portfolio to be developed in a PPP model, in the health and water sectors. Budget book 1 mentions that there is currently a second PPP project in the Procurement and Negotiation Phase for the Medical Diagnosis area and other projects still in the Initial Feasibility Phase, one for the construction of accessible housing, the second project in Cristo Rei and the last in the President Nicolau Lobato International Airport. The Medical Diagnostics PPP is taking the first steps after the Infrastructure Fund Administration Council (CAFI) to be approved.

g) Management Balances

For 2020, the State intends to finance up to $290.5 million of public expenditure with a part of the balances accumulated by the Treasury and the RAEOA until the end of last year. The balances of both accounts are higher, but the excess balances will accumulate for 2021. In the case of RAEOA, the portion of its balance to be used, in the amount of $76 million, allows the financing of all its expenses of the year.

h) Interest

Interest is a very small part of the OE financing of only $500 thousand. They consist of the remuneration given by commercial banks to bank deposits held by the State. Higher cash balances mean a higher amount of interest offered.

(ii) State Budget Expenses for 2020

The State expenditure proposed by the Government in PPL No. 22/V (3rd) for the year 2020 will be distributed by the Consolidated Fund of Timor-Leste (FCTL), by the Human Capital Development Special Fund (FDCH) and by the RAEOA and ZEESM.

a) Consolidated Fund of Timor-Leste

The Consolidated Fund of Timor-Leste (FCTL) includes the expenditure budgets of institutions integrated in the Central Administration of the State, that is, in addition to services without administrative and financial autonomy, the Autonomous Organs (including non-sovereign bodies) government and the newly created COVID-19 Fund) and the Services and Autonomic Funds the s (including the Infrastructure Fund FI). The Government's proposed allocation for the FCTL amounts to $1,426.4 million, excluding the expected loan disbursement, in the amount of $60.0 million, and to $1,486.4 when loans are included.

The proposed FCTL expenditure allocation reflects a 3.7% increase in expenses compared to 2019. Overall, almost all public institutions that make up the OE suffer reductions in their budgetary allocations, with rare exceptions, largely explained by poor duodecimal performance that they demonstrate this year. In effect, to date, the execution of DOTs, including that of the COVID-19 Fund, is estimated at US $545.5 million (between obligations and payments).

The RAEOA, which usually receives its financing from the Treasury, at least part of it, through the amount registered in the OE, in the category of Public Transfers of the line Appropriations for the entire Government, in 2020 will use part of its balance of management in 2019 to finance all of its expenses.

1. Municipalities

Altogether, the 12 municipalities will suffer a reduction from 40.2 to 29.6 million dollars, between 2019 and 2020. This reduction even makes some sense, considering that in the total computation, its duodecimal execution until almost the end of the current September is $10.6 million.

2. COVID-19 Fund

The COVID-19 Fund, created by Law 2/2020, of April 6, is an autonomous fund with administrative and financial autonomy, and is an integral part of the direct administration of the State, with the objective of financing expenses related to measures to prevent and combat COVID-19 disease, later extended to economic and social support [56].

The Covid-19 Fund integrates the direct administration of the State in the Ministry of Finance and the financial management of it obeys the rules applicable to autonomous funds and services (SFA). Decree-Law 12/2020, of April 14, regulated this fund and, later, Government Decree 7/2020, of April 15, approved the Expenditure Execution Process by the COVID-19 Fund.

The original allocation from the Covid-19 Fund was $150.0 million, to be fully financed by the Petroleum Fund. Of this amount, $500.0 thousand was initially allocated, by Law 2/2020, to the National Parliament. The appropriation allocated to the Parliament would end up not being used, with those $500 thousand reverting to the Covid-19 Fund. With Law 5/2020, the budgetary allocation of the COVID-19 Fund was increased in August by another $69.5 million, increasing its final allocation to $219.5 million.

Subsequently, the European Union, the US international development agency USAID, UNICEF (United Nations Children's Fund) and other Development Partners donated cash support to Timor-Leste [57], aimed at direct budget support, to support the introduction and implementation of measures to prevent and combat Covid-19 in Timor-Leste, but the ***FreeBalance*** system still does not reflect these contributions from the Development Partners. The budgetary execution of this Fund, like the execution carried out within the scope of Temporary Budgetary Appropriations (DOT), is being recorded in real time, in the Ministry of Finance's SIGF system, ***FreeBalance.***

Since the creation of the Covid-19 Fund to date, the Government has forwarded to the National Parliament four budget execution reports for the COVID-19 Fund, the last of which covers the period from 17 April to 31 August 2020.

The Fund is administered by its Management Board, which is supported by a Technical Secretariat, made up of requisitioned Public Administration employees and agents. (article 9.1 of the same DL). To date, the Fund's global allocation has been distributed only in the categories of Goods and Services, Minor Capital, Development Capital and Transfers, and the Salaries and Wages category has not been opened.

So far, the Covid-19 Fund has been financed, as mentioned above, through transfers of funds resulting from two extraordinary withdrawals from the Petroleum Fund, totaling US $220.25 million, distributed through the following programs, namely:

Table 8 - COVID-19 Fund Programs

Programas	Valor
Programa Prevenção e Mitigação da COVID-19	198.260
Programa Aumento sustentável da produção e da produtividade	4.953
Programa Acesso aos produtos alimentares, não alimentares e serviços	17.035
Total	**220.248**

Source: Committee E

It is necessary to inform, as relevant, the data relating to the budgetary execution of the Fund under analysis, namely:

Table 9 - COVID-19 Fund Expenses in 2020

Despesas

Ano Fiscal 2020

Grupo Detalhes do orçamento

Total	$1,294,396,966.28	$36,340,336.38	$20,421,225.34	$646,514,906.49	$591,120,798.07	51.5%
Gestão da Pandémia do COVID-19	$220,248,000.00	$15,217,593.23	$2,303,936.67	$123,299,207.01	$79,427,263.09	57.0%
Traduzir	**Budget**	**Compromissos**	**Obrigações**	**Real**	**Saldo**	**Execução %**
Goods & Services	$85,586,594.00	$4,310,708.25	$2,264,258.62	$39,173,357.01	$39,838,270.12	48.4%
Minor Capital	$4,050,000.00	$710,000.00	$15,000.00	$877,600.00	$2,447,400.00	22.0%
Capital & Development	$10,160,000.00	$5,554,484.98	$.00	$.00	$4,605,515.02	.0%
Transfers	$120,451,406.00	$4,642,400.00	$24,678.05	$83,248,250.00	$32,536,077.95	69.1%

Source: Committee E

The Covid-19 Fund exhibits a total execution of 57%, a figure that shows a poor performance regarding this indicator. The category “Transfers” was the one that presented the best results, having reached an execution level of 69.1%. The “Development Capital” category does not have any value executed so far.

The budget to affect the implementation of short-term economic recovery measures, estimated at $113.0 million which was mistakenly allocated by the Government to the Coordinating Minister for Economic Affairs (MCAE), which only coordinates the ministries directly implement public programs and policies in the area of economics, thus making it virtually impossible to execute that budget. In a letter that the Prime Minister sent to the National Parliament last September 25, he acknowledges the error and alerts the Parliament to the need to reallocate that amount to the Covid-19 Fund, whose purposes should thus be extended, within the scope of the OGE 2020 law, also to the domain of the country’s economic recovery.

3. Infrastructure Fund

This part of the report is based on the information available in the sectorial opinion of Committee E, the permanent specialized committee in the area of Infrastructure whose full reading is recommended.

The Infrastructure Fund (FI) is intended to finance strategic programs and projects for the acquisition, construction, development, maintenance and rehabilitation of:

a) Road infrastructure, including roads, bridges, ports and airports;
b) Infrastructures of a social nature, including hospitals, schools and universities;
c) Infrastructure for protection against floods and landslides;
d) Water treatment and sanitation facilities;
e) Power generators and distribution lines;
f) Telecommunications;
g) Logistics facilities, including storage infrastructures;
h) Government buildings and public facilities;
i) Other infrastructures that promote strategic development (Articles 2 and 4 of Decree-Law no. 13/2016, of 18 May).

Created, in 2011, as a Special Fund, under the terms of article 32 of Law 13/2009, of October 2 (on Budget and Financial Management), and under the General State Budget for 2011 (Article 9 of Law 1/II, of February 14, 2011), the Infrastructure Fund is currently an autonomous fund, with legal personality and administrative, financial and patrimonial autonomy, with its own revenues.

The FI proposes a budget of $184,930[58] million for fiscal year 2020, as detailed below. The proposed amount for the financial year 2020 represents a negative variation of 49.7% compared to the amount allocated in the General State Budget for the year 2019. The IF budget proposal for the financial year 2020, is distributed among the following categories of expenditure:

Table 10 - Infrastructure Fund Expenses 2019-2020

Expenses	OGE 2019	OGE 2020	Quantitative Variation	% Change
Total expenditure	367,536	**184,930**	(182,606)	(49.7%)
Salaries and Wages	31	**29**	(2)	(6.5%)
Goods and services	1,096	**833**	(263)	(24%)
Transfers	0	**0**	0	0%
Minor Capital	0	**0**	0	0%
Development Capital	366,409	**184,068**	(182,341)	(49.8%)

Source: Committee E

The categories “Transfers” and “Minor Capital” do not suffer any variation, remaining without any allocated funds. As for the “Development Capital” category, the allocation in the amount of $182.341 million decreased, resulting in a negative variation of 49.8%. We emphasize, still, the negative changes in the categories “Goods and Services” and “Salaries and Wages” of 24%

and 6.5%, respectively. IF budget allocations were divided into 21 programs, as shown in the tables below[59]:

Table 11 - Program allocations 2019-2020

Program Identification	OGE 2019	OGE 2020	Quantitative Variation	Variation %
Agriculture	2.5	1.2	(1.3)	(52%)
Water and sanitation	3.7	2.6	(1.1)	(29.7%)
Urban and Rural Development	9.5	2.3	(7.2)	(75.8%)
Public Buildings	3.1	3.3	0.2	6.5%
Education	1.0	0.1	0.9	(90%)
Electricity	15.3	4.3	(11)	(71.9%)
Computer Equipment	2.9	2.6	(0.3)	(10.3%)
Health	1.1	0.2	(0.9)	(81.8%)
Security and Defense	3.3	3.8	0.5	15.2%
Social solidarity	0.5	0.6	0.1	20%
Tasi Mane	60.6	2.0	(58.6)	(96.7%)
Airports	12.5	4.0	(8.5)	(68%)
Designs and Supervision	3.9	3.6	(0.3)	(7.7%)
Roads	127.4	80.0	(47.4)	(37.2%)
Bridges	10.0	3.5	(6.5)	(65.0%)
Ports	2.2	2.0	(0.2)	(9.1%)
Tourism	0.3	0.0	(0.3)	(100.0%)
Financial System and Support Infrastructures	3.9	3.1	(0.8)	(20.5%)
Youth and Sport	2.8	0.6	(2.2)	(78.6%)
Maintenance and Rehabilitation	13.0	4.3	(8.7)	(67.0%)
Foreign Loans	87.0	60	(27)	(31.0%)

Source: Book 3A - Infrastructure Fund

It is also necessary to inform the data related to the budgetary execution in the financial year of 2019, regarding the category of revenues, expenses and programs in force:

Table 12 - Infrastructure Fund Expenses 2019

Despesas

Ano Fiscal 2019

Grupo Detalhes do orçamento

Total	$1,481,990,800.00	$39,649,845.67	$65,156,013.10	$1,233,297,173.17	$144,176,015.35	87.6%
Commissão de Administracão do Fundo Infraestrutura - FI	$367,535,630.00	$12,951,794.83	$31,128,199.80	$276,902,289.79	$46,553,345.58	83.8%
APPCAT	**Budget**	**Compromissos**	**Obrigações**	**Real**	**Saldo**	**Execução %**
Salary & Wages	$34,555.00	$.00	$.00	$28,629.76	$5,925.24	82.8%
Goods & Services	$1,030,968.00	$.00	$37,526.49	$889,675.86	$103,765.65	89.9%
Minor Capital	$61,500.00	$7,500.00	$1,350.00	$47,710.00	$4,940.00	79.8%
Capital & Development	$366,408,607.00	$12,944,294.83	$31,089,323.31	$275,936,274.17	$46,438,714.69	83.8%

Source: Book 3A - Infrastructure Fund

With regard to the expenditure category, in 2019 the FI was able to achieve an overall execution of 83.8% (including payments and obligations). The category “Goods and Services” was the one that presented the best results, having reached an execution level of 89.9% in 2019.

The budgetary execution of the IF programs in force in 2019 is presented below:

Table 13 – Budget Execution of the Infrastructure Fund in 2019

Despesas

Ano Fiscal 2019

Grupo Detalhes do orçamento

Total	$1,481,990,800.00	$39,649,845.67	$65,156,013.10	$1,233,297,173.17	$144,176,015.35	87.6%
Commissão de Administracão do Fundo Infraestrutura - FI	$367,535,630.00	$12,951,794.83	$31,128,199.80	$276,902,289.79	$46,553,345.58	83.8%
SUB-PROGRAM	**Budget**	**Compromissos**	**Obrigações**	**Real**	**Saldo**	**Execução %**
Irrigação	$1,578,793.00	$.00	$552,564.56	$1,021,923.17	$4,305.27	99.7%
Plano mestre	$2,895,647.00	$1,638,165.66	$933,367.96	$324,112.05	$1.33	43.4%
Esgotos	$500,000.00	$.00	$.00	$.00	$500,000.00	.0%
Desenvolvimento Urbano e Rural	$9,000,000.00	$1,985,084.96	$2,706,938.66	$4,307,913.55	$62.83	77.9%
Edificio Pública	$2,250,065.00	$.00	$1,296,721.15	$952,461.41	$882.44	100.0%
Escolas	$170,942.00	$.00	$21,132.12	$149,183.88	$626.00	99.6%
Universidades	$500,000.00	$.00	$.00	$.00	$500,000.00	.0%
Energia Eléctrica	$11,524,900.00	$189,558.97	$438,586.64	$9,853,819.99	$1,042,934.40	89.3%
Equipamento Informatika	$6,107,917.00	$.00	$962,409.25	$4,045,393.12	$1,100,114.63	82.0%
Hospital / Clínica	$1,060,960.00	$.00	$937,035.13	$123,301.76	$623.11	99.9%
Sub Programa Seguranca	$2,776,342.00	$184,439.63	$95,864.22	$2,496,037.16	$.99	93.4%
Sub Programa Defesa	$1,604,543.00	$1,402,464.01	$173,379.83	$28,340.17	$358.99	12.6%
Aeroportos	$4,565,000.00	$.00	$.00	$4,564,998.10	$1.90	100.0%
Estrados e Pontes	$41,548,000.00	$2,355,781.00	$941,700.38	$38,250,299.62	$219.00	94.3%
Petrolio e Gas	$2,559,000.00	$51,376.67	$.00	$2,507,219.35	$403.98	98.0%
Aeroportos	$7,388,131.00	$1,329,546.93	$800,459.08	$5,258,091.14	$33.85	82.0%
Estradas	$230,883,160.00	$449,441.20	$18,761,808.31	$173,913,888.14	$37,758,022.35	83.4%
Pontes	$9,644,748.00	$325,435.80	$82,711.33	$9,140,625.75	$95,975.12	95.6%
Portos	$782,348.00	$400,000.00	$194,683.87	$187,663.59	$.54	48.9%
Preparação de Desenhos e Supervisao-Novos Projectos	$1,324,223.00	$1,100,000.00	$.00	$222,222.22	$2,000.78	16.8%
Programa do Sector Turismo	$300,500.00	$.00	$247,535.00	$52,965.00	$.00	100.0%
Programa de Emprestimos	$15,610,000.00	$.00	$.00	$10,544,270.28	$5,065,729.72	67.5%
Programa Sector das Finanças	$3,900,000.00	$.00	$724,564.17	$3,175,435.83	$.00	100.0%
Programa do Sector Juventude e Desporto	$1,786,721.00	$300,000.00	$1,056,973.49	$429,747.51	$.00	83.2%
Commissão de Administracão do Fundo Infraestrutura - FI	$1,127,023.00	$7,500.00	$38,876.49	$966,015.62	$114,630.89	89.2%
Programa de Manutenção e Rehablitação	$6,146,667.00	$1,233,000.00	$160,888.16	$4,386,361.38	$366,417.46	74.0%

Source: Book 3A - Infrastructure Fund

Considering the above table, the "Sewage" and "Universities" programs stand out, albeit negatively, with a budget execution rate of 0%. In the opposite direction and with full budget execution rate, the "Public Buildings", "Airports", "Tourism Sector Program" and "Finance Sector Program" programs stand out.

Regarding budget execution, it affects expenditure in 2020, so far, the Infrastructure Fund has an execution of only 20.6%, duly framed in the IF Programs, according to the following table:

Table 14 - Budget execution of the Infrastructure Fund 2020

Despesas

Ano Fiscal 2020
Grupo Detalhes do orçamento

Total	$1,294,396,966.28	$35,053,284.07	$22,872,440.47	$642,782,417.58	$593,688,824.16	51.4%
Commissão de Administracão do Fundo Infraestrutura - FI	$261,305,297.23	$13,865,900.81	$2,727,924.89	$51,186,329.06	$193,525,142.47	20.6%
Traduzir	**Budget**	**Compromissos**	**Obrigações**	**Real**	**Saldo**	**Execução %**
Irrigação	$1,794,095.42	$.00	$225,011.79	$276,988.21	$1,292,095.42	28.0%
Plano mestre	$2,583,663.09	$.00	$25,988.25	$1,238,891.75	$1,318,783.09	49.0%
Esgotos	$375,002.67	$.00	$.00	$.00	$375,002.67	.0%
Desenvolvimento Urbano e Rural	$6,777,676.67	$.00	$800,000.00	$.00	$5,977,676.67	11.8%
Edificio Pública	$8,077,344.16	$.00	$.00	$2,198,153.87	$5,879,190.29	27.2%
Escolas	$336,669.25	$.00	$.00	$.00	$336,669.25	.0%
Universidades	$291,735.67	$.00	$.00	$.00	$291,735.67	.0%
Energia Eléctrica	$6,703,452.00	$116,409.12	$.00	$1,306,002.20	$5,281,040.68	19.5%
Equipamento Informatika	$1,904,622.41	$.00	$106,001.00	$144,000.00	$1,654,621.41	13.1%
Hospital / Clinica	$675,238.17	$.00	$440.39	$9,559.61	$665,238.17	1.5%
Sub Programa Seguranca	$795,014.42	$.00	$.00	$40,950.46	$754,063.96	5.2%
Sub Programa Defesa	$1,628,360.84	$.00	$1,894.51	$654,249.90	$972,216.43	40.3%
Monumentos	$292,335.67	$.00	$.00	$.00	$292,335.67	.0%
Estrados e Pontes	$20,655,835.67	$.00	$68,146.11	$681,853.90	$19,905,835.66	3.6%
Petrolio e Gas	$5,069,671.33	$.00	$.00	$.00	$5,069,671.33	.0%
Aeroportos	$8,796,874.16	$.00	$32,234.11	$529,755.71	$8,234,884.34	6.4%
Estradas	$155,758,730.16	$13,056,250.16	$1,029,458.96	$39,784,532.69	$101,888,488.35	26.2%
Pontes	$7,484,091.00	$.00	$.00	$440,897.85	$7,043,193.15	5.9%
Portos	$1,504,070.84	$.00	$209,217.32	$156,909.36	$1,137,944.16	24.3%
Preparação de Desenhos e Supervisao-Novos Projectos	$2,401,709.83	$567,575.00	$.00	$.00	$1,834,134.83	.0%
Programa do Sector Turismo	$202,877.67	$.00	$.00	$.00	$202,877.67	.0%
Programa de Emprestimos	$11,707,505.34	$.00	$.00	$267,106.00	$11,440,399.34	2.3%
Programa Sector das Finanças	$4,425,008.01	$.00	$163,797.17	$2,267,431.49	$1,993,779.35	54.9%
Programa do Sector Juventude e Desporto	$1,965,454.19	$.00	$.00	$.00	$1,965,454.19	.0%
Commissão de Administracão do Fundo Infraestrutura - FI	$836,737.59	$.00	$58,047.00	$527,135.09	$251,555.50	69.9%
Programa de Manutenção e Rehablitação	$8,261,521.00	$125,666.53	$7,688.28	$661,910.97	$7,466,255.22	8.1%

Source: Book 3A - Infrastructure Fund

The execution of practically all the programs enrolled in the FI is especially reduced during the term of the duodecimal regime, although there is no impediment to the normal execution of commitments assumed and known at the date of the extension of the 2019 OGE.

b) Human Capital Development Fund

Monitoring throughout the year and budget analysis of the Human Capital Development Fund are one of the competences attributed to Committee G. The following information was extracted from the sectorial opinion of this permanent specialized committee, with minor adjustments in detail.

The 2019 OGE allocated to the Human Capital Development Fund (FDCH) was $20.0 million. Until December 31 of that year, its budget execution reached the rate of 88.8%. For OGE 2020, the amount of $10.8 million was proposed, a 46.0% decrease in relation to the previous budget.

The allocation of Temporary Budgetary Appropriations (DOT) to this special fund throughout 2020 totals $14.9 million by the end of the current month and $4.8 million in execution (distributed between payments and obligations), an execution rate limited to 32.2% of the DOT.

The main problems raised in public hearings conducted by Committee G on the FDCH were:

- The lack of follow-up of the Fund to the fellow/trainee in order to be sure that there is a correct use of the added value acquired in the training provided to the citizen;
- The need to provide greater transparency and justice in the allocation of scholarships to Timorese in order to avoid situations of cronyism, nepotism and favoring some over others in order to print more justice and equal opportunities for all citizens;
- The issue of Timorese students who are studying outside the country but do not have any support from the state and face great difficulties to continue their studies;
- The poor performance of the Human Development Capital Fund portrayed in its weak budget execution and the reasons for the weak budget execution;
- The need for coordination between the FDCH and the various Ministries and other services of the State to carry out an exhaustive survey of the needs of the State in terms of formulating a policy for training human resources and adequate to the real needs of the country;
- The need for a program to accompany and support scholarship holders in the post-training period;
- The need to establish sanctioning and other mechanisms to guarantee the returnees of the scholarship holders to the country, as well as the refund to the State of the amounts received in case of non-return to the country, or abandonment of the scholarship holder to his/her job to go to another private job.;
- The need to print more professionalism, more attention in the granting of subsidies to private NGOs for training, and the FDCH should be guided by criteria of good governance, common sense, equilibrium, balance, and allocation of these funds.

It is not understood that the FDCH assigns large subsidies to private NGOs or to the Secretariat of State for Vocational Training and Employment SEFOPE without worrying about whether or not the beneficiary entities have the capacity to provide training, the number of beneficiaries, the quality of the training and the recipients of the training, and it is certain that the FDCH should provide for the award of scholarships for training, to civil servants, not to citizens who are not civil servants.

(iii) RAEOA and ZEESM

Budget Book No. 3-C reports the budget execution of the Special Administrative Region of Oe-Cusse Ambeno - Special Zone of Social Market Economy (RAEOA-ZEESM) for the year 2019, the Region's annual action plan for 2020, its expenditure forecast and how to finance it.

The information below regarding RAEOA essentially reflects the content of the sectoral opinion produced by Committee E, which needs only minor adjustment by Committee "C".

The Special Administrative Region of Oe-Cusse Ambeno (RAEOA) is a territorial legal person under public law, endowed with administrative, financial and patrimonial autonomy. The Region was created by Law 3/2014, of 18 June, which also establishes the Special Zone of Social Market Economy (ZEESM). Its objective, in economic matters, is the inclusive development of the geographical area of Oe-Cusse Ambeno, giving priority to activities of a socio-economic nature to promote the quality of life and well-being of the community (Article 5 of Law 3/2014, of 18 June).

The Special Zone of Social Market Economy (ZEESM), hereinafter referred to as ZEESM, covers the territories of Oe-Cusse Ambeno and Ataúro Island, functioning in the Special Zone as a complementary development hub. The Special Zone is designed to delimit the territorial space that corresponds to attracting private investment and applying economic and social development policies guided by the principle of the social market economy. (Articles 37 and 38 of Law 3/2014, of 18 June).

The Oe-Cusse Ambeno Special Administrative Region plans to finance all of its 2020 expenses, in the amount of $76.0 million, using part of the balance it accumulated in its bank account until the end of 2019, estimating that in the end of fiscal year 2020, it will still have $177.4 million left (Tables I and IV of Annex I of the 3rd PPL OGE 2020).

The comparative table, reproduced on pages 23 and 24 of Book 3-C illustrates the progress of the RAEOA in the expectation of collecting domestic, tax and non-tax revenues, as well as the corresponding quantitative and percentage variation between 2017 and 2020. The expected break for 2020 compared to 2017 is quite expressive, with the expected revenue drop to decrease from $5.5 million in 2017 to $785.7 thousand in 2020. The causes of the decline are known to all and are related at least in part of the country's situation linked to the State of Emergency and the limits imposed on the movement of people and goods and the reduction in demand.

The budget allocation proposed by the RAEOA-ZEESM for the financial year 2020 stands at $76.0 million, a sum identical to that allocated to it by the OGE 2019. The comparison between the RAEOA budget for the year 2019 and 2020, it is presented on page 27 of Book 3-C. The "Capital Development" shows a negative variation (-76.2%), which represents a difference of less than $36.0 million in total allocated amount.

As for the "Special Development Fund - FED" category, in 2020 it will benefit from a reinforcement of $31.0 million when compared to the previous financial year.

Regarding the budgetary execution of the RAEOA in 2020, it is also subject to the duodecimal regime. The representatives of the RAEOA delivered to Committee "C", in the context of their hearing on 23 September, a report of accountability for the year 2019, belatedly. The accountability report should have been provided to the Parliament no later than seven months after the end of the financial year to which it refers. As for the budgetary execution report accumulated up to the month of June 2020, Committee "C" was supplied on 28 September 2020, which also does not meet the deadlines set out in the LOGF. It is strange that Committee "C" received a report from the RAEOA at the end of September reporting the execution of the month of June 2020.

The RAEOA's accumulated duodecimal budget execution up to the end of June 2020 reached $19.07 million, (table on page 26 of the budget execution report up to June 2020, provided by the RAEOA at the September 23 hearing) of a duodecimal allocation available for the Region of $76.0 million, which leads to the conclusion that, with only about three months to go by the end of the year, the annual execution of 2020 (extrapolated) should be between $40.0 and $50.0 million.

Attention is drawn to the existing discrepancy regarding the financing of RAEOA and ZEESM in tables I, II and IV of Annex I of the PPL of OGE 2020, which it is necessary to correct by approving an amendment proposal. In effect, in tables I and IV of Annex I it is evident that in 2020 the RAEOA does not receive any financing from the OE, resorting exclusively to the accumulated balance in its bank account (US $76.0 million) but Table II of Annex I contradicts this information, by charging to the "Appropriations for the whole Government" line a transfer to the RAEOA of US $76.0 million.

(iv) Development Partners

Book 5 accompanying the 3rd PPL of OGE 2020 focuses on the policy and plan of external assistance provided by multilateral and bilateral Development Partners (DP) to Timor-Leste, in the year 2020. The information contained therein translates the information inserted in the Aid Transparency Portal (PTA), the Government database that collects data on external assistance projected by the DPs.

The Foreign Aid Policy states that all donor projects should be very specific and be aligned as much as possible with the current frameworks of government planning (Annual Ministry Action Plans and sector strategies) and the Strategic Development Plan (PED).

In 2020, the assistance to be provided by the DPs (in the form of external loans and/or grants) is intended for direct budget support in the amount of $10.7 million (European Union (EU) and International Labor Organization (ILO), and to projects to be carried out in direct collaboration with ministries and/or through Non-Governmental Organizations (NGOs) and to projects implemented independently.

The financing of DP projects, not including external loans, amounts to $184.0 million for the year 2020, which corresponds to 11% of the Combined Sources Budget of 2020 (budget that aggregates the OE and the external assistance to be provided to the State of Timor-Leste by the

DPs). The analysis relating to loans entered into with the DPs is contained in this report and opinion, in the chapter on financing the OGE for 2020.

The volume of disbursements by the DPs, which exceeded $200 million each year between 2011 and 2015, has seen a substantial drop since then, and should reach its lowest value ever in 2024, with $8.7 million, according to the projections on page 10 of budget book 5, despite continuing to systematically exceed $150 million a year, in the last 12 years until the year 2020, inclusive.

The year 2020 is coming to an end and the disbursements made by the DPs have not yet managed to exceed $42.9 million. The reasons for this poor performance are well known to all, related to the Government's duodecimal execution and the tight control of the country to prevent the pandemic caused by the new Corona virus from spreading in the national territory.

In line with the Strategic Development Plan 2011-2030, the financing of the DPs in terms of social capital, infrastructure development, economic development and institutional framework, will be ensured through 10 bilateral and 14 multilateral sources, being the main contributors, in terms of volume of assistance provided, the Government of Australia (with $66.8 million, or 36% of the total), the EU (with $15.9 million, or 8.6% of the total), Portugal including funding from the Camões Institute (with $21.1 million, or 11.4% of the total), the United States of America (with $22.2 million, or 12% of the total) and, the United Nations (with $18.9 million dollars, or 8.6% of the total). All disbursements planned for 2020 are identified on page 10 of book 5 and in more detail on subsequent pages.

VI. SOCIAL SECURITY BUDGET

The analysis of the budget proposal and monitoring of the implementation of the Social Security Budget (OSS), including the budget of the National Social Security Institute (INSS) and the Social Security Reserve Fund (FRSS), is one of the specific competences of Committee F Regarding the OSS budget analysis and its pertinence, the content of the only reference made to the OSS by that Committee is transcribed: "The [Ministry of Social Solidarity and Inclusion] MSSI must produce detailed information on the expenses to be incurred with the $43.0 million destined to the transfer to the Social Security Sector to finance the administration costs and the non-contributory regime of the State's responsibility."

Considering that the scarcity of information on the OSS included in the sectoral opinion of Committee F does not allow the Plenary to be provided with the relevant and pertinent information necessary to support its decision on the Social Security budget proposal for 2020, Committee "C" opted here make their considerations and conclusions on the matter, starting by underlining that the budget book containing the annual plan for 2020 and explaining the proposed allocations to the OSS was delivered directly to Committee "C" without any letter from the INSS, six days after entry of the proposed OGE law 2020, on the afternoon of September 22. The draft state budget 2020 was not coming so accompanied by all supporting books when tabled in the National Parliament and handed down to the standing specialized committees to report and opinion.

The National Institute of Social Security (INSS) is the public institute responsible for the Management of the Social Security Budget and for the management of the Social Security Reserve Fund (FRSS), the public institute in turn responsible for the management of financial reserves.

The Social Security Contribution Scheme was created by Law 12/2016, of 14 November. Subsequently, the Government approved a set of diplomas necessary for the operationalization and regulation of the Social Security System. The system is characterized by being a mandatory and unique, universal and self-financed regime, which covers the beneficiaries of the non-contributory, transitional and general regimes, having financial independence in relation to the General State Budget.

Articles 17 to 23 of the proposed OGE law for 2020, and Tables I and II of Annex II thereof, are dedicated to the Social Security Budget (OSS) for 2020.

It is noted that the INSS includes a significant set of “reference” tables that, contrary to Tables I and II of Annex II of the law proposal, will not be submitted to voting by the Plenary. This set of tables confuse more than help to analyze the budget proposal and calls If its removal.

The OSS budget perimeter includes the entire Social Security Sector, being identified in paragraphs a) and b) of article 17 of law proposal 22/V (3rd). It includes the National Social Security Institute (INSS) and the Social Security Reserve Fund (FRSS).

In turn, the INSS Budget includes the Budget of the Non-Contributory Social Security Scheme (which respects citizenship rights and does not make social benefits dependent on previous contributions), the Budget of the Social Contribution Scheme of Social Security (which includes the components of the General Social Security Regime and those of the Transitional Social Security Regime) and the Social Security System Administration Budget.

The bill of State Budget 2020 subscribes to the budget of the Social Security (OSS) one the estimate of expenditure and revenue of 138.4 million dollars. The OSS approved for the year 2019 gave it the amount of US $70.99 million. The following table reflects the proposed Social Security Revenue Budget for 2020:

Table 15 - Social Security Revenue Budget for 2020

Tabela I do Anexo II do OSS - Receitas Globais da Segurança Social em 2020 (dólares)

Categorias de Receitas	Valor
Receitas Correntes	
Contribuições para a SS (Regime Contributivo)	33 791 417
Sanções e outras penalidades	-
Rendimentos	150 000
Transferência correntes do Ministério das Finanças	41 490 958
Outras Transferências correntes	250 000
Total Receitas Correntes	**75 682 375**
Receitas de Capital	
Transferências de Capital do Estado (OE)	-
Transferências de Capital do Estado (MF)	-
Ativos Financeiros	-
Passivos Financeiros	-
Outras receitas de capital	-
Saldo de gerência do ano anterior	62 711 683
Total Receitas de Capital	**62 711 683**
TOTAL Receitas da Segurança Social	**138 394 058**

Source: 3rd PPL OGE 2020 (adapted)

On the revenue side (Table I of Annex II), the OSS records for 2020, $75.68 million in current revenues and $62.71 million in capital revenues, the latter corresponding to the incorporation of the accumulated Treasury balance in the Social Security accounts at the end of 2019. Of the total current income, $41.49 million corresponds to Current Transfers from the Treasury (Ministry of Finance) and are intended to finance the Administration of the Social Security System (operating expenses of INSS) and the non-contributory and transitional Social Security regimes, as determined by law. The following table illustrates the Social Security Expenditure Budget for 2020:

Table 16 - Social Security Expenditure Budget for 2020

Tabela II do Anexo II - Despesas Globais da Segurança Social (dólares)	
Categorias de Despesas	**Valor**
Despesas Correntes	
Despesas com Pessoal (INSS + FRSS)	703 658
Aquisição de Bens e Serviços	61 500
Juros e outros encargos	250 000
Transferências correntes para o Estado (OE)	-
Transferências correntes para MF	-
Transferências correntes para as Famílias - Regime não Contributivo	36 000 000
Transferências correntes para as Famílias - Regime Contributivo)	5 816 040
Outras prestações (despesas de outros ministérios que a SS assume)	-
Outras despesas correntes (INSS + FRSS)	1 525 800
Total Despesas Correntes	**44 356 998**
Despesas de Capital	
Aquisição de Bens de Capital Menor	270 000
Aquisição de Bens de Desenvolvimento	-
Investimento em Ativos Financeiros	93 767 060
Passivos Financeiros	-
Outras despesas de capital	-
Total Despesas de Capital	**94 037 060**
TOTAL Despesas de SS	**138 394 058**

Source: 3rd PPL OGE 2020 (adapted)

On the expenditure side (Table II of Annex II), it is estimated that in 2020 current Social Security expenditures will reach $44.36 million and that capital expenditures will be $94.04 million. The first include transfers of benefits to beneficiaries, payment of social benefits from all schemes and other current expenses, which correspond to the expense to be borne with the operational management of the FRSS and the investment in financial assets to be made for investment. accumulated FRSS budget, estimated at $94.04 million at the end of 2020.

Table 2 on page 31 of the OSS budget book shows the evolution of the levels of execution of Social Security expenditure and revenue between 2017 and 2019. In 2019, the execution of Social Security Revenue reached 92.29% while expenses totaled 95.45%. The balance accumulated in the FRSS account at the end of 2019 stood at $62.71 million. In that year, there was a deficit of $772.64 thousand between the amount registered in the OE as the amount to be transferred to the OSS, and the amount that had been registered in the OSS as revenue from OGE transfers.

The INSS sent the Committee its concern regarding the difference detected between the amounts that, through the line “Appropriations for the whole Government”, the Ministry of Finance should transfer in 2020 to the OSS, in the amount of $13.39 million and the amount for which the OSS proposal included this transfer, which aims to cover the State’s obligations to the Social Security contributory regime, of $15.79 million.

Another difference detected by the INSS and reported to this Committee, is related to the amount that is registered in Table II of Annex I of PPL OGE 2020 in the ministerial line “Ministry of Social Solidarity and Inclusion”, category of Public Transfers, by $44.52 million, and is intended to finance the Social Security Non-Contributory and Transitional Regimes in the OSS, which in the OSS is recorded with the value of $41.49 million.

The situation will have to be corrected in the light of the appreciation of the OGE Law Proposal 2020 in Plenary, in order to safeguard the balance between the OE and OSS data.

Finally, Committee “C” appreciates the formal creation of the FRSS and its regulation in a diploma recently approved by the Council of Ministers, which is expected to be published soon.

VII. CONCLUSIONS

1. On 15 September 2020, the VIII National Constitutional Government presented to Parliament Draft Law 22/V/(3rd) that proves the State Budget for 2020 (3rd PPL OGE 2020), accompanied by an urgent request for assessment and budget books, with the exception of the social security book delivered on September 22, and the other documents determined by LOGF;
2. The Draft Law No. 22/V (3rd) was presented following the rejection by the Parliament of the second draft budget for 2020, on January 17, 2020 (PPL 9/V (2nd)) and withdrawal by Government of the first budget proposal for 2020, on December 3, 2019 (PPL 8/V (2nd));
3. At its plenary session of 17 September 2020, with reference to the opinion of the Committee of Public Finance on the request for urgency required by the Government, the National Parliament approved the urgency of the debate on 3rd PPL OGE 2020 and the reduction of regimental deadlines provided for conducting this special legislative process;
4. With regard to the formal setting, the new bill, PPL No. 22/V (3rd), follows the general rules of formal legislation, presenting yet some deviations from the legal rules governing the structure and formal content of the draft budget law in particular, some suitable and even necessary, others questionable, however without hindering the appreciation and voting of the proposal;
5. The new Law Proposal encompasses all expenditure projections of the bodies and services of the Public Administrative Sector, including the Central Administration, the Autonomous Region of Oe-Cusse Ambeno (RAEOA) and the Social Security sub-sector (with its Social Security Budget OSS) for the period between January 1 and December 31, 2020, as well as

the estimate of revenues to be collected by the State, in the same period, to finance the former;

6. The non-approval of the OGE 2020 imposed on the universe of State institutions covered by the budgetary perimeter the application of the duodecimal regime as of January 1, 2020, a very unusual situation, given that it has lasted for nine months, having a perverse effect in budgetary performance, due to the numerous limitations it brings to the management of public finances. First, the expiry of the monthly duodecimal allocation allocated to each State institution at the end of each month and the "freezing" of the "Minor Capital" expenditure category imposed by the Ministry of Finance since the beginning of the year;
7. Also the spread of the COVID-19 virus globally and the set of tight internal preventive and pandemic mitigation measures, imposed quickly by the State on the economy and families, including the limitation on the free movement of people and goods and the establishment of the State of Emergency, contributed to the deterioration of the country's economic and social situation and caused Timor-Leste to enter into an economic recession, demanding the immediate adoption of a set of public measures aimed at the recovery and economic revitalization and social protection, taking an autonomous fund, the Covid-19 Fund, was created by law, except for the duodecimal regime and with greater flexibility in terms of public procurement rules;
8. The liquidity difficulties in the State coffers resulting from the lack of timely approval of the OGE 2020 forced the Government to request authorization from the National Parliament for two extraordinary withdrawals from the Petroleum Fund, approximating the accumulated amount of both transfers to the value of the Estimated Sustainable Income (ESI);
9. Specifically, the proposed OGE law 2020 aims to regularize the Government's plan and priorities for 2020, the monthly duodecimal execution accumulated by the State agencies since January 2020, incorporate in the OGE law the transfers operated and to operate from the Petroleum Fund, to accommodate the newly created COVID-19 Fund and the measures to prevent and mitigate the effects of the pandemic caused by the new Corona virus foreseen in it, to allocate to the economic recovery measures approved for the short term the funds that will allow it to be put into effect and also to approve the OSS;
10. The Government seeks to justify three sectors as priorities for 2020, namely the stabilization of the Social Sector, the stabilization of the Economic Sector and the Public Administration Reform, Economic Reform, Judicial Reform and Reform of Public Financial Management. The COVID-19 Fund maintains the allocation assigned to it to date, although the government transmitted by letter to the National Parliament the intention to reinforce it with $113.0 million, to ensure the implementation of the package of short-term economic recovery measures, in return for an equal reduction in the originally proposed budget allocation for the Coordinating Ministry of Economic Affairs (MCAE);
11. The 3rd 2020 PPL is understood and articulated, consisting of 27 items and 6 budget tables that require a vote by the plenary of Parliament;

12. The legislative initiative under consideration also includes a very substantial set of supporting tables not subject to vote, marked with the designation "by reference". Such tables should appear in the budget books and not in the body of the proposed law. The Government's intention to provide the National Parliament with information in greater detail and rigor is understandable, but the information is redundant, and may have the opposite effect to the desired one, generating instead greater doubts and confusion as they are not submitted to voting;
13. The information that is provided to the National Parliament in the budget books on the COVID-19 Fund and its execution is almost nonexistent, as well as the information associated with the short, medium and long term economic recovery measures package approved by the Council of Ministers;
14. There are several inaccuracies in classification, budgeting and content detected in the proposed law (articles and tables) and in budget books, the government having submitted an errata to the National Parliament in due course. However, in addition to not covering all situations detected by Committee "C" (in more than 14 entities, discrepancies are observed between the tables of the law proposal and the supporting documents), the errata adds other errors in the books;
15. Despite the systematic recommendations of Committee "C" for the integration of all entities of the indirect administration of the State in tables II and III of Annex I of the OGE proposal, the Institute of Petroleum and Geology and the Petroleum and Minerals Authority are still omitted;
16. The management of OSS and the Budget of RAEOA and ZEESM continues to be carried out without an integrated computer system, using Excel sheets, after several years of insistence from Committee "C", which is unacceptable, not promoting state transparency. and substantially impairing the monitoring and inspection of their accounts by the higher control institutions, including the National Parliament and the Court of Auditors;
17. The cumulative budgetary execution of the Temporary Budgetary Appropriations and the Covid-19 Fund as of September 28, 2020, amounted to $675.0 million (between payments and obligations), with a quarterly average expenditure of around $230 million. The budgetary allocation now proposed to the Government for 2020 is $1.497 billion, including an amount of $113 million to implement short-term economic recovery measures. These data raise doubts in Committee "C" about the real capacity of the State to execute such a large budget with limited execution rates to date and that, if approved by the National Parliament and promulgated by the President of the Republic, at best only at the beginning of November 2020 it will come into force, leaving less than two months due to the closing of accounts;
18. Law Proposal 22/V (3rd) introduces two additional sources of funding in Table I of Annex I, namely, "Donations" from Development Partners for direct budget support in the amount of $10.7 million and the forecast of the "balance of RAEOA and ZEESM", in the amount of $253.4 million, of which $76.0 million is intended to cover all expenses in the Region in 2020;

19. The proposed expenditure ceiling for 2020 exceeds the approved allocation for the year 2019 by $15.1 million, which represents an overall rate of increase of expenses of 1%. Overall, except for the Coordinating Ministry for Economic Affairs (MCAE) and the Ministry of Social Solidarity and Inclusion (MSSI), the vast majority of organizations registered in the OGE suffer significant reductions in their budget allocations, which in the case of the Scientific Police and Criminal Investigation (PCIC) reaches 71.6%;
20. With expected withdrawals in the order of $963.9 million and inflows worth $927.8 million throughout 2020, the Petroleum Fund is expected to end this year with less capital than the beginning of the year. It is a more pessimistic scenario than that proposed by the Government in January 2020;
21. The GMPTL is welcomed for the prompt follow-up given to the recommendation of Committee "C" so that it could also issue an opinion on the new OGE law proposal for 2020, from the perspective of gender-sensitive budgeting.

VIII. RECOMMENDATIONS

TO THE NATIONAL PARLIAMENT

1. In order to achieve greater clarity and conceptual stability, that the Budget of the Central Administration and the RAEOA together compose the "State Budget" (OE), and that the term "General State Budget" (OGE) be used to the set of budgets that are the subject of the proposed law, thus including the Social Security Budget (OSS) in this OGE designation;
2. In order to achieve greater clarity and conceptual stability, eliminate the reference to "Without Own Revenues" from the designation of the Autonomous Bodies (with administrative and financial autonomy but without legal personality);
3. To purge the information tables from the body of the law, as they are included for mere reference and are not part of the content of the proposal to be voted on;
4. To clarify the scope of the budget law in a coherent and extensive manner, especially by clarifying the concepts of "Public Administrative Sector" and "administrative and financial autonomy", as well as the organization of the Central Administration, making the explicitly legal exclusion from the text of the budgetary perimeter included in 2020 of the Petroleum Fund, the Institute for Petroleum and Geology, the National Petroleum and Minerals Authority and the Central Bank of Timor-Leste;
5. Define "own resources" in order to avoid the frequent confusion as to the concept;
6. Clarify the concepts of "public transfers" and "public subsidies", larger concepts of budget expenditure;
7. To authorize the RAEOA to collect taxes and fees and the OA and SFA to collect fees, under the legal terms;

8. To safeguard the non-retroactivity of the tax law in relation to the proposed tax increase for malt beer with an alcohol content of 4.5% or higher, or which even considers considering such increase only for 2021;
9. To clearly refer to the possibility of the Autonomous Bodies' own revenue, which is in fact verified each year in budget execution;
10. To provide for the binding character of the Minister of Finance's opinion on donor agreements, safeguarding the exception of sovereign bodies (other than the Government);
11. To expressly provide for the presentation by the Government of the budget execution report to the 12th month;
12. To equate the reduction of the appropriation allocated in error, by the Government, to the Coordinating Ministry of Economic Affairs (MCAE) the amount of $113.0 million (of the total of Public Transfers and the rest of Goods and Services), destined to finance the implementation the short-term economic recovery measures related to the COVID-19 pandemic, and reallocating that amount to the COVID-19 Fund, simultaneously expanding the purposes of the latter by changing the legislation governing the fund;
13. To consider eliminating the item "Provision for the RAEOA and ZEESM" of the line "Appropriations for the Whole of Government" in Table II of Annex I of the 3rd PPL OGE 2020, as well as the amount of $76.0 million attributed to it, given that in 2020 the region you want to use only part of the balance carried over from 2019 in precisely the amount of $76 million, to fund all its expenses for the year, as set out in tables I and IV of Annex I;
14. That, in respect to the balanced budget rule between the appropriations entered in the Central Administration Budget intended for Social Security and monies received from the State for Social Security, consider annulling the detected difference in the value shown in Table II Annex I of the 3rd PPL OGE 2020 ministerial line "Ministry of Social Solidarity and Inclusion - Directorate-General for Social Inclusion and Solidarity", the category of Public Transfers, the amount of 44.515 million, to finance, in OSS the Non-contributory and Transitory scheme for Social Security, which the OSS is registered as of $41.491 million;
15. To eliminate the difference between the amounts that, through the line "Appropriations for the Whole of Government", the Ministry of Finance will transfer in 2020 to the OSS, as "State Contribution to the Social Security Contributory Regime", in the amount of $13.39 million, and the amount of $15.79 million that the OSS proposal foresees as necessary to cover the State's obligations to the Social Security contributory regime;
16. Considers strengthening the budgetary allocation in the category of "Public Transfers" from the "Ministry of Transport and Communications – Directorate-General of Transport and Communications" by 624 thousand dollars, in order to ensure the financing of public company " Airports of Directors and Timor-Leste Air Navigation ANATL, EP", unable in 2020 to collect its own revenue due to the almost total absence of air traffic in the context of the restrictions to combat the Covid-19 pandemic, while ensuring that the total OE expenditure remains unchanged as a counterpart to the reduction in transfers from the OE to the OSS, of equal value, as a result of recommendations 14 and 15;

TO THE GOVERNMENT

17. That it approves soon a new Budgetary Framework Law, which includes or is accompanied by a law that includes the Social Security budget;
18. That already with the proposed OGE law for 2021 provide Parliament, in compliance with articles 22 and 23 LOGF:
    a. information about the asset, information about the State's assets;
    b. information on liabilities, information on guarantees given to third parties and non-financial debt;
    c. the estimated cost of past revenue not collected as a result of tax or customs benefits;
    d. the forecast of revenue not collected as a result of tax exemptions and due to non-financial benefits
19. To include in the budgetary perimeter, already in the proposed OGE law for 2021, the Institute for Petroleum and Geology and the National Petroleum and Minerals Authority, in compliance with the principle of budgetary unity and universality;
20. Use the same order of magnitude in the units contained in the tables to be approved in the Annexes to the OGE;
21. To promote the inclusion of recurrent tax exemptions in the General Tax Law;
22. To the RAEOA Authority and Ministry of Finance, to articulate the introduction of the RAEOA financial management system announced in the last three years with the highest priority;
23. To the INSS, to urgently automate its financial management system to accommodate the execution of the OSS, as it has been announcing since the approval of the law for the Social Security Contributory Regime.

IX. OPINION

It is the opinion of this Committee that, with regard to their formal configuration, PPL 22/V (3rd) - State Budget for 2020 meets in general, the essential rules for formal legislation, meeting the formal requirements for the presentation of law proposals, in constitutional and regimental terms and therefore is in conditions to be considered in plenary.

PARLAMENTO NACIONAL
República Democrática de Timor-Leste

PUBLIC FINANCE COMMITTEE

X. APPROVAL OF THE REPORT AND OPINION

This Report and Opinion was discussed and approved on 01 October 2020, with 10 votes in favor, 0 votes against and 3 abstentions.

Dili, National Parliament, 01 October 2020

Os Deputados Relatores,

Deputado António Maria Nobre Amaral Tilman

Deputado António da Conceição

Deputada Maria Angelina Lopes Sarmento

A Presidente da Comissão,

Deputada Maria Ângélica R. da C. dos Reis

ANNEX – Opinions from Sectoral Committees A, B, D, E, F and G and opinions of GMPTL and other written contributions received

ENDNOTES

[1] The "Public Administrative Sector" can be defined as "*the set of entities with a public nature that ensure the regular and continuous satisfaction of collective needs, without the form of a company, foundation or association, composed of the Direct Administration (Central and Decentralized) and Indirect, Social Security Sector and the Oe-Cusse Ambeno Special Administrative Region*". The definition of article 3(r) of the 3rd PPL OGE 2020 is close to this, however, needing some adjustments, as we will see below.

[2] As we will analyze below.

[3] Cf. article 5 of the Petroleum Fund Law, Law 9/2005 of August 3, amended and republished by Law 12/2011 of 28 September.

[4] In this context, the 3rd PPL OGE 2020 also includes a table, for reference only, attached to Table I of Annex I, detailing the revenues of the Petroleum Fund.

[5] Cf. as to the IPG article 1 of Decree 33/2012 of 18 July, and on the ANPM article 1 of Decree 20/2008 of 19 June, amended and republished by DLs 1/2016, of February 19, and 27/2019, of August 27.

[6] The following books, relating to the State Budget (General State Budget without the Social Security Budget) were delivered on September 15:

- Book 1 - Budget Overview;
- Book 2 - Annual Program Budget Plans;
- Book 3A - Infrastructure Fund;
- Book 3B - Municipalities (only in Tetum);
- Book 3C - RAEOA - ZEESM (only in Tetum);
- Book 4A - Budget Items (PR - MSSI);
- Book 4B - Budget Items (MACLAN - COVID-19);
- Book 5 - Development Partners;
- Book 6 - Human Capital Development Fund.

The Social Security book, relating to the Social Security Budget, was received only on September 22, 2020.

[7] From 17 September 2020

[8] That should not be confused with elective structures of sucos and aldeias, customary root structures outside the formal administrative structure of the state - cfr. Law 9/2016, of July 8, following the route of article 2.4 of the Constitution.

[9] In addition to Law 11/2009 of 7 October, amended and republished by Law 4/2016 of 25 May, providing for longer, also in preparation of administrative decentralization to the local level, municipal districts of Timor-Leste.

[10] In previous years, RAEOA's global revenues and expenses were inexplicably presented in the Annex and under the title "Autonomous Funds and Services".

[11] According to a specific concept explained below.

[12] According to a specific concept explained below.

[13] According to a specific concept explained below.

[14] Among the other shortcomings of the LOGF, the extreme and spotty brevity of the regulation of budget execution in duodecimals, as set out in its Article 31 (which does not immediately explain how withdrawals from the Petroleum Fund are processed, also in view of the article 7.3 of Law 9/2005, of 3 August, amended and republished by Law 12/2011, of 28 September - Petroleum Fund Law LFP) and the lack of provision, in article 44, of a report of budget execution to the 12th month of budget execution, which below will propose to include, for 2020, in article 25 of the present law proposal. Another flaw that will seem to be in detail but which has

important consequences for the scope of the proposed law is the defective wording of Article 4 LOGF which explains the principle of universality, which will be dealt with below in the appropriate place.

[15] Jointly or separately from the future Budgetary Framework Law

[16] *Maxime* your Article 61

[17] The RSE for the year 2020 was estimated at $544.4 million

[18] It should be noted that the Government has already been authorized, during the year 2020 and under a duodecimal budget execution regime, to carry out two transfers from the Petroleum Fund by the separate Laws 2/2020, of April 6, and 5/2020, of June 30, for a total value of US $536.3 million, just below the ESI.

[19] Regardless of the material benefits of the transfer itself, which is criticized below.

[20] Unfortunately Article 4 LOGF refers only to services without administrative and financial autonomy and SFA, forgetting the category of Autonomous Bodies - which will have to be interpreted correctly, since what reason will be seen for the exclusion of OE from entities as central to the activity of the State as are the Parliament, the Presidency of the Republic and the Courts, among others.

[21] Ability to pass regulations.

[22] Ability to collect taxes, i.e. taxes, fees and/or contributions.

[23] That is, to enter into loans - see Article 59.3 of Decree-Law 30/2020, of 29 July.

[24] We propose: "*without prejudice to the provisions of article 11 of Law no. 3/2014, of 18 June, amended by Law no. 3/2019, of 15 August, that the revenues collected as their own revenues, by a specific entity with administrative and financial autonomy and that are not general revenues, that is, that arise from the specific activity of the entity in question or that arise from the management and disposal of its assets or from the management of the assets that affect it, whenever the law does not provide otherwise do not designate them as State revenue;* "

[25] This to be created on this date - a Decree-Law with its creation was already approved by the Council of Ministers on September 16, 2020

[26] Cf. article 2 of Decree 13/2020, of April 15

[27] Cf. article 1 of Decree 33/2012, of July 18

[28] Cf. article 1.1 of Decree 20/2008 of 19 June, amended and republished by DLs 1/2016 of 19 February, and 27/2019, of August 27

[29] In this sense Deputy Minister of Finance in the parliamentary hearings stated regarding the 3rd PPL OGE 2020 - cfr. supra.

[30] Cfr. article 3 of Law 5/2011, of June 15

[31] It is proposed " *subsidies, support or aid, in the form of financial importance, granted to the public or private sector to pursue an objective compatible with the powers of the granting entity, including State contributions to cooperation programs;"*

[32] Cfr. From the outset, article 1.1(b) of Law 3/2014, of June 18, amended by Law 3/2019, of August 15

[33] In this regard, the provisions of articles 95.2(p) and 144.2 of the Constitution must be taken into account, without it being necessary to analyze the question in detail of the rates legally created on this date in the Timorese legal system.

[34] Law 8/2008, of 30 June, amended and republished by Law 5/2019, of 27 August

[35] Timor-Leste is a Democratic State Under Rule of Law, as proclaimed in article 1.1 of the Constitution.

[36] Recall the definition of "own revenue" proposed above.

[37] This is the case, to date, of the Municipal Administrations of Bobonaro, Covalima, Liquiçá and Manatuto.

[38] We propose: "The own revenues of OA, if any, are collected and managed by the competent body within the limits of their financial autonomy, unless otherwise provided by law."

[39] In Timor-Leste there is no general regime for opinions.

[40] We propose a new paragraph 4 for the article in question: "*4. The provisions of paragraphs 2 and 3 of this article do not apply to agreements established between independent donors and sovereign bodies, except the Government, and such agreements should be notified, once signed, to the member of the Government responsible for the area of finance."*

[41] Cf article 69 of the Constitution

[42] Namely:

- Timor-Leste Cooperation Agency (ACT-L);
- Information and Communication Technology Agency, IP - TIC TIMOR;
- National Archives of Timor-Leste;
- Civil Aviation Authority of Timor-Leste (AACTL), IP;
- Timor Leste National Press, IP;
- National Institute of Science and Technology;
- National Institute for the Training of Teachers and Education Professionals (INFORDEPE);
- Institute for Quality of Timor-Leste, IQTL, IP;
- Betano Polytechnic Institute;
- Technical Secretariat for Electoral Administration;
- TATOLI - Timor-Leste News Agency, IP.

[43] We propose a new paragraph 3 for the article in question: "*3. Without prejudice to the provisions of the preceding paragraphs, employers in the private sector may also benefit from the exemption from the obligation to pay contributions from the social security contributory regime, pursuant to Decree-Law 16/2020, of 30 April, as amended by Decree-Law 28/2020, of 22 July.*"

[44] We propose, as an addition to the body of article 25 of the draft law: "T*he Government shall submit to Parliament, in addition to the reports on the evolution of the budget provided for in article 44 of Law 13/2009, of October 21, on Budget and Financial Management, as amended by Laws 9/2011, of 17 August, and 3/2013, of 11 September, a budget execution report for fiscal year 2020 in three months after the end of the financial year, pursuant to paragraphs 3 and 4 of article 44 of that law, with the necessary adaptations."*

[45] pursuant to Articles 50 and following of Law 9/2011, of 17 August, amended by Laws 3/2013, of 11 September, and 1/2017, of 18 January

[46] In order to analyze the Government's public investment policy, the compromise perspective must be taken into account. In this perspective, public investment expenditure indicates which contractual obligations, to which the Government is committed, reflect the acquisition of fixed assets. Fixed assets are assets produced and used in production for more than one year.

[47] According to the Ministry of Finance's forecast of non-oil GDP, there will be public divestment in the non-oil economy in the coming years.

[48] Part of the difference between capital expenditure and public investment is justified by the reduced disbursements (payments) compared to the contractual amounts of civil construction projects, i.e., due to the high commercial (non-financial) debt and late payments from the government.

[49] Source: *Doing Business 2020 Report,* from the World Bank, available at https://www.doingbusiness.org/en/reports/global-reports/doing-business-2020 .

[50] Published at: http://www.oecd.org/dac/states-of-fragility-fa5a6770-en.htm

[51] The Ministry of Finance considers that the Petroleum Fund will not achieve a real return of 3% in the medium term. This would require a considerably higher allocation to equities, which is considered an excessive risk for Timor-Leste.

[52] The budget books mention the need to overcome the issue of the tax base, improve revenue collection capacity, introduce new tax instruments and review existing instruments, revisit tax policies and legislation that promotes investments and increase revenue collection.

[53] Corresponding to 3% of the Petroleum Fund's estimated wealth.

[54] Law 9/2005 of August 3, Petroleum Fund Law, in the current wording

[55] https://br.investing.com/commodities/brent-oil-historical-data

[56] Law 2/2020, of April 6, was amended by Law 5/2020, of June 30, which expressly added economic and social support measures to the purposes of the Covid Fund, in the wake of loose legislation meanwhile passed (especially DL 15/2020 and DL 16/2020, both of 30 April, which introduced measures of economic support to families and support for employment, respectively).

[57] In kind as well, but these donations are not included in the Covid-19 Fund Budget

[58] Includes USD 60 million in Loans.

[59] Amounts in millions of dollars