

Expenditure and Revenue

Quarterly Bulletin – Q1, 2021



Democratic Republic of Timor-Leste
Ministry of Finance



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Abbreviations

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

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

1 Introduction

1.1 Purpose

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

1.2 Scope

The report will detail quarterly expenditure and revenue trends based on programmes for line ministries, municipalities and autonomous agencies in Timor-Leste. The report will also discuss one ministry in detail to shed more light on planning and budgeting in the country.

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

2 Expenditure trends in Quarter 1

2.1 Aggregate expenditure vs budgeted expenditure

The 2021 State Budget was passed regularly and promulgated within the usual budget calendar. The approved budget was \$1.895 billion including loans, with a combined total including development partners of \$2.030 billion. This report is based on the initial 2021 budget and does not include any of the changes implemented with the rectified budget of April 2021.

The materiality directive¹ of Timor-Leste states that the government must spend 25% of the budget in the first quarter (Q1). The total government execution in Q1, 2021 by current budget which includes transfers, virements and contingency transfer) cumulative respectively 17.39%.

The Infrastructure Fund (IF) and Human Capital Development Fund (FDCH) execution for Q1 stands at 1.75% and 4.85% respectively.

The following sections report on the basis of current budget (includes virements and transfers).² Budget execution is calculated as ratio of cash expenditure over current budget. Cash expenditure does not include commitments and expenditure, i.e. it is expenditure that has been processed by the Directorate General of Treasury.

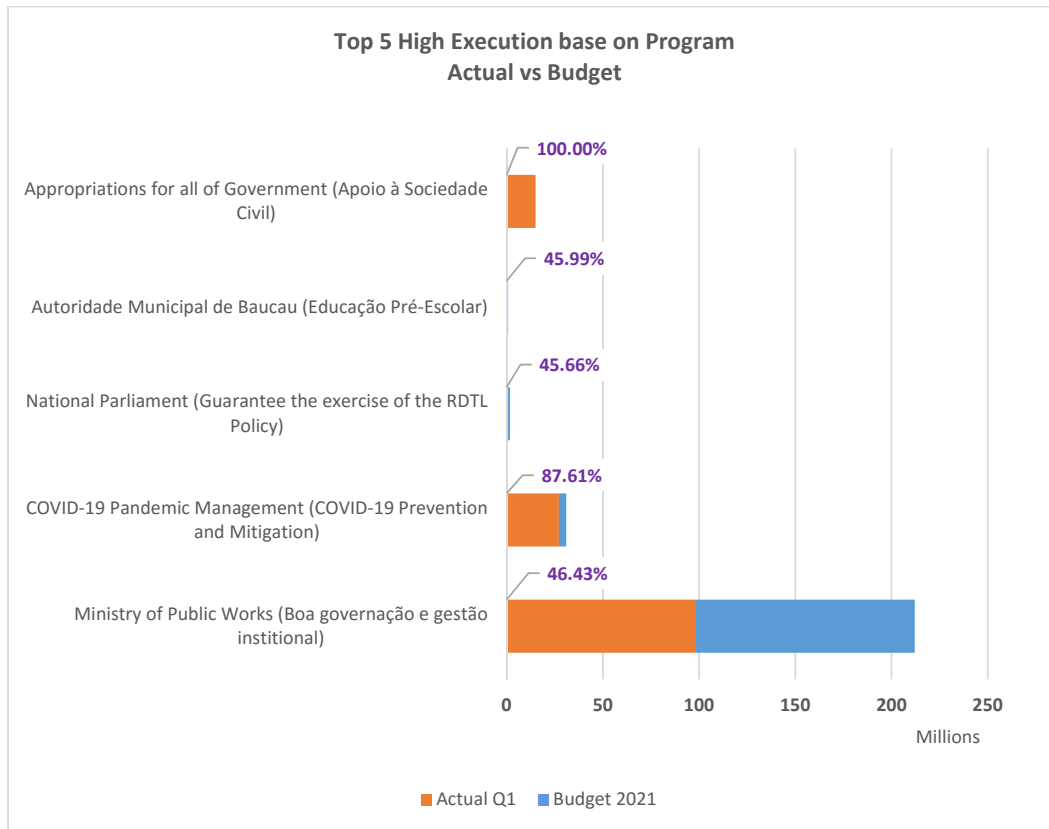
2.1.1 Execution by Program

This section describes budget execution based on program from the Strategic Development Plan (SDP) classification of Timor-Leste. The top 5 highest/lowest institutions are displayed in the following graphs.

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

² In Q1 2019, the overall original appropriation for a ministry is the same as the final appropriation (current budget) as there have been no contingency transfers as yet.

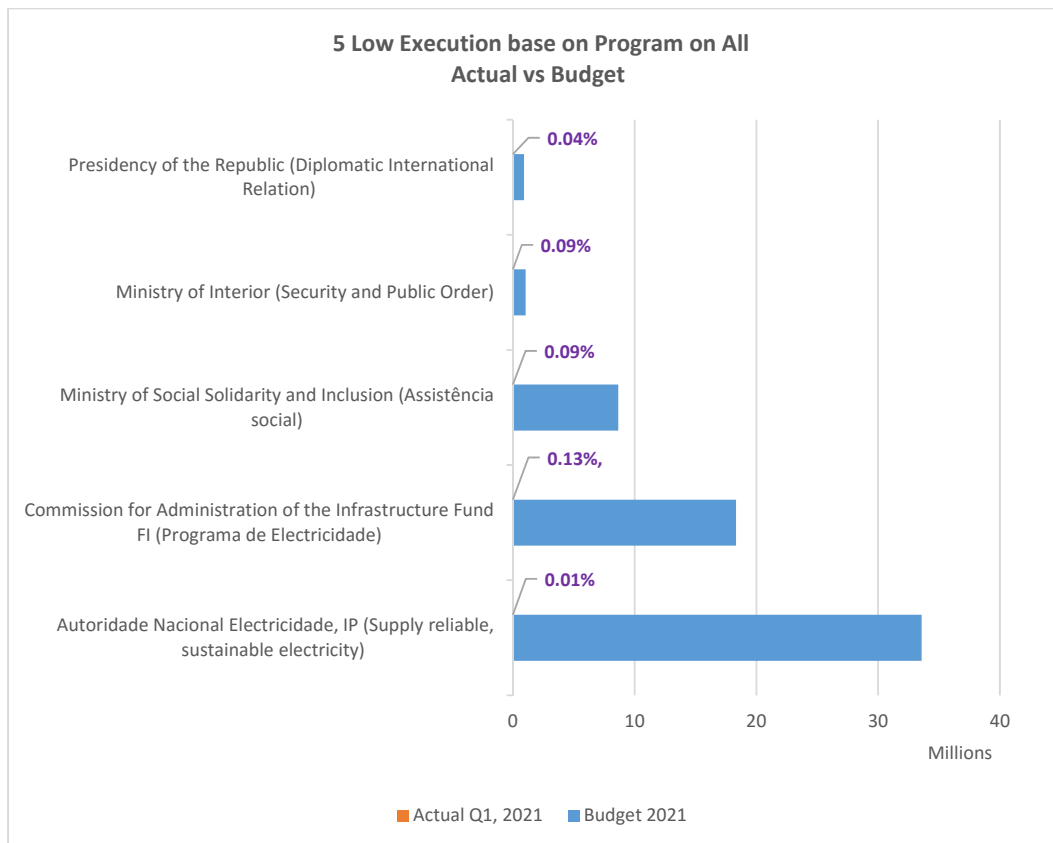
Figure 1: Top 5 executions based on programmes across all institutions, Q1, 2021



Sources: Ministry of Finance, IFMISU, August 2021

The graph shows the top five highest execution based on programmes across all institution for Q1, 2021. Appropriation for all of Government executed 100% for its civil society support program. COVID-19 Pandemic Management executed 87.61% base on its program of prevention and mitigation of the COVID-19 pandemic. Ministry of Public Works executed 46.43% for its good governance and institution management program by the end of Q1, 2021. The execution of the National Parliament programme guarantee and exercise of RDTL policy achieved an execution of 45.66%. During Q1 2021, the Government of Timor-Leste continued the national state emergency and enacted a number of city/district lock downs which affected access to public services including school services being suspended in several municipal territories. Despite this, Baucau municipality saw a 45.99% execution for its pre-school education program by the end of Q1, 2021.

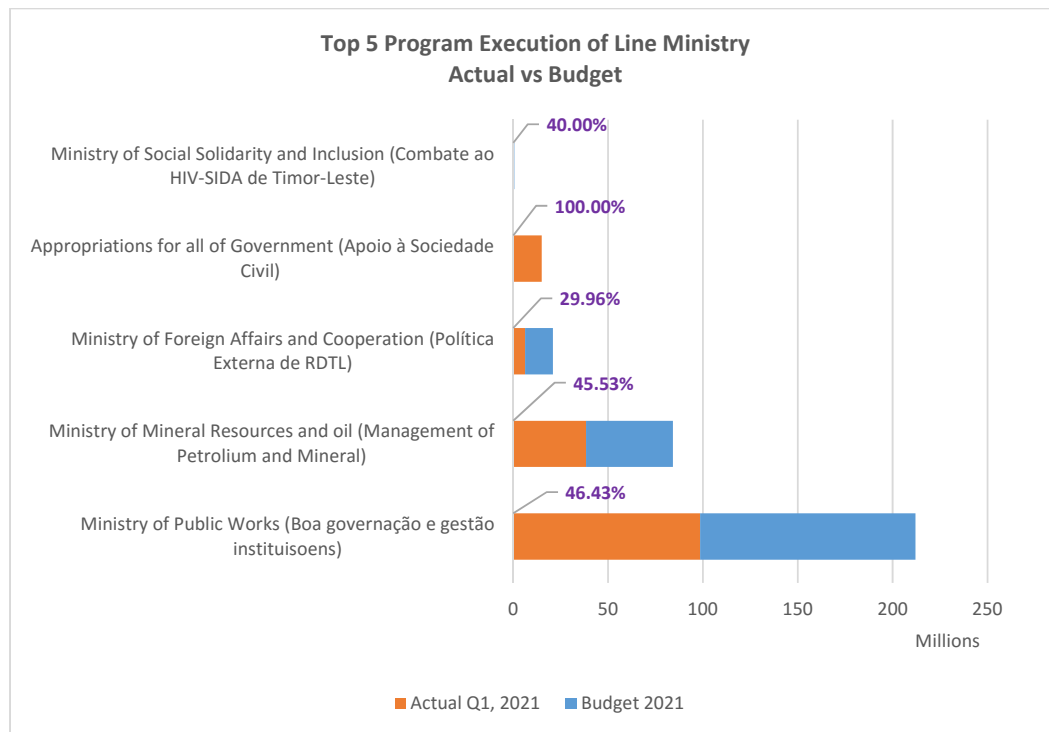
Figure 2: Bottom 5 executions based on programmes across all institutions, Q1, 2021



Sources: Ministry of Finance, IFMISU, August 2021

This graph shows the lowest executions based on programmes from all institutions, assuming that some payment had been made (i.e. not including programmes with 0% execution). The National Electricity Authority, IP had executed just 0.01% for its reliable supply and sustainability of electricity programme. The Administration Commission for Infrastructure Fund which is responsible for managing the Electricity management programme had an execution of 0.13% by the end of Q1, 2021. The Ministry of Social Solidarity and Inclusion has an execution for its social assistance programme of 0.09%, while the Ministry of Interior had an execution for its security and public order programme of 0.09%. The President of Republic saw a 0.04% for its diplomatic and international relation programme by end of Q1, 2021.

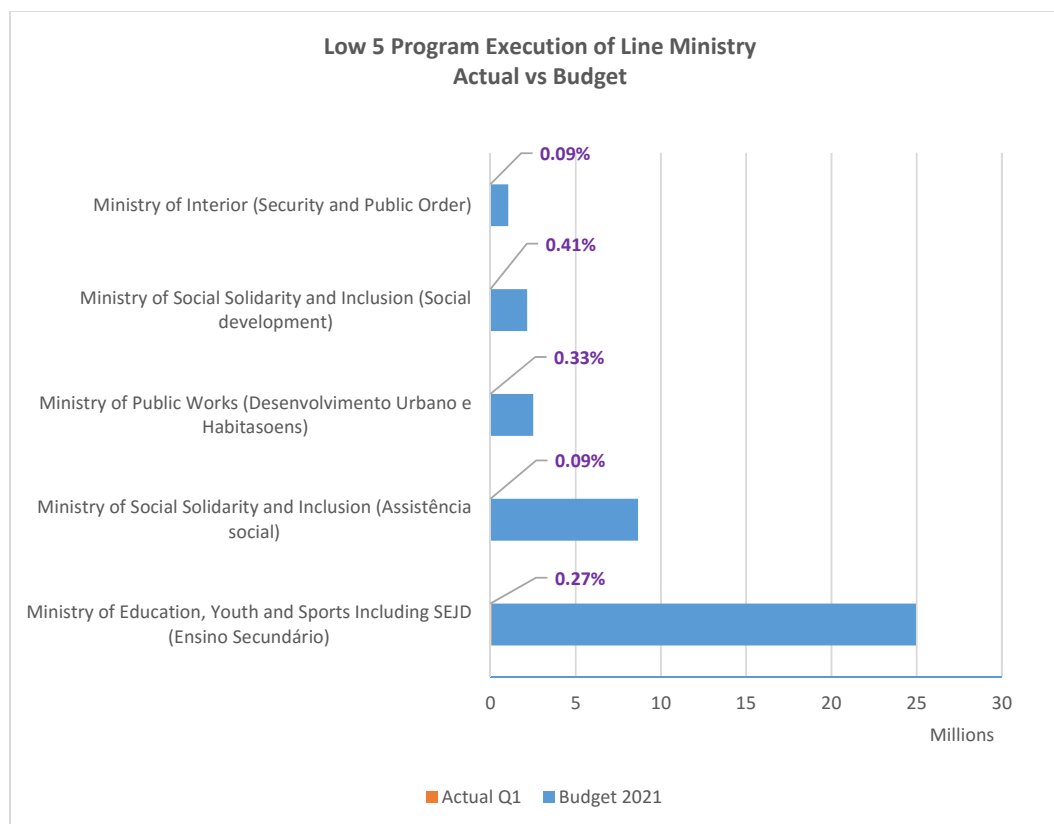
Figure 3: Top 5 executions based on programmes across Line Ministries Q1, 2021



Sources: Ministry of Finance, IFMISU, August 2021

The graph presents the five line ministries with the highest executions based on programmes. As previously mentioned, the Appropriation for All Government saw a 100% for its support to civil society program. Ministry of Public Works has the second highest execution according to the graph with 46.43% spent on the good governance and institution management program. The Ministry of Mineral Resources and Oil is third highest execution with its program of management of petroleum and minerals at 45.53%. The Ministry of Social Solidarity and Inclusion had the fourth highest execution on its combating HIV-AIDS in Timor-Leste program with 40% spent by the end of Q1, 2021. The Ministry of Foreign Affairs and Cooperation is the final inclusions with an execution of its RDTL external policy programme at 29.96%.

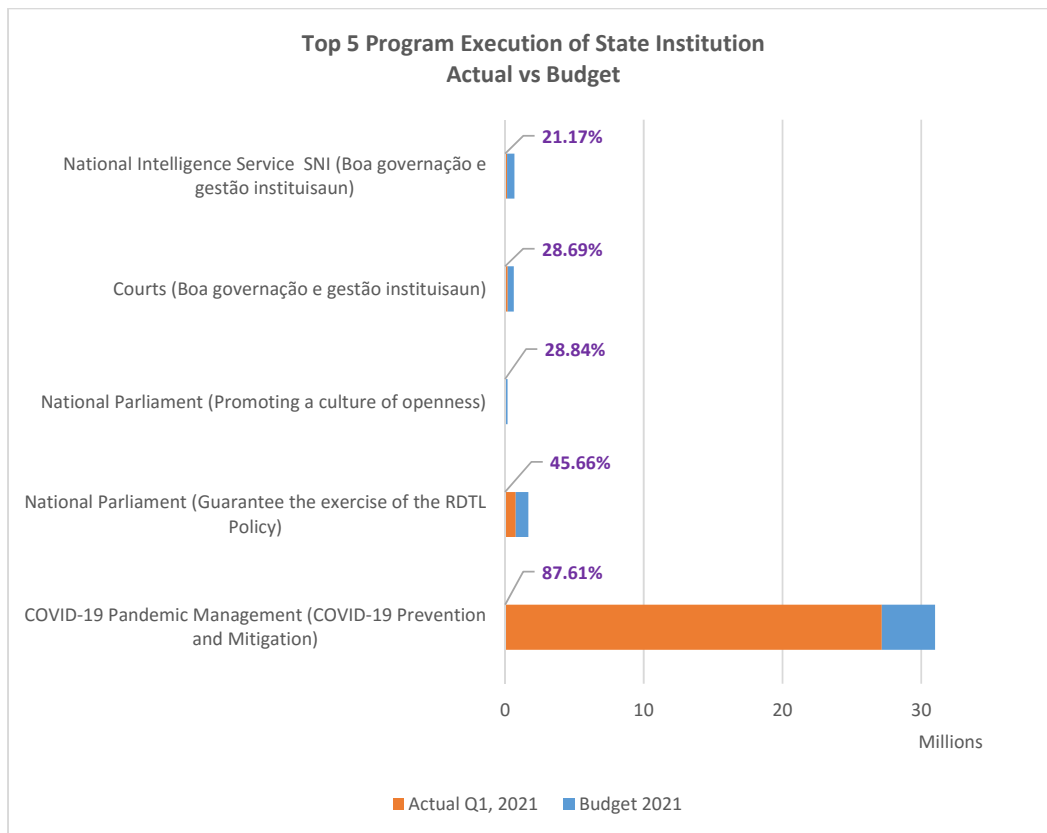
Figure 4: Bottom 5 executions based on programmes across Line Ministries Q1, 2021



Sources: Ministry of Finance, IFMISU, August 2021

The graph shows the five line ministries with the lowest executions based on programmes, excluding those ministries/programmes which have not even executed any expenditure by the end of Q1, 2021. The Ministry of Interior and Ministry of Social Solidarity and Inclusion both see the lowest executions at only 0.09% for their security and public order and social assistance programmes respectively. The Ministry of Education, Youth and Sports had a 0.27% execution for its secondary school programme, while the Ministry of Public Works programme of urbanization development reached 0.33%. The Ministry of Social Solidarity and Inclusion saw an execution on the programme of social development of 0.41% by the end of Q1, 2021. It is assumed that main caused of unbalanced program execution is due to the state emergency and forced confinement against the COVID-19 pandemic.

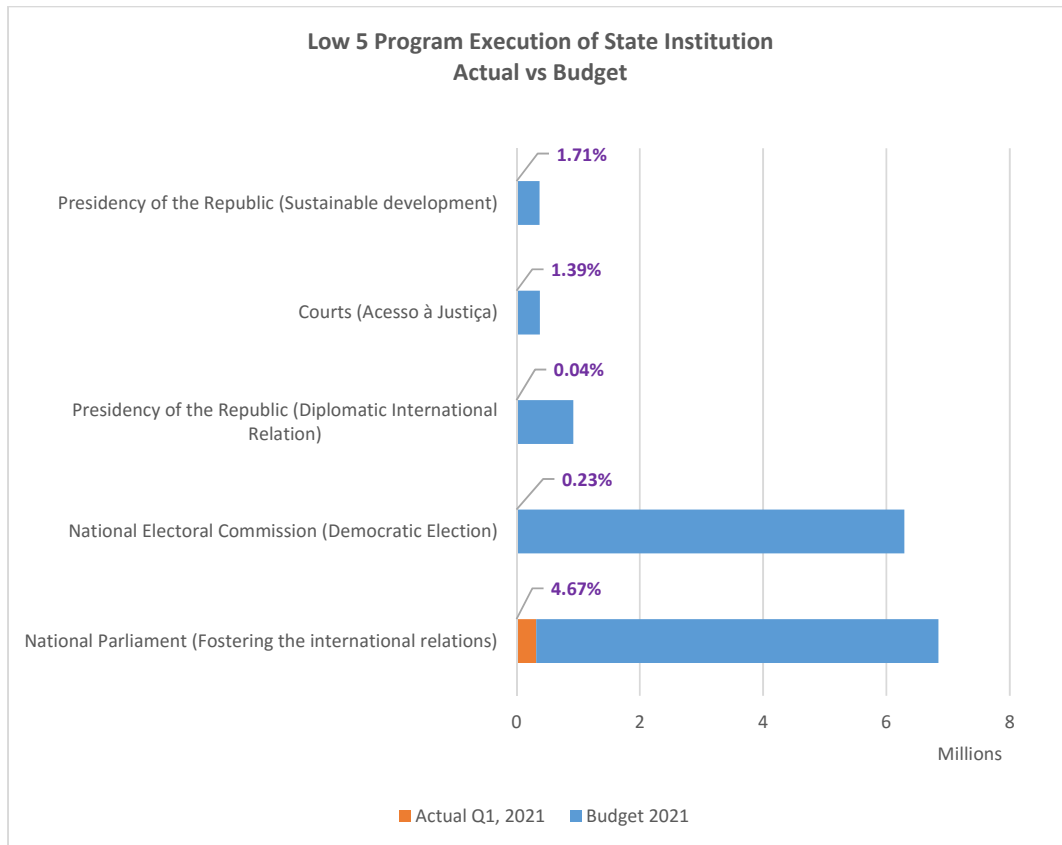
Figure 5: Top 5 executions based on programmes across all State Institutions



Sources: Ministry of Finance, IFMISU, August 2021

This graph presenting is top five of state institutions with highest execution based on programmes by the end of Q1, 2021. COVID-19 Pandemic Management received the highest budget allocation of the presented programmes and also saw the highest execution at 87.61%. Two of the National Parliament programmes were in the top 5, with guaranty the exercise of the RDTL Policy programme executing 45.66% and promoting a culture of openness executing 28.84% by the end of Q1, 2021. The Courts’ good governance and Institutional management programme had an execution of 28.69%, while National Intelligence Service SNI same programme achieved an execution of 21.17%.

Figure 6: Bottom 5 executions based on programmes across all State Institutions



Sources: Ministry of Finance, IFMISU, August 2021

In this graph, indicating the five state institutions with lowest (but some positive) execution through the end of Q1, 2021. The National Parliament programme, fostering international relations, has the highest budget on the graph and also the highest execution shown here at 4.67%. The Presidency of the Republic has the lowest state institution execution for Q1 given that its international diplomatic relations programme only executed 0.04%. The Presidency of the Republic’s sustainable development is also in the bottom 5, with an execution of only 1.71%. The National Electoral Commission’s programme democratic election, has the second high budget allocation listed and an execution of 0.23%. The Court’s access to justice programme is the final one, with an execution by the end of Q1 of 1.39%.

Covid-19 Fund

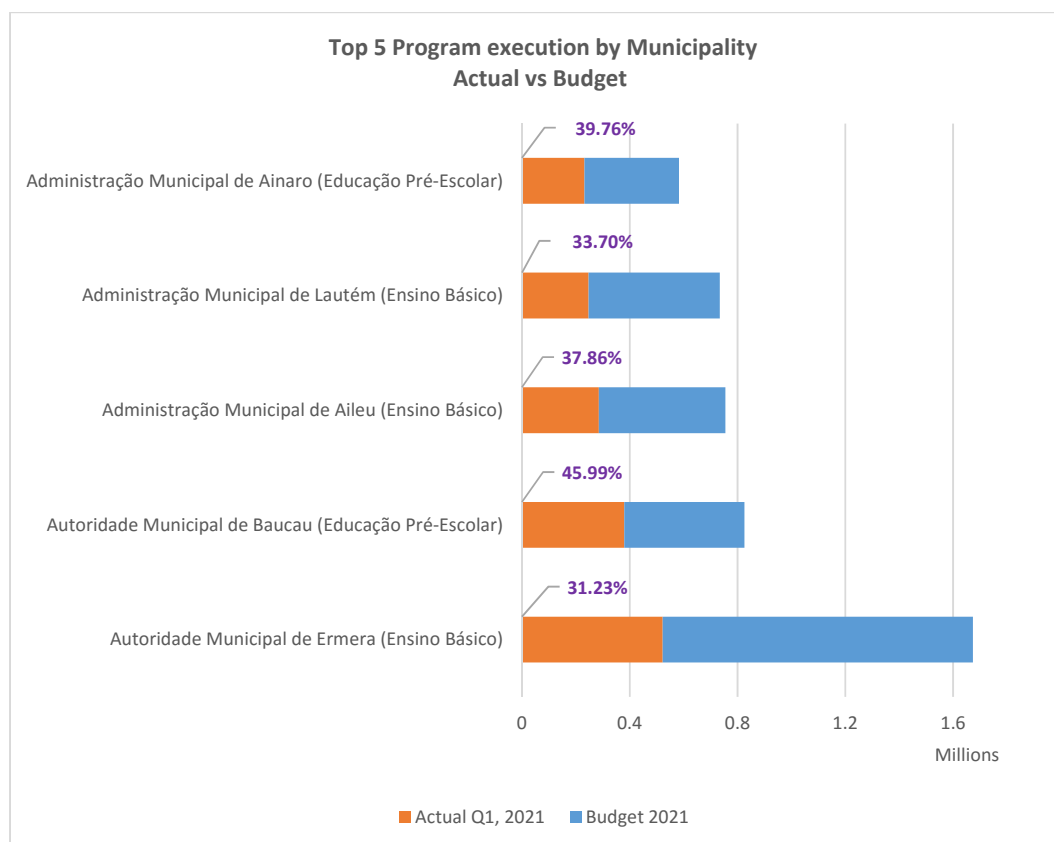
In light of the 2021 Covid-19 pandemic, Timor-Leste instituted a Covid-19 fund (\$287 million) for the health response as well as to support the economic recovery. The budget allocation for the prevention and mitigation programme received \$31 million specifically and executed \$27 million (87.6%) between January and March. Execution for the whole fund was 11.01% by the end of Q1, 2021.

Some of the measures spent on included i) state of emergency, ii) social distancing, iii) labour productivity, iv) change in supply chains, v) market performance, and vi) social transfers (electricity subsidy, microbusiness loans, worker wage subsidy).

2.1.2 Municipalities

The graph below presents the five municipality programmes with highest execution during Q1, 2021. Surprisingly all relate to educational programmes, either for pre-school or basic education. The highest Q1 programme execution was pre-school educational in Baucau Municipality at 45.99%. The pre-school educational programme in Ainaro municipality also appeared in the top 5 with an execution of 39.70%. The other 3 programmes in the top 5 were the basic education programmes in Aileu, Lautem and Ermera with executions of 37.86%, 33.70% and 31.23% respectively.

Figure 4: Top 5 executions based on programmes by Municipalities, Q1 2021

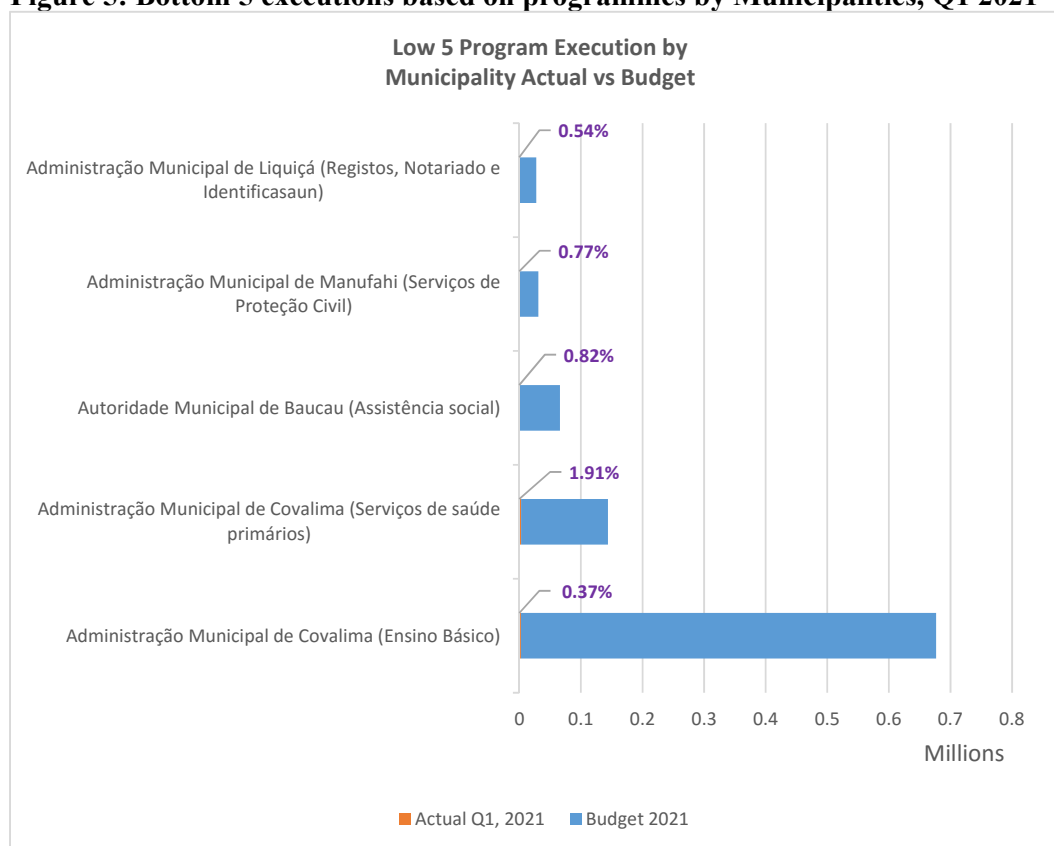


Sources: Ministry of Finance, IFMISU, August 2021

The following graph shows the execution of the five lowest executed programmes from municipalities, with some positive expenditure. Surprisingly, given the dominance of education programmes in the highest executions, Covalima municipality's basic education programme has the lowest execution at only 0.37% by the end of Q1. Covalima municipality's primary health services programme also appears in the bottom 5 with an execution of only 1.91%. Liquica municipality programme of registration, notary and

identification had an execution of 0.54%, while Manufahi municipality saw an execution of its civil protection services program of 0.77%. Baucau municipality’s program of social assistance makes up the final spot, with an execution of 0.82%.

Figure 5: Bottom 5 executions based on programmes by Municipalities, Q1 2021

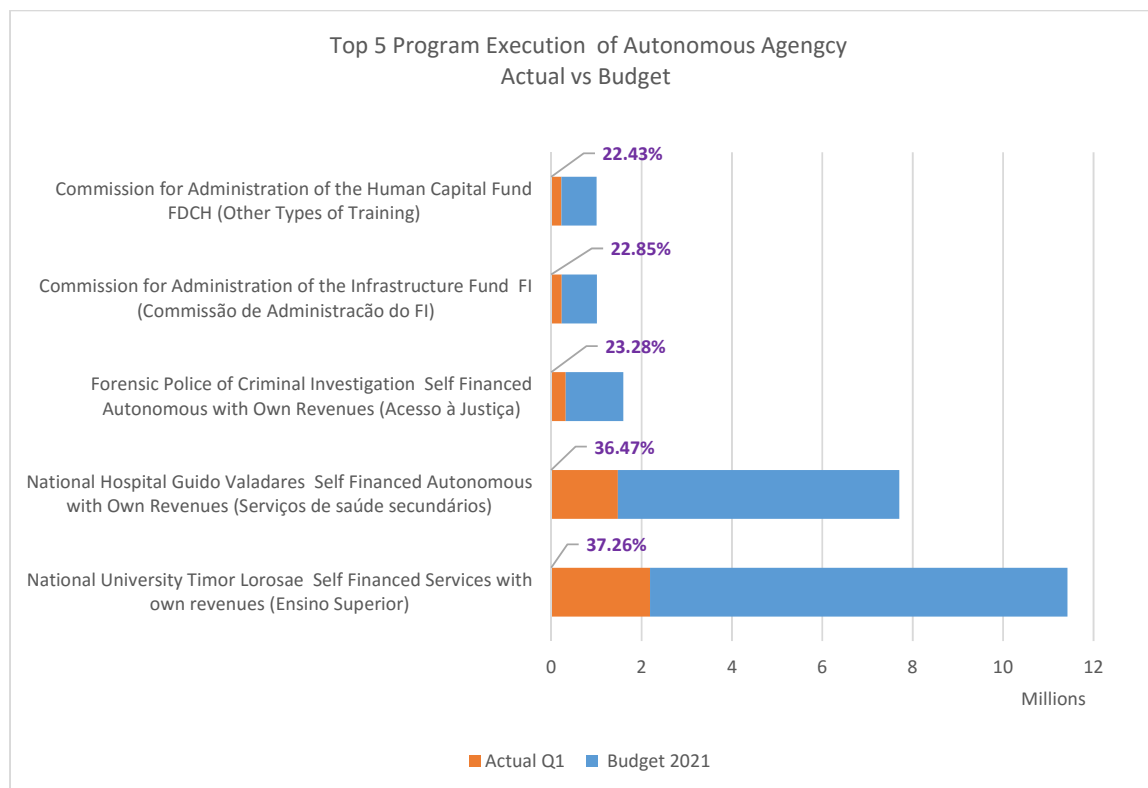


Sources: Ministry of Finance, IFMISU, and August 2021

2.1.3 Autonomous Agencies

The graph below presents the five autonomous agencies programmes with highest execution for Q1, 2021. The National University of Timor-Leste’s programme for higher education had the highest budget on the graph and also the highest execution at 37.26%. The National Hospital Guido Valadares’s secondary health services programme has the second highest budget allocation indicated, as well as the second highest execution at 36.47%. The Forensic Police of Criminal Investigation’s access to justice programme’s execution reached 23.28%, while the Commission for Administration of the Infrastructure Fund had an execution of 22.85% for its administration of the Infrastructure Fund programme. The final autonomous agency programme was the Commission for Administration of the Human Capital Development’s other types of training at 22.43%.

Figure 4: Top 5 executions based on programmes by Autonomous Agencies, Q1 2021

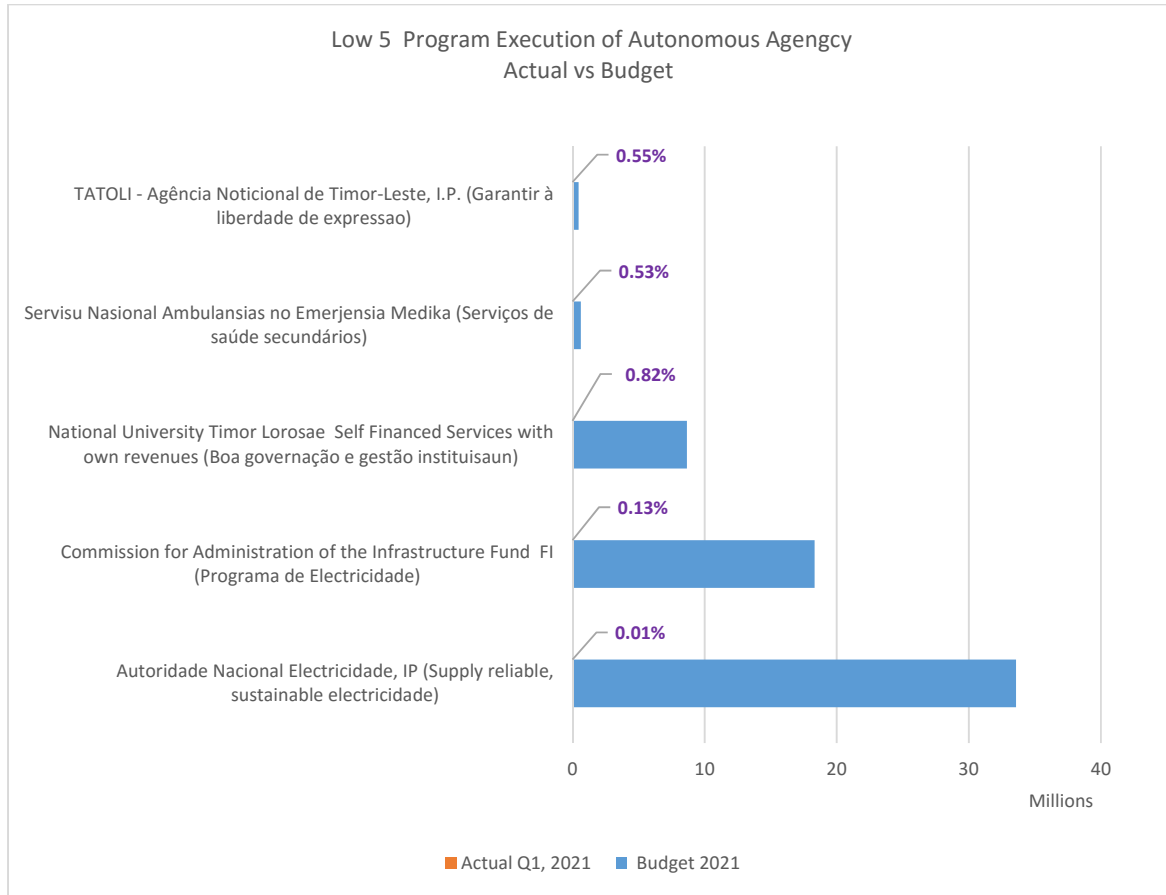


Source: Ministry of Finance, IFMISU, August 2021.

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

The graph below indicates the five lowest programme executions from autonomous agencies (given some positive expenditure). The National Authority for Electricity’s supply of reliable and sustainable electricity programme has the lowest overall execution at only 0.01%. The Commission for Administration of the Infrastructure Fund’s electricity programme has the second lowest execution, merely reaching 0.13%. The National Ambulance and Emergency Medical Service’s secondary health services programme spent 0.53%, while National Agency – TATOLI only executed 0.55% of its granting media liberty programme. The National University of Timor-Leste’s programme of good governance and institutional management also failed to reach 1% by the end of Q1, spending 0.82%.

Figure 5: Bottom 5 executions based on programmes by Autonomous Agencies



Source: Ministry of Finance, IFMISU, August 2021.

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

2.2 Execution trends and reasons

The materiality directive of Timor-Leste mandates that all line ministries/agencies must execute 25% of their budget cumulatively in each quarter, reaching 100% in Q4. However execution for Q1, 2021 is below the cumulative mandate expectation. This is due to the COVID-19 pandemic forcing the declaration of a national emergency and the enactment of mandatory confinement across many parts of the country which prevented many public services from functioning as normal. The overall execution by the end of Q1 2021 was just 17.39%.

2.3 Comparison of budget execution with previous years

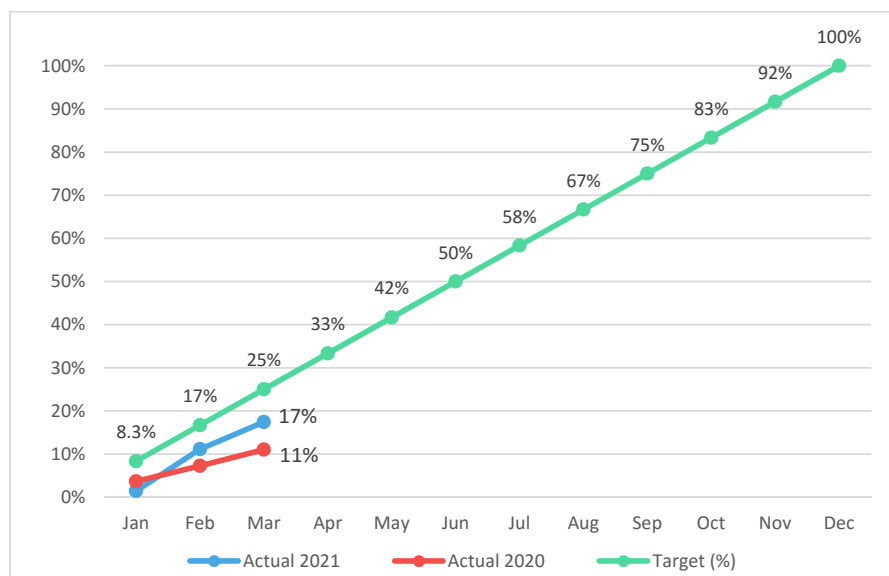
In general, budget execution for each quarter is the amount of cash spent vs the final budget of the whole year. The materiality directive of Timor-Leste states that 25% of the budget must be spent by end of Q1.

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

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

2021 started the year with a lower execution than 2020. However by February, it had exceeded the execution of the previous year. This continued into March. The 2021 budget execution is however consistently below the target rate. One reason for low budget execution could be the consecutive state of emergencies instituted because of the COVID-19 pandemic. These have affected many government functions, with essential services taking precedence.

Figure 5: Budget execution 2021 vs 2020



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

2.4 Virements

Figure 6: Top 5 virement making LM/AA/Ms in Q1, 2021

Name of Ministry	Appropriation Category	Virements
Appropriations for all of Government	Goods & Services	(1,249,970.00)
	Transfer	(12,000,000.00)
Ministry of National Liberation Combatants Affairs	Transfer	(3,034,642.00)
Ministry of Public Works	Transfer	(2,400,000.00)
Ministry of Mineral Resources and oil	Transfer	(5,990,130.16)
COVID-19 Pandemic Management	Transfer	(2,850,000.00)

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

The table above shows the 5 institutions (including line ministries, state institutions and autonomous agencies) that made the largest total amount of virements in Q1, 2021.

During that period, a large number of virements were made to increase funding for the Cesta Basica programme. In total, \$39.1 million was made available in virements from 29 institutions between January and March to support its implementation.

The institution that made the most virements was Appropriation for All Government, with a public transfer amount of \$12 million to the Ministry of Public Works for a loan disbursement to the Asian Development Bank (ADB) and World Bank (WB). There was also a \$1.3 million goods and services transfer to contribute to the funding of the Cesta Basica programme as mentioned above.

2.5 Development Partner Disbursements

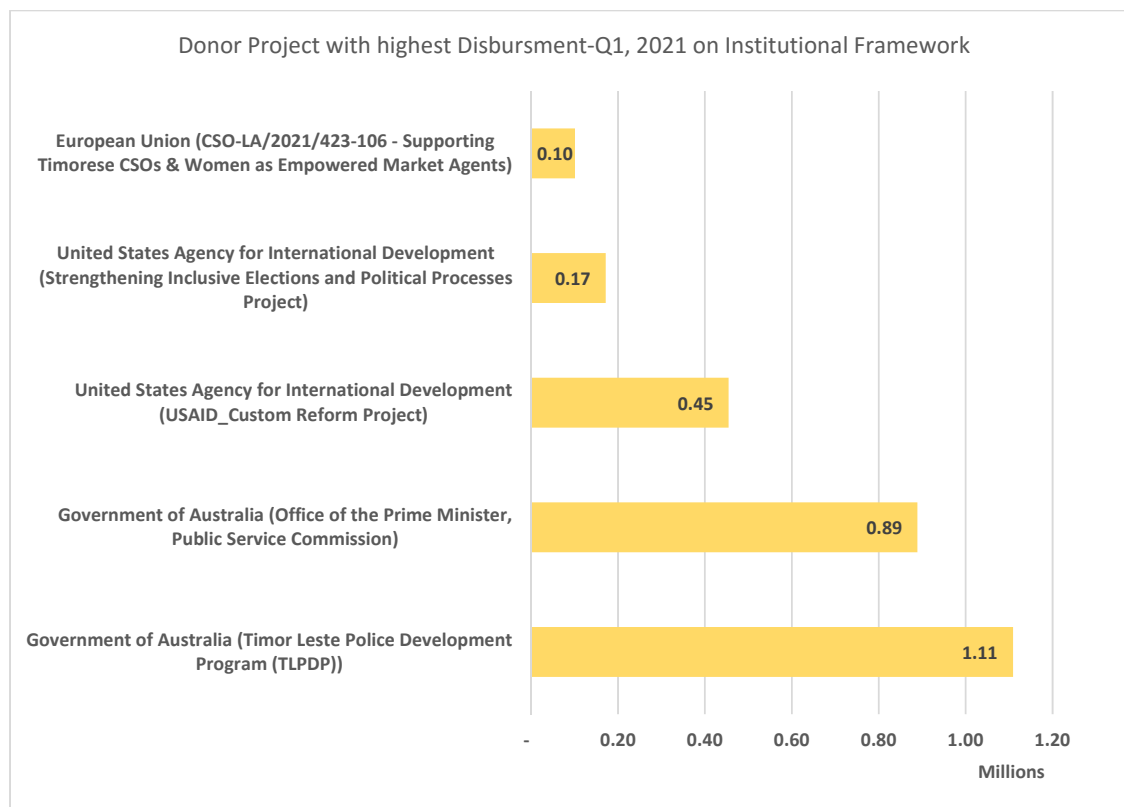
Donors made a cumulative disbursement of \$17.4 million in Timor-Leste by end of Q1, 2021. The following graphs present the projects with the highest cumulative disbursement by the end of Q1, 2021. All data is provided by DPs (development partners) and is extracted from the Aid Transparency Portal. Often times, actual disbursement is higher than planned disbursement in Timor-Leste as DP plans change over the course of the year. Hence, only actual disbursement has been shown in the graphs.³ Since the same project may contribute to multiple SDP sectors, it may repeat across the graphs if it has made high disbursements across them. The data only includes grant and technical assistance projects. No loans or government co-financed projects are included.

*Note: Donors have the right to make changes in previous data entries in the Aid Transparency Portal. Any in year discrepancies in data can be attributed to the same.*⁴

³ The graphs map project and DP disbursements to a SDP sector. We cannot draw conclusions on the nature of the receiving agency. It may be the government or a non-governmental implementing agency. In addition, it is important to note that the figures below do not distinguish between financing and in-kind support.

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

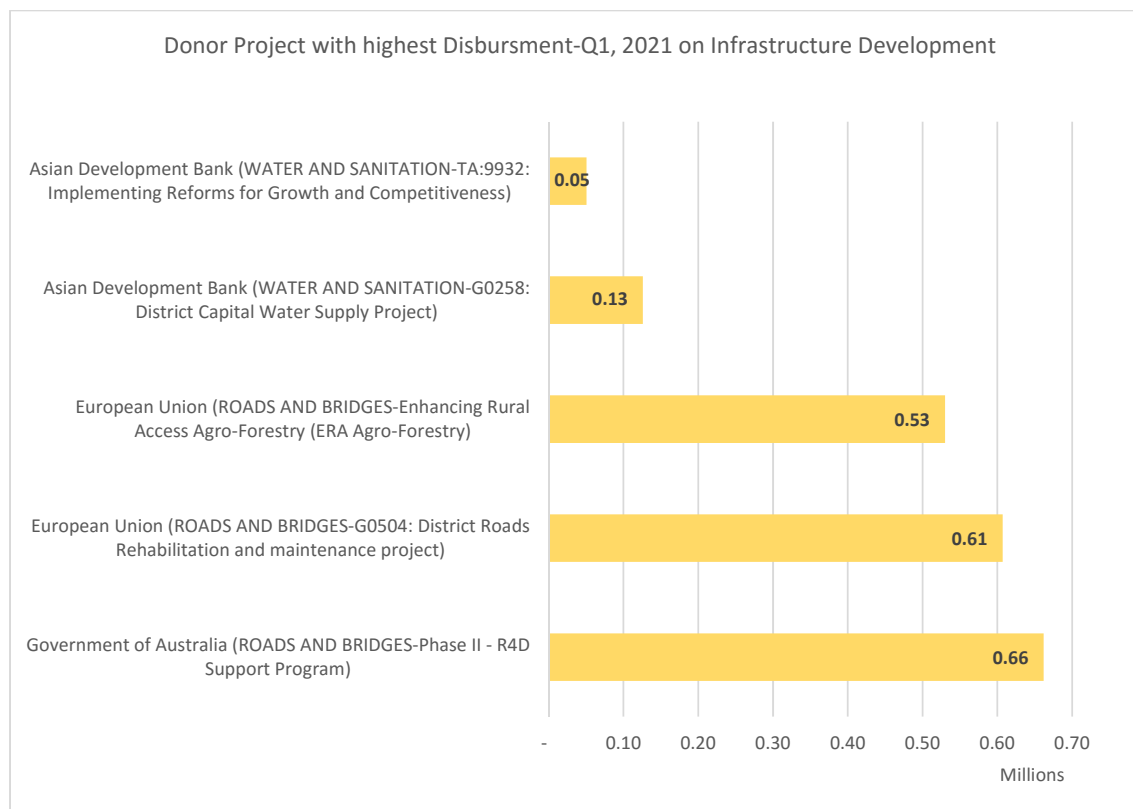
Figure 7: Disbursement for donor projects, SDP Sector- Institutional Framework



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

The graph shows the top five donors supporting in Sector Institutional Framework with total disbursement of \$2.9 million by end of Q1, 2021. The Government of Australia is the largest donor in this sector, having disbursed \$2.0 million for both the Timor-Leste Police Development Program (TLPDP) and strengthening Public Services at Prime Minister Office by the end of Q1, 2021. The United States for International Development supported the Ministry of Finance through the Customs Reform Project and strengthening inclusive elections and political processes project (\$0.62 million). European Union gave \$0.1 million to the supporting Timorese women as empowered market agents.

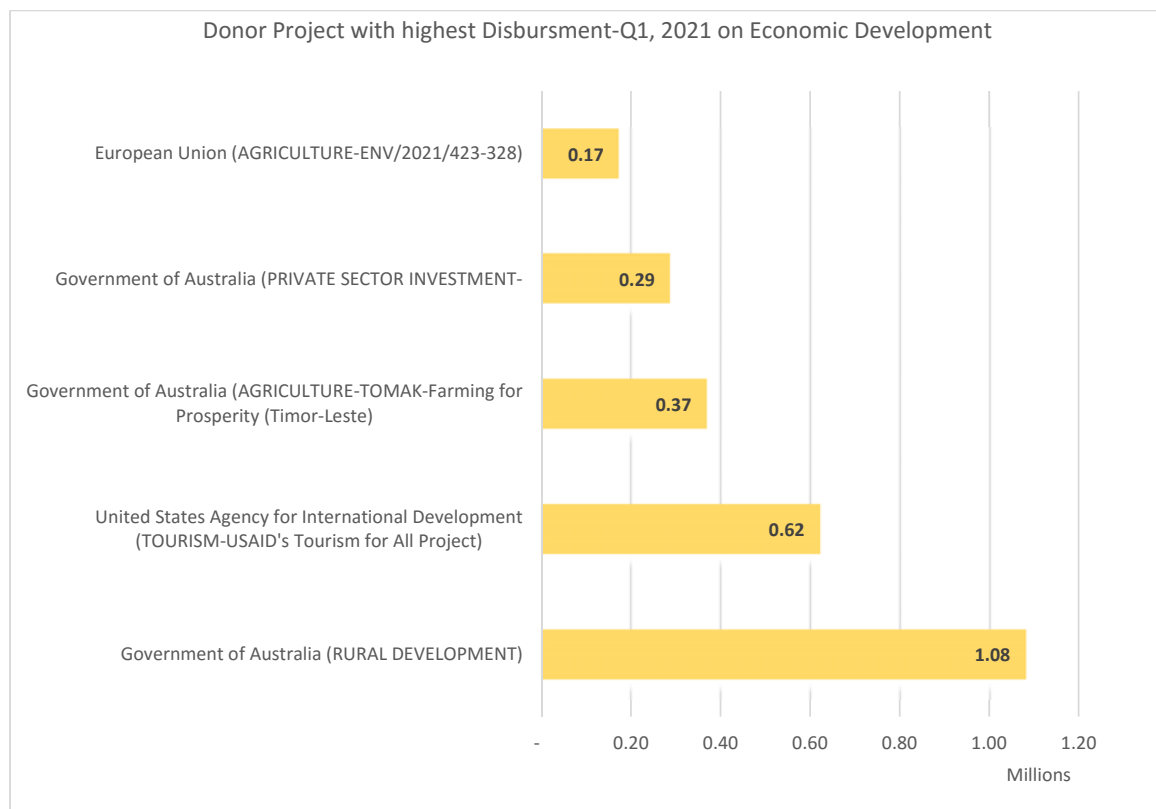
Figure 8: Disbursement for donor projects, SDP Sector Infrastructure Development



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

The graph shown top five donors to the Infrastructure Development sector which saw a total disbursement of \$2.08 million by end of Q1, 2021. Infrastructure Development sector focus on land and water transport, roads, forestry, climate resilience and water and sanitation. In Q1, the Government of Australia made the biggest single programme disbursement with \$0.66 million to its Roads for Development programme. The European Union contributed over \$1.4 million between its two biggest programmes on agro-forestry and roads rehabilitation and maintenance. Asian Development Bank contributed \$0.18 million across its two programmes focusing on water and sanitation; implementation reforms for growth and competitiveness and the district capital water supply project.

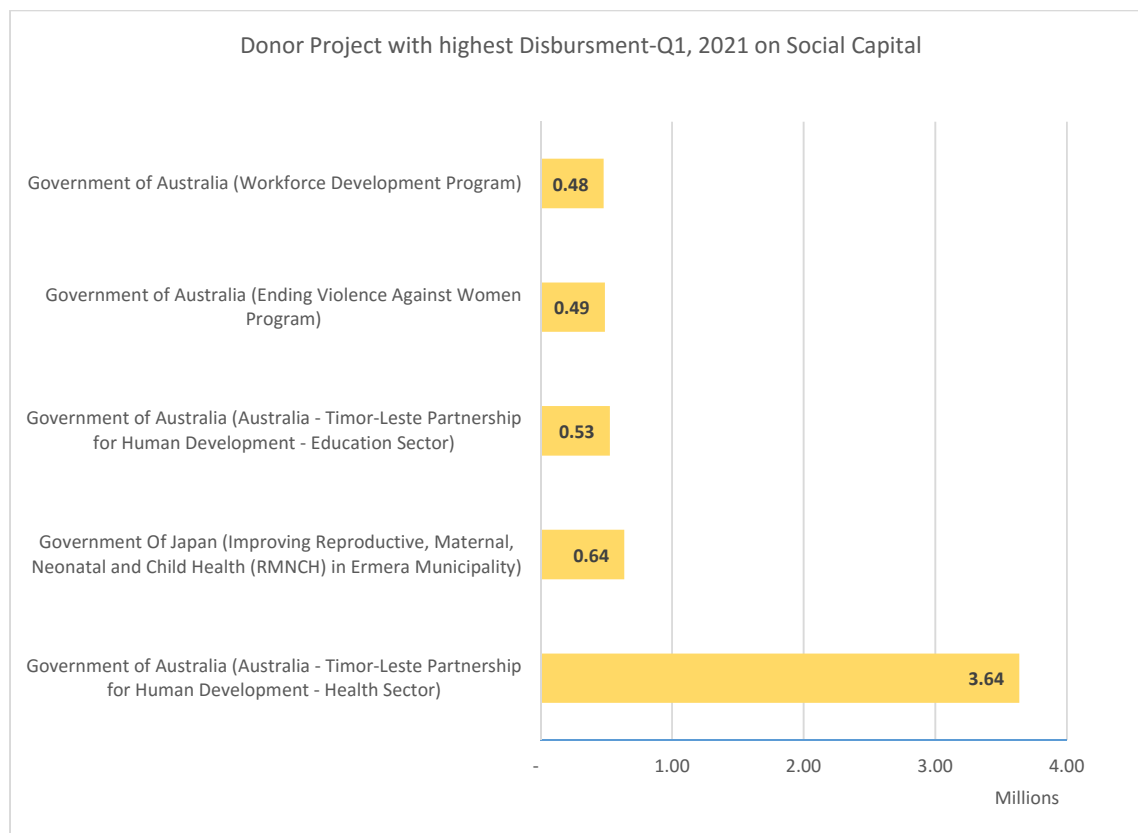
Figure 9: Disbursement for donor projects, SDP Sector- Economic Development



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

The Economic Development sector received a total disbursement from donors of \$3.4 million with top five programmes shown in the graph above. These donor projects focus on agriculture farming, food security, and tourism income generation, as well as private sector investment and rural development. The largest donor programme by the end of Q1 was the Government of Australia's rural development programme, with \$1.08 million given. The Government of Australia also supported the TOMAK (farming for prosperity) and private sector investment programmes with \$0.37 million and \$0.29 million respectively. United States for International Development (USAID) gave \$0.62 million to its Tourism for All project while the European Union disbursed \$0.17 million for agriculture project.

Figure 10: Disbursement for donor projects, SDP Sector- Social Capital



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

The Social Capital sector received \$9.04 million in donor funding by end of Q1, 2021. Social Capital projects generally focus on the health and education sector, as well as ending violence against women. The Government of Australia disbursed more than \$5 million across a number of projects such as their partnership for human development in both the health and education sector, workforce development program and their ending violence against women project. The Government of Japan contributed \$0.64 million on their reinforcement of the health sector in Ermera municipality particularly focused on improving reproductive, maternal, neonatal, and child health.

2.6 Direct Budget Support

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

In this context, the funds are directly given to the country's government without prior earmarking. However, a variable tranche depends on specific Key Performance Indicators (KPIs) agreed upon by the Ministry of Finance and the EU. While the funds are not

separate or additional to the Ministry's core business, they must support clearly stated priorities and the Ministry's own planning framework.

In 2019, the government received a first tranche of \$3.1 million and then a second tranche of \$6.7 million later in the year. The balance left over from 2019 for these funds was \$3.0 million. The government spent \$244,649 in Q1, 2020, the majority of it was spent on national and international professional services. An additional \$285,824 was spent in Q1, 2021 on similar professional services.

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

3 Revenue trends in Q1 2021

From the start of 2021, Electricidade de Timor-Leste E.P. (EDTL) and BEE Timor-Leste E.P. became Public Enterprises. This means that while they remain in the public sector, their revenues are no longer counted in the Treasury account as they are not included as part of the General Government. Public Enterprises are the most autonomous of all public entities.

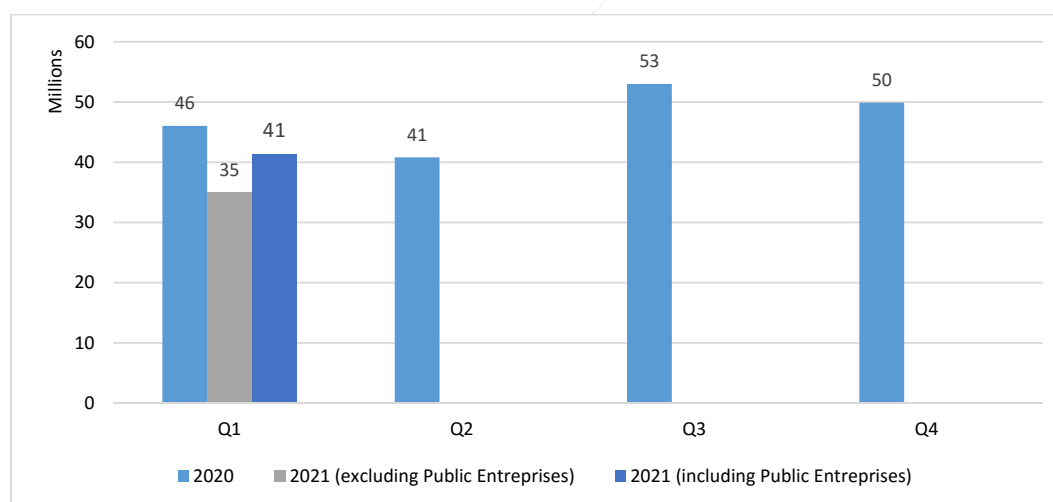
In the context of this report, Public Enterprises will refer to the line items that were part of the Treasury account in 2020 but are now included under a Public Enterprise. These are Water Fees, Electricity Fees & Charges and EDTL Receipts from New Installations.

3.1 Revenue trends in Q1 2021

Domestic revenues saw a 24.2% fall in collections when comparing Q1 2021 versus the same period in 2020. However this is excluding those entities that are now Public Enterprises. To allow a direct comparison between quarters, it is important to include them back into the total, though it is important to note that their revenues are no longer included.

Comparing like for like, domestic revenues fell 10.3% in Q1 between 2020 and 2021. This is driven by a 25% fall in tax receipts and a 23% fall in Fees and Charges collections.

Figure 11: Domestic Revenues 2020 and 2021, Q1

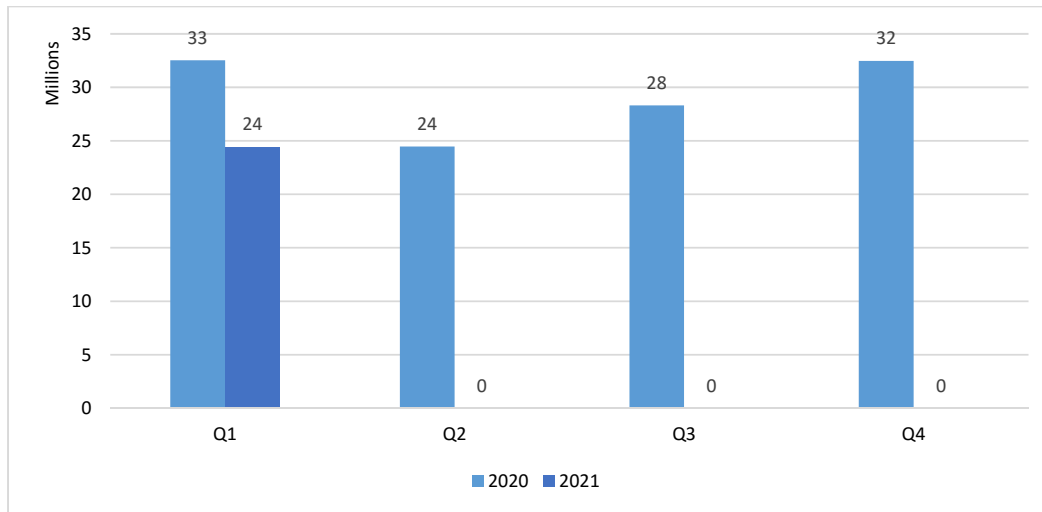


Source: National Directorate of Economic Policy, Ministry of Finance, May 2021.

3.2 Tax trends in Q1 2021

Tax revenues declined 24.8% between Q1 2020 and 2021 and fell 24.7% between Q1 2021 and the previous quarter (Q4 2020). In the quarter on quarter comparison, the main driver of the decline was the fall in direct taxes which fell 32.7%. Indirect taxes also fell in comparison, but to a smaller amount at -18.0%.

Figure 12: Tax Revenues, 2020 and 2021, Q1

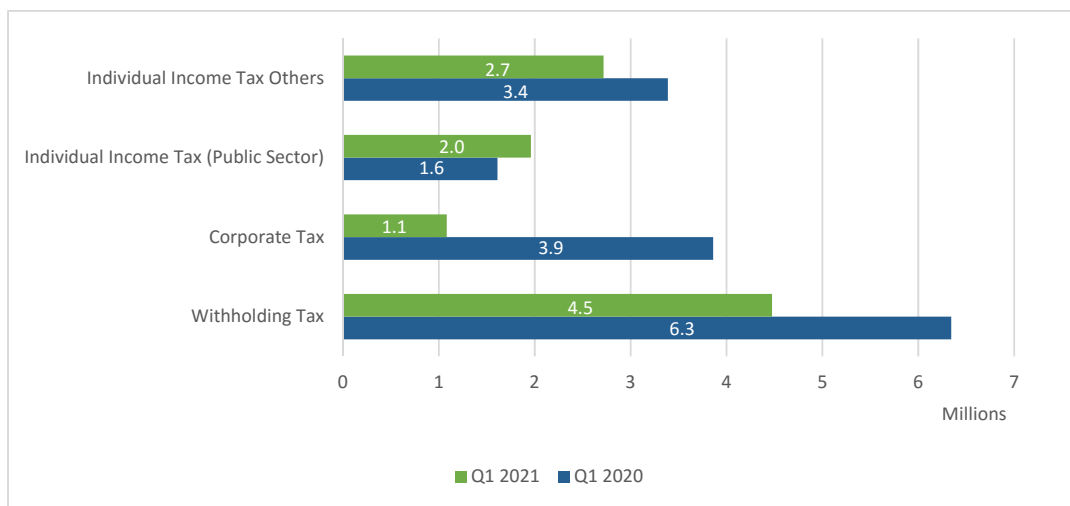


Source: National Directorate of Economic Policy, Ministry of Finance, May 2021.

Focusing on direct taxes, the largest fall was in Corporate Tax which only reached \$1.1 million in Q1 2021 compared to \$3.9 million in 2020, a fall of over 70%. Corporate Tax is set at a flat rate of 10% of corporate income. This significant decline implies a rapid fall in corporate income during the first quarter of the year.

There was also a significant fall in Withholding Tax collections, at nearly 30%. Withholding taxes are often linked to the amount of capital expenditure spending in the economy as they are levied on both building and construction consulting services. Therefore this implies a reduction in the construction sector during the first quarter of 2021.

Figure 13: Direct Taxes, Q1 2020 and 2021

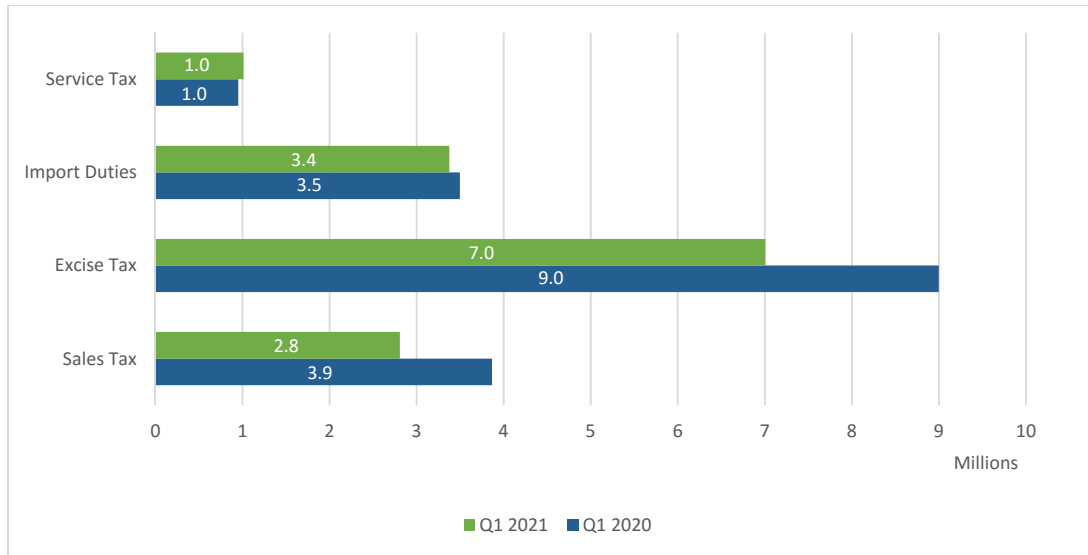


Source: National Directorate of Economic Policy, Ministry of Finance, May 2021.

Indirect taxes also fell, though not to the same degree as direct. Most taxes saw a similar amount of collections by the end of the quarter. However there was a 27% fall in Sales Tax and a 22% fall in Excise Tax. Both these taxes are placed of imported goods, sales

tax universally and excise tax to a specified list of 10 items⁵. However import duties did not see a similar decline.

Figure 14: Indirect Taxes, Q1 2020 and 2021



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

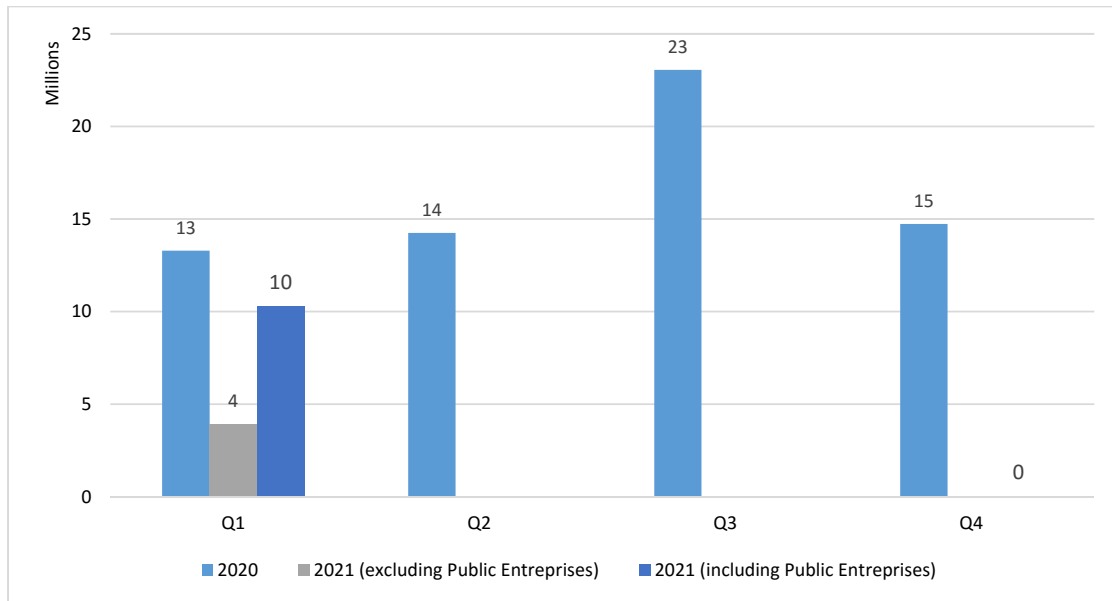
3.3 Fees and Charges trends in Q1 2021

Fees and Charges saw a 70.4% fall in collections between the same period in 2020 and 2021. However as mentioned before, this does not include collections for EDLT and Bee TL in the 2021 amounts due to them becoming public enterprises at the start of 2021. When comparing like for like, with both amounts including all line items, Fees and Charges still see a significant fall, albeit much lower, at 24.8%.

In comparison to Q4, the previous quarter of collections, collections declined 73% when excluding Public Enterprise collections and 30% in the like-for-like comparison.

⁵ Taxes and Duties Act 2008

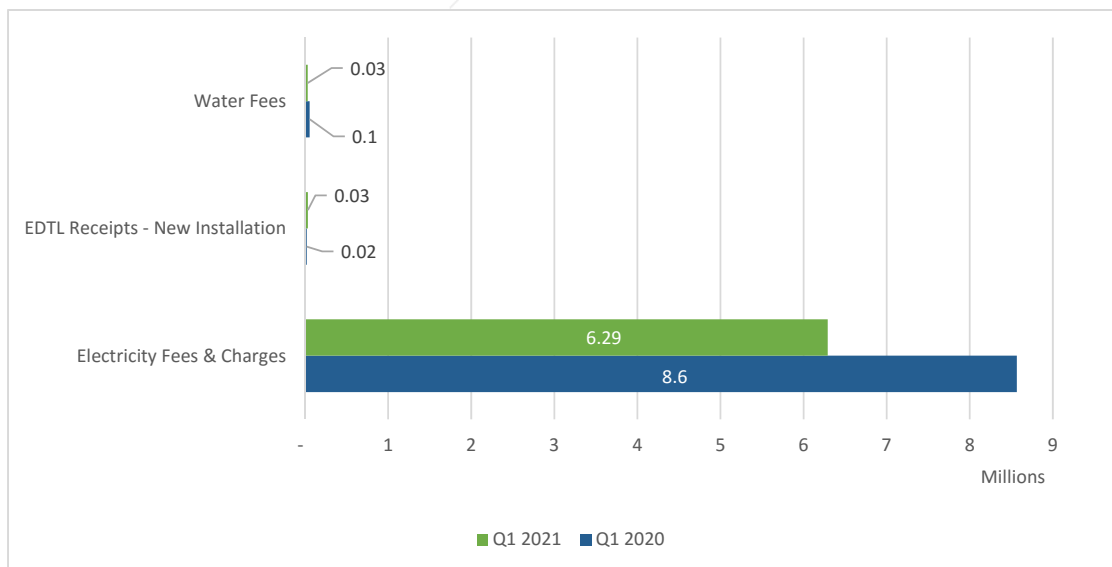
Figure 15: Fees and Charges, 2020 and 2021, Q1



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

In fact, Electricity Fees and Charges fell 27% between Q1 2020 and 2021, which may be due to the enforcement of lockdown in Dili and a number of other districts in March due to the detection of community transmission of COVID-19. These rules meant that a number of businesses were forced to close, therefore reducing their demand for electricity, as people were recommended to stay at home. Water fees and New Installation receipts rose in comparison to 2020.

Figure 16: Public Enterprise line items, Q1 2020 and 2021



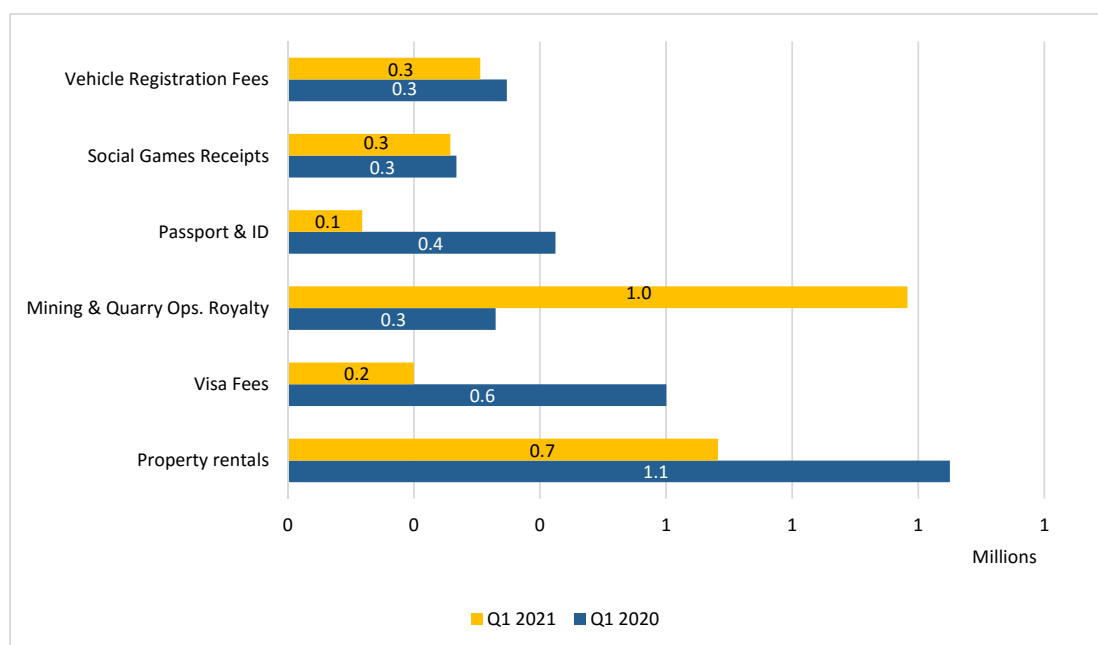
Source: National Directorate of Economic Policy, Ministry of Finance, May 2021.

For the largest line items still included in the Fees and Charges, all saw a fall in collections between 2020 and 2021. This is except for Mining and Quarry Operations Royalties which nearly tripled year on year. The Ministry of Petroleum and Minerals sees mining

as a key sector for the economy in the future, especially given the declining returns from the Bayu-Undan field.

Passport and ID collections and visa fees saw the largest falls with a decline of 72% and 67% respectively. This is not surprising given the continuation of the State of Emergency ensuring the validity of all visas, thus reducing the need for extensions, as well as the significant reduction of international travel given the COVID-19 pandemic and associated closure of most commercial flights.

Figure 17: Top Fees and Charges, Q1 2020 and 2021



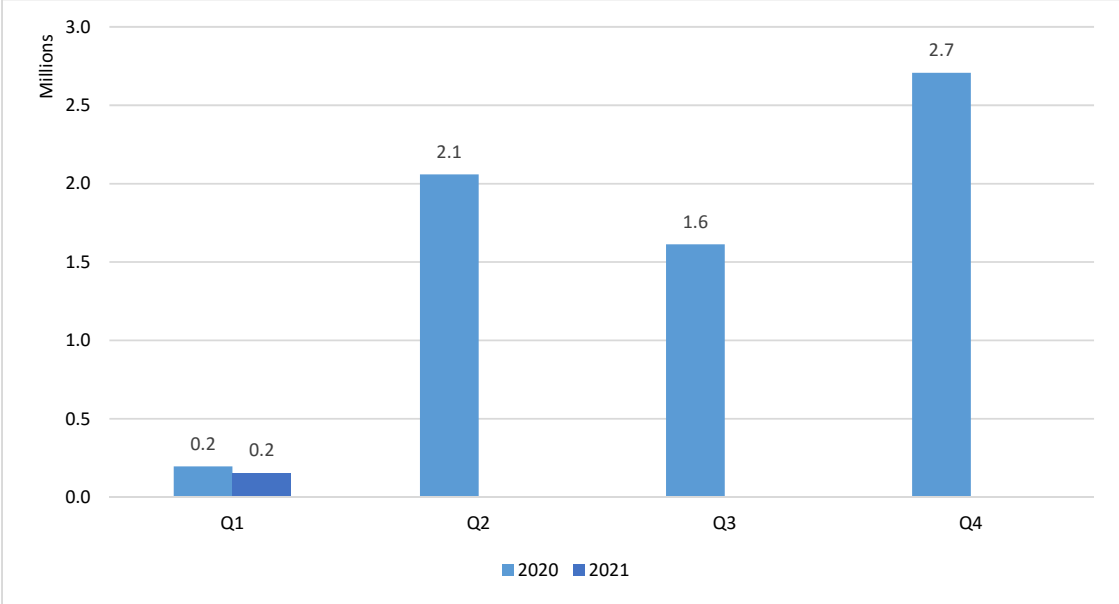
Source: National Directorate of Economic Policy, Ministry of Finance, May 2021.

3.4 Autonomous Agencies and Special Administrative Regions trends in Q1 2021

Autonomous Agencies saw a 21% fall in collections when comparing Q1 2020 and 2021. In comparison to the previous quarter, revenues were 94% lower.

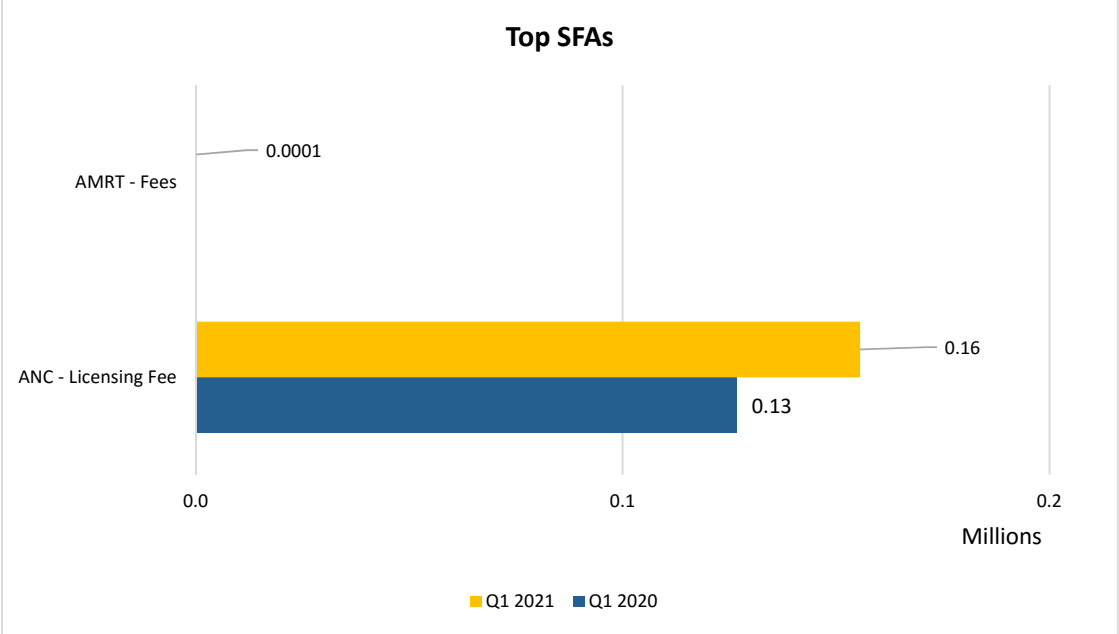
Note, only two Autonomous Agencies reported collections in Q1 2020. It is common for institutions to report the majority of their revenues in Q4, hence the significant reduction. The two revenue generating agencies were Autoridade Nacional de Comunicações (ANC) and Arquivo & Museu da Resistência Timorense (AMRT). While ANC also reported collections in Q1 2020, AMRT did not. In fact while ANC collections were up 23% on the previous year's total of Q1, it was not enough to raise the overall amount to over those collected in 2020.

Figure 18: Autonomous Agencies and Special Administrative Regions, Q1 2021



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

Figure 19: Revenue generating Autonomous Agencies, Q1 2020 and 2021



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

4 Ministry in Spotlight: Ministry of Higher Education, Science and Culture

4.1 Ministry in Spotlight: Ministry of Higher Education, Science and Culture

Education is an important sector to enhance the quality of human resources and contribute to achieving the full potential of the people and for the economic development of Timor-Leste. Timor-Leste is committed to improve the life of its people through education sector as written in the Strategic Development Plan as one of the critical sectors in social capital.

4.2 Mandate and Objective

The Ministry of Higher Education, Science and Culture holds an important role in the Government body with the main responsibility to design, implement, coordinate and evaluate policy that is defined by the Council of Ministers, for the areas of higher education and qualification, as well as for the areas of science, technology, arts and culture, and is responsible, in particular, for designing policy measures in the areas of higher education, science, arts and culture and technology, as well as their organization, financing, implementation and evaluation.

Following are the institutions that are dependent to the Minister of Higher Education, Science and Culture:

National University Timor Lorosa'e – UNTL: UNTL is the only public university in the country responsible to promote the teaching of excellence, through competitive academic programs at national and international level. One of its main roles is to promote a broad base of interinstitutional participation with the objective to integrate different scientific cultures.

Betano Polytechnic Institute: The IPB is the first national higher education institute that, holds a role in providing technical higher education to empower young Timorese for the performance of professional activities that require skills in the use and maintenance of technological tools and equipment. The IPB's training offer will focus on the primary sector - agriculture and livestock - and the engineering, comprising two higher schools: The Superior School of Agronomy and Zootechnics and the School of Engineering Sciences.

National Institute of Science and Technology - NIST: in partnership with Government, NIST coordinate, organize and facilitate research in the context of formulating government policies cross-sectoral for the development in Timor-Leste. NIST plays an important role to promote pure for development of Science and technology, applied research for contributing to government policy design as well as initiate innovation in Timor-Leste; and create national digital repository to collect and manage the result of all researches conducted by both national and international researchers related to East Timor issues.

National Agency for Academic Evaluation and Accreditation (ANAAA): is an autonomous body responsible to ensure the quality in all post-secondary education that comes under the Ministry of Education of Timor-Leste. Established in 2010, ANAAA is also responsible for accrediting East Timor higher-education institutions and their programs.

Technical Secretariat of the Human Capital Development Fund: The Fund created with the intention is to finance programmes and multi-annual projects for training and human resource development. One of its main roles is to ensure the financing of public investment is in the training and development of national human resources.

It is also associated with the following associations:

- UNESCO National Commission
- Implementation Unit of the Academy of Arts, Culture and Cultural Creative Industries
- Monitoring Committee of the Academy of Arts, Culture and Cultural Creative Industries
- National Library of Timor-Leste
- National Museum of Timor-Leste

4.3 Strategic framework

To ensure that everyone has access to quality higher education, the ministry also holds a key role as follows:

- Promote equal opportunities in access to higher education, science and the enjoyment of cultural goods
- Promote the development, modernization, quality, competitiveness and international recognition of higher education and scientific and technological systems
- Promote the link between scientific and technological higher education institutions, and between them and the productive system
- Promote the permanent evaluation and inspection of higher education, scientific and technological establishments
- Promote the evaluation of higher education professionals
- Plan a system of analysis and monitoring in order to assess the results and impacts of higher education policies
- Assess the results and impacts of higher education
- Develop policy and regulations for the conservation, protection and preservation of historical and cultural heritage

- Propose policies for the definition and development of arts and culture; Promote the creation of cultural centres of municipal scope, in conjunction with the local administration and with the objective of fostering national cohesion
- Establish policies for cooperation and cultural exchange with CPLP countries and cultural organizations and countries in the region; Establish cooperation policies with UNESCO; Develop programs, in coordination with the Ministry of Education, for the introduction of artistic education and culture in the teaching of Timor-Leste
- Promote creative industries and artistic creation in Timor-Leste, in its various areas
- Ensure the proper preservation of official and historical documents on the basis of competence; Protect rights relating to artistic and literary creation

4.4 Emergency Response to COVID-19

Timor-Leste confirmed its first case of COVID-19 on March 21st 2020 and a few days later on March 26th, the state of emergency was declared and has extended every month for 30 days up until July 26th 2021. The restriction of COVID-19 has affected many sectors and individuals including students of higher education. To ease the burden faced by family and students affected the most, the government through Ministry of higher Education, Science and Culture has provided supports including:

Individual subsidy to final year students: The government through Technical Secretariat of the Human Capital Development Fund foresee total budget of USD \$100,000 to subsidize all eligible final year Timorese universities and equivalent students both studying in local and overseas higher education institute around 3,025 students. Each student will receive an amount of USD \$500 for bachelor, USD \$650 for master and USD \$1,000 for PhD; however, the amount of subsidy for students studying abroad will vary depending on living cost of the country where the students live.

Rice subsidy: With coordination between Ministry of Higher Education, Science and Culture and UNTL, students affected by lockdown are able to receive rice subsidy from ministry of social solidarity and inclusion. In the first phase, 30 students receive the subsidy in March 2021, more students were expected to receive the same support as soon as the complete list of students is submitted to Ministry of higher education. Furthermore, 5094 students from UNTL who live in dormitory (renting house) were also subsidized with rice because they are not able to get help from their family due to mandatory containment in Dili.

Free tuition: In 2021, free tuition for one semester was offered for both private and public higher education. The free tuition is limited to USD \$ 150 per student per semester for all students. The free tuition is for second semester due to the extension of state of emergency and the suspension of on campus learning.

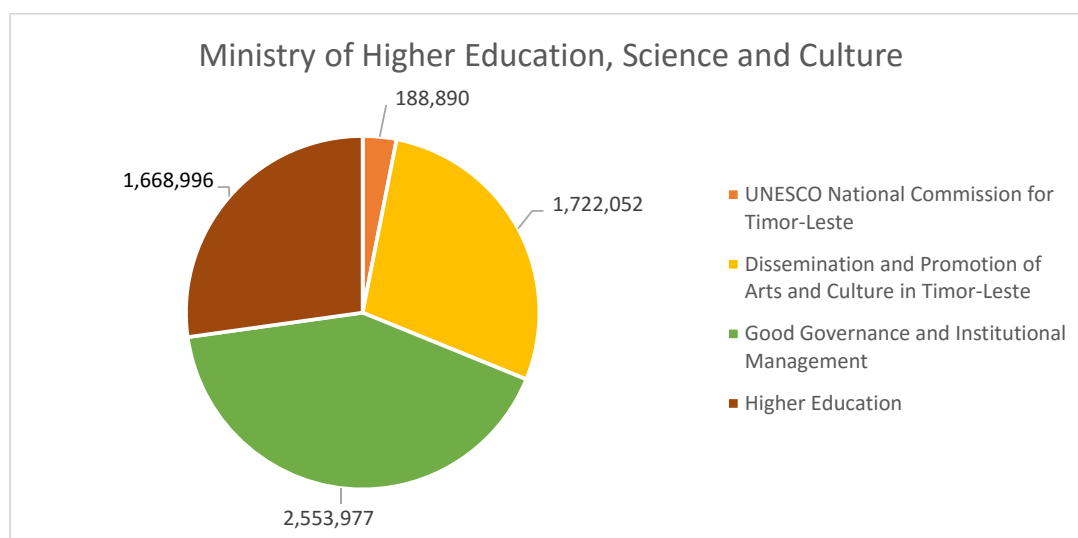
4.5 Budget by programme

4.5.1 Budget Allocation

The Ministry of Higher Education, Science and Culture received \$6,320,415 in the original approved 2021 budget. However this fell to \$6,133,915 in the supplementary budget after a fall of \$186,500; mainly in Dissemination and Promotion of Arts and Culture in Timor-Leste (78% of the decrease), but also to the Higher Education programme (13%) and Good Governance and Institutional Management (9%). The figures below are based on the final approved budget disaggregation.

None of the related ministries had their allocations changed as part of the reallocation for the supplementary budget. Universidade Nacional de Timor-Leste received a budget allocation of \$20,170,642 in the 2021 budget. Betano Polytechnic Institute was allocated \$1,340,925, the National Institute of Science and Technology \$573,591 and the National Agency for Academic Evaluation and Accreditation \$426,865. The total budget for related ministries to MESCC for the 2021 final budget is \$22,512,023, 3.6 times the budget of the Ministry.

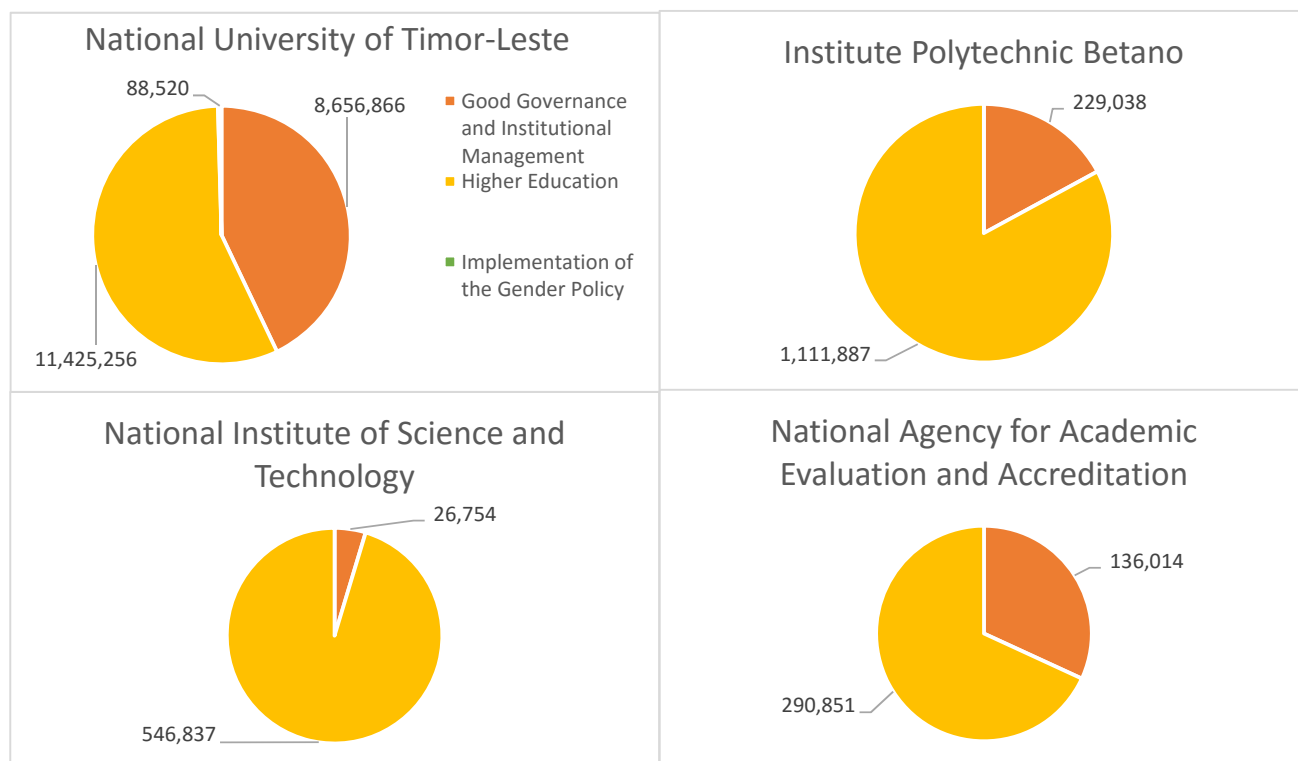
Figure 20: Budget Allocation based on programmes- MESCC



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

The above pie chart shows the budget allocation per programme. The largest programme is the Good Governance and Institutional Management, making up 42% of the total budget. The second biggest is the Dissemination and Promotion of Arts and Culture in Timor-Leste (28%), followed by Higher Education (27%). The final 3% is for the UNESCO National Commission for Timor-Leste programme.

Figure 21: Budget Allocation based on programmes- Related Agencies



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

When looking at the breakdown of the budget allocation for the related agencies, the largest component is the Higher Education programme with 59.4% of the total budget for related agencies. Good Governance and Institutional Management is 40.2%, with the final 0.4% allocated to Implementation of the Gender Policy, though this programme is only being used for UNTL.

Based on the executed budget to the end of Q1 2021, the Higher Education programme had the highest execution rate at 20%. Dissemination and Promotion of Arts and Culture in Timor-Leste currently has the lowest rate at only 10% by the end of March.

Programs	Budget Allocation, \$	Executed Budget to end of Q1 2021, \$	Execution Rate to end of Q1 2021	Final execution 2020
UNESCO National Commission for Timor-Leste	188,890	30,966	16%	n/a
Dissemination and Promotion of Arts and Culture in Timor-Leste	1,867,052	188,324	10%	95%
Good Governance and Institutional Management	2,570,477	324,004	13%	96%
Higher Education	1,693,996	336,341	20%	88%

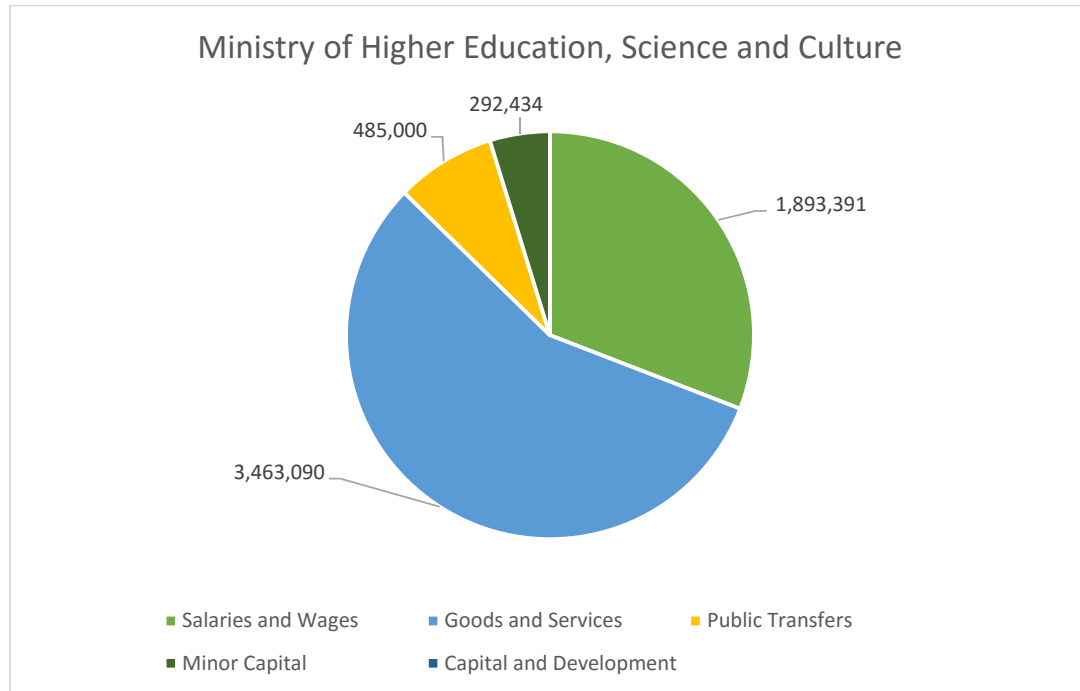
Source: National Directorate of Economic Policy, Ministry of Finance, June 2021.

4.6 Budget by Appropriation Category

4.6.1 Budget Allocation

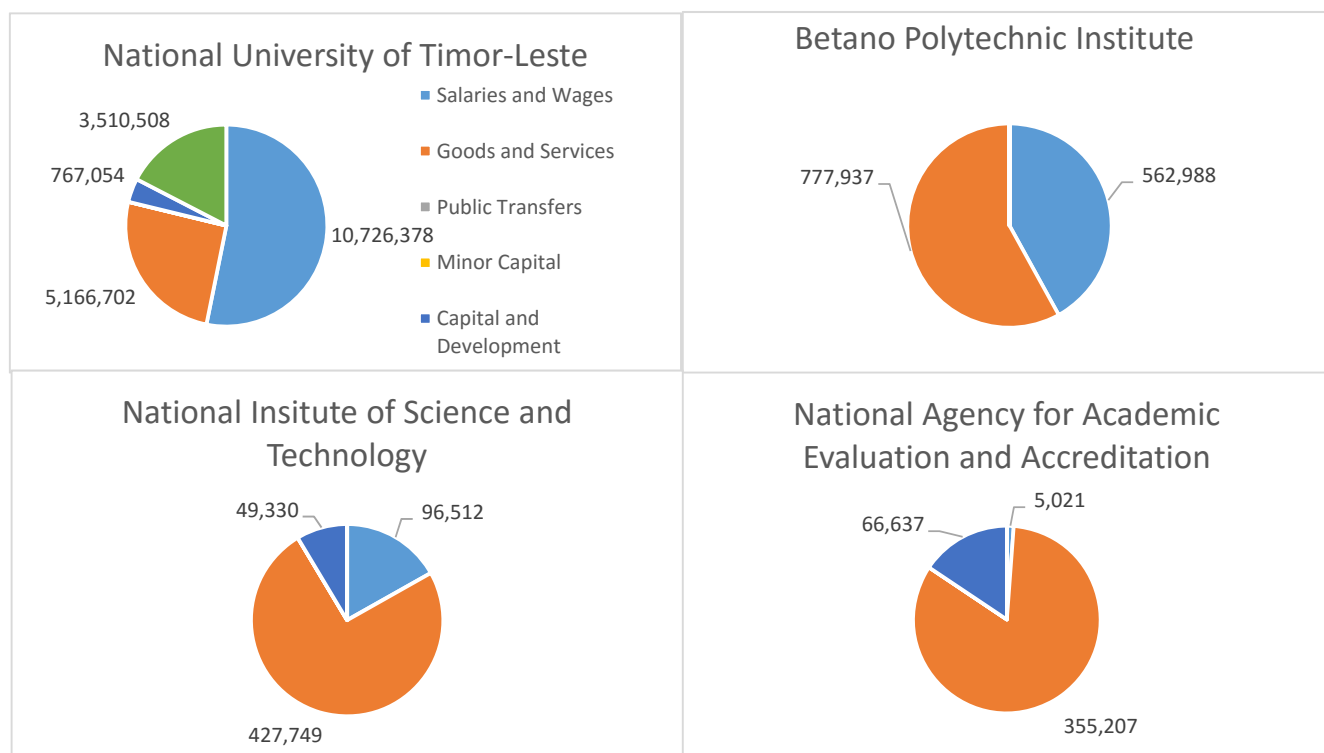
When looking at the budget of MESCC by appropriation category, the largest category is Goods and Services at 56%. This is then followed by Salaries and Wages at 31%, Public Transfers at 8% and Minor Capital at 5%. MESCC received no allocation of Capital and Development in 2021.

Figure 22: Budget Allocation based on appropriation categories – MESCC



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

Figure 23: Budget Allocation based on appropriation categories - Related Agencies



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

4.6.2 Budget Execution

When looking at the budget of MESCC by appropriation category, the largest category is Goods and Services at 56%. This is then followed by Salaries and Wages at 31%, Public Transfers at 8% and Minor Capital at 5%. MESCC received no allocation of Capital and Development in 2021.

	Budget Allocation, \$	Executed Budget to end of Q1 2021, \$	Execution Rate to end of Q1 2021	Final execution 2020
Salary & Wages	1,893,391	438,322	23%	95%
Goods & Services	3,463,090	441,313	13%	90%
Transfers	615,000	0	0%	100%
Minor Capital	292,434	0	0%	n/a

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

4.7 Virements

The Ministry of Higher Education, Science and Culture made a total of -\$186,500 virements in Q1 2021. These all occurred in March.

	January	February	March
Total Virements	-	-	(186,500.00)

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

The biggest transfer (virements out) came from the Dissemination and Promotion of Arts and Culture in Timor-Leste which lost \$145,000; \$15,000 from Goods and Services and \$130,000 from Transfers. The movement from Transfers was likely to cover the ministry's contribution to the Cesta Basica programme. Higher Education and Good Governance and Institutional Management also had virements out of \$25,000 and \$16,500 respectively. There were no virements in to the Ministry of Higher Education, Science and Culture during Q1.

Programme	Salary & Wages	Goods & Services	Transfers	Minor Capital	Capital & Development	Total
UNESCO National Commission for Timor-Leste						-
Dissemination and Promotion of Arts and Culture in Timor-Leste		(15,000)	(130,000)			(145,000)
Good Governance and Institutional Management		(16,500)				(16,500)
Higher Education		(25,000)				(25,000)

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

None of the related agencies made any virements in Q1 2021.

4.8 Contingency Fund

During the first quarter, neither the Ministry of Higher Education, Science and Culture or any of its related agencies accessed the Contingency Fund.

4.9 Revenue collections

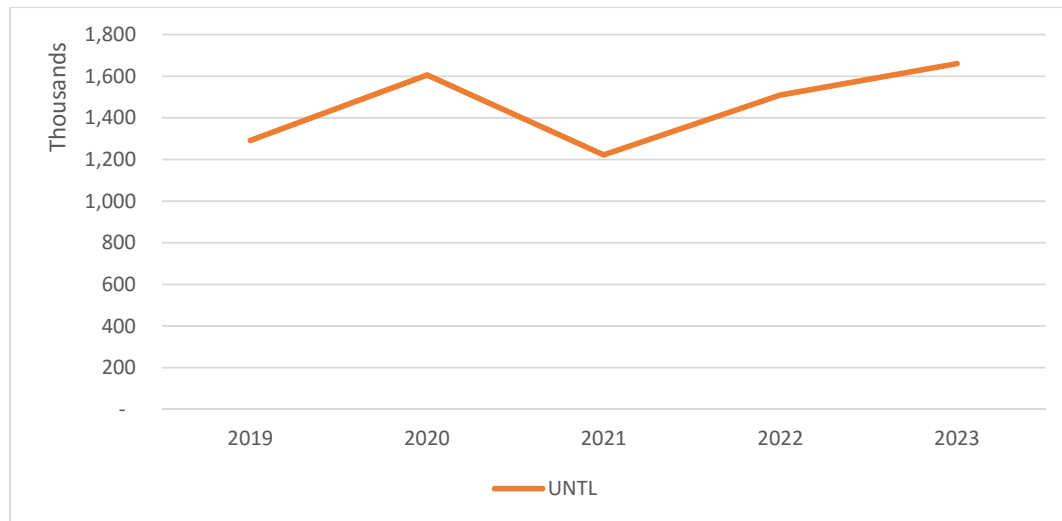
The Ministry of Higher Education, Science and Culture does not receive its own revenues. Neither do the National Institute of Science and Technology or the National Agency for Academic Evaluation and Accreditation.

The largest source of revenue is from Universidade Nacional de Timor-Leste. While revenues had been increasing over time, due to more students attending university, they are expected to see a decline in 2021 due to the COVID lockdown, sanitary fence around Dili and requirement for online classes. Students were not able to come into Dili/ UNTL

to complete their 'Monografia', the final essay of their degree, so the university was unable to collect the fees from them.

However collections are due to bounce back. UNTL through the internal Diresaun Nasional de Receitas would like to establish a new Negotiation Plan for the university with the same of increasing revenues through increasing student fees and the introduction of new line items. These new revenues streams would include creation of a canteen, computer/transport rental schemes and establishing language courses. However these have not yet been implemented due to current legal requirements not yet being approved.

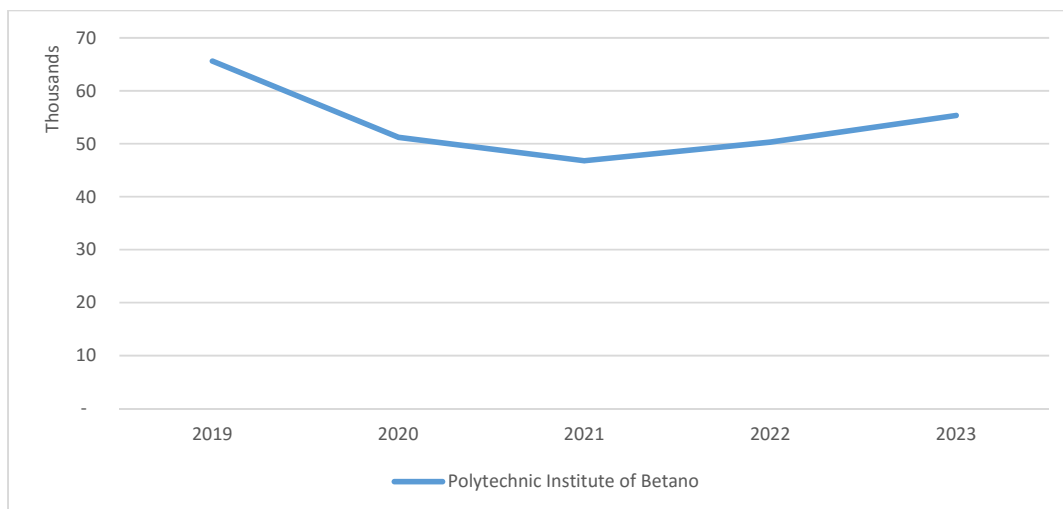
Figure 24: Real and Forecast Revenues of UNTL 2019-2023



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

Betano Polytechnic Institute also contributes to domestic revenues, though on a smaller scale than UNTL. Collections are also estimated to be down in 2021, due to the impact of COVID and the similar concerns of UNTL. However, the recovery for Betano Polytechnic Institute is forecast to be slower than UNTL's due to the substantial decline in revenues between 2019 and 2020.

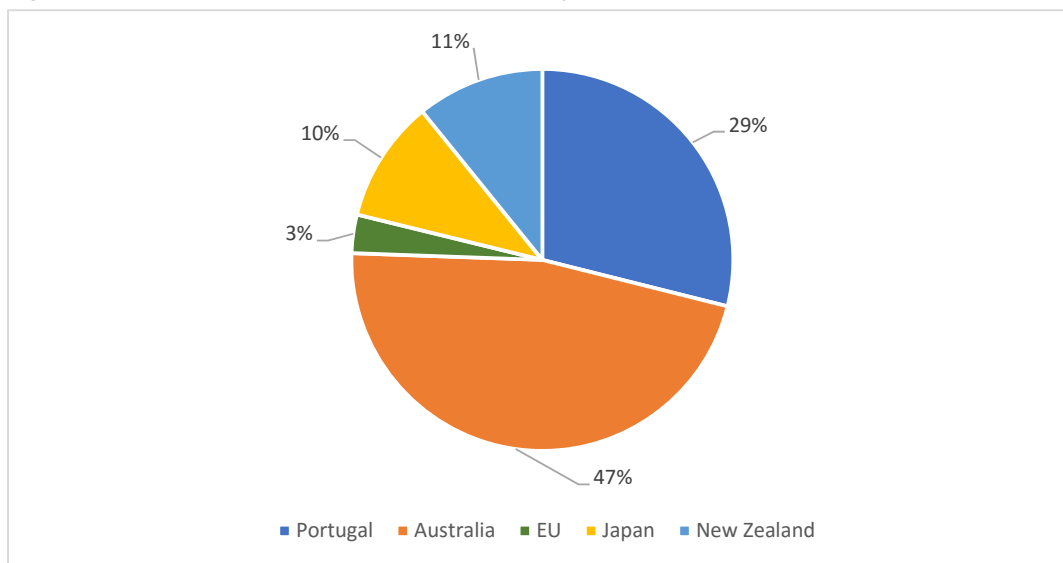
Figure 25: Real and Forecast Revenues of Betano Polytechnic Institute 2019-2023



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

4.10 Development Partner Disbursements

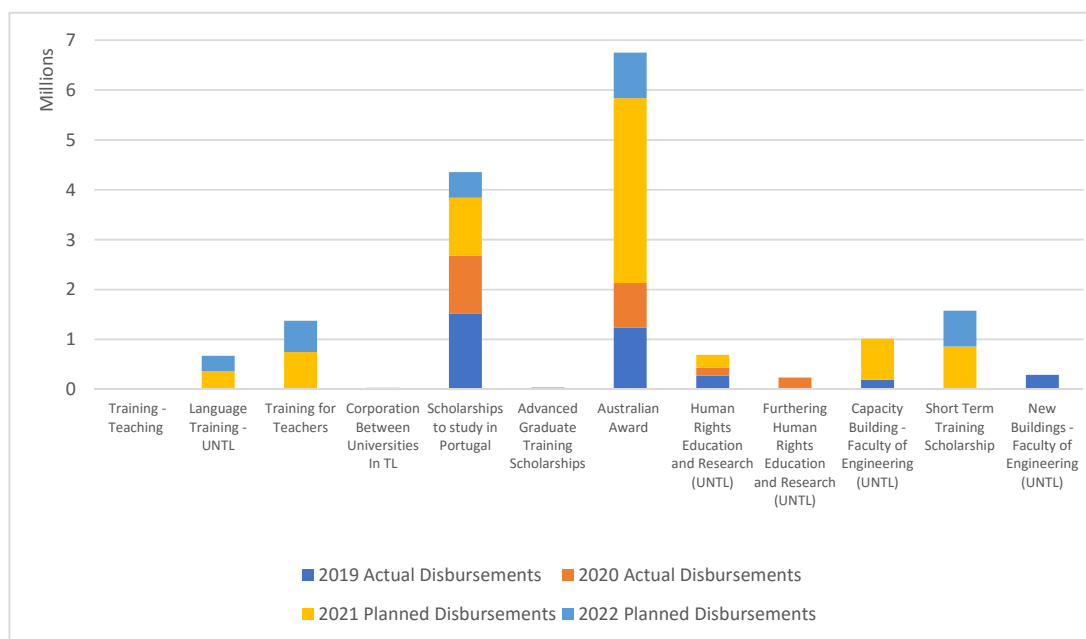
Figure 26: 2021 Planned Donor Disbursements by Donor



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

The above pie chart shows the allocation of planned disbursements per donor for 2021 with a total amount of \$7,940,243. The biggest donor is Australia with an allocation of \$705,385 (47% of the total) followed by Portugal with \$2,294,778 (29%). The smallest comes from the EU with a donor allocation of \$258,338 (3%).

Figure 27: Donor Spending 2019-2022 by Programme



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

Looking at programmes, projects relating to education are due to centre on providing scholarships for students to study abroad in Australia and Portugal, as well as short-term and graduate training.

The program with largest donor spending in 2021 is the Australia Award (scholarships to study at University in Australia) with a planned disbursement of \$3,705,385, significantly higher than actual disbursements in 2020 which was \$898,455. So far this year, this is the only program that has actually been given donor support with \$62,612 (from government of Australia).

The next largest programme is Scholarships to study in Portugal. This is forecast to receive \$1,163,041 (from Government of Portugal), a small reduction from the amount given in 2020. In the previous two years, this programme had received the largest amount of donor spending.

This year there are three new programmes that relate to teacher training; Training – Teaching, Language Training – UNTL and Training for Teachers. These are funded by the government of Portugal with a total planned disbursement of \$1.1 million.

There were two programmes that had not been given disbursement that relate to UNTL; Corporation between Universities in Timor-Leste, Furthering Human Rights Education and Research (UNTL) with total donor \$249,397.

Two programmes that were funded in 2020 were not continued to 2021. Both relate to UNTL; Corporation between Universities in Timor-Leste and Furthering Human Rights Education and Research. The former was supported by the government of Portugal, the latter the EU. The total funding for both programmes last year was \$249,397.

The smallest planned amount to support a single program is \$7,662 for Training-Teaching, specifically Portuguese Language. The next smallest program planned is Advanced Graduate Training Scholarships with \$10,549.

5 Other Matters of Interest

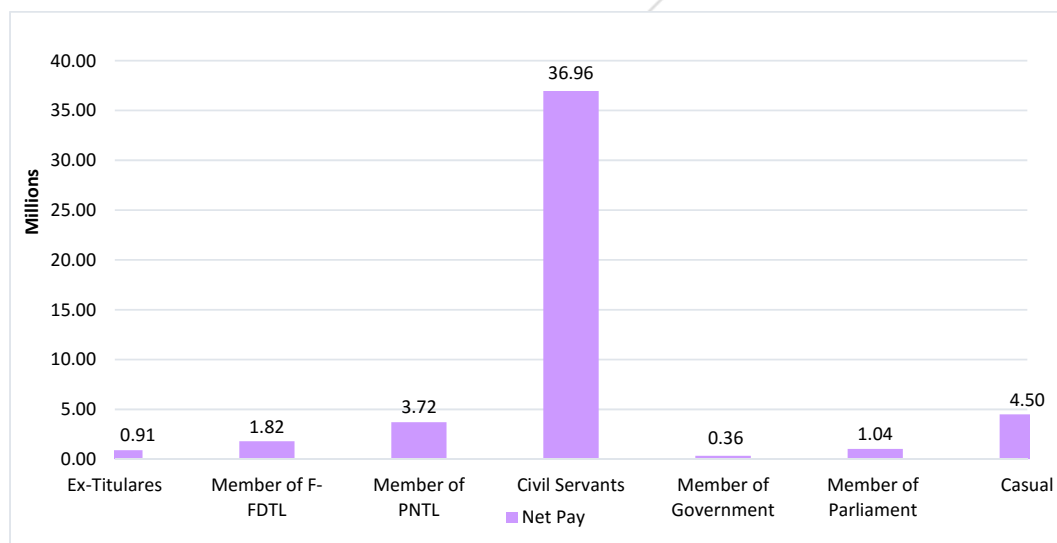
5.1 Procurement

Timor-Leste has instituted a 10% limit on sole source procurement. Timor-Leste has instituted a 10% limit on sole source procurement⁶. All line ministries and agencies must focus on competitive procurement which reduces corruption and encourages competition between vendors. As of Q1, all LM/agencies are under the 10% limit. COVID-19 pandemic management, which is an exception to the rule, has 39.5% sole source contracts.

5.2 Staff costs

The following graph presents expenditure on salary and wages through Payroll in Treasury for casual⁷ employees, ex-Titular's⁸ and regular payroll (Members of Parliament, Government, PNTL, FDTL and civil servants). The average number of employees for Q1 for each subgroup is presented on the horizontal axis. In Q1, \$4.5 million was spent on casual employees, \$910k on ex-Titular's and \$43.9 million on regular payroll.

Figure 28. Salary and Wages - Casual, ex-titulares and regular payroll, Q1 2021



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

⁶ Legal Regime for Procurement, No 10/2005 amended by 38/2011

⁷ A Casual Employee is an employee who is recruited for short term period or defined period of time, for instance, 3 months, 6 months and 1 year, which is also normally called "Contrato Termo Certo". The salary of the casual employee is paid through Payroll from Professionals services item (Goods and Services Category). The advisors salaries paying from same category but process through CPV and not through Payroll.

⁸ Ex-Titular's are former members of the Government and Parliament (The formers of Political Positions) and they are pension paid from Personal Benefits (Public Transfer Category)

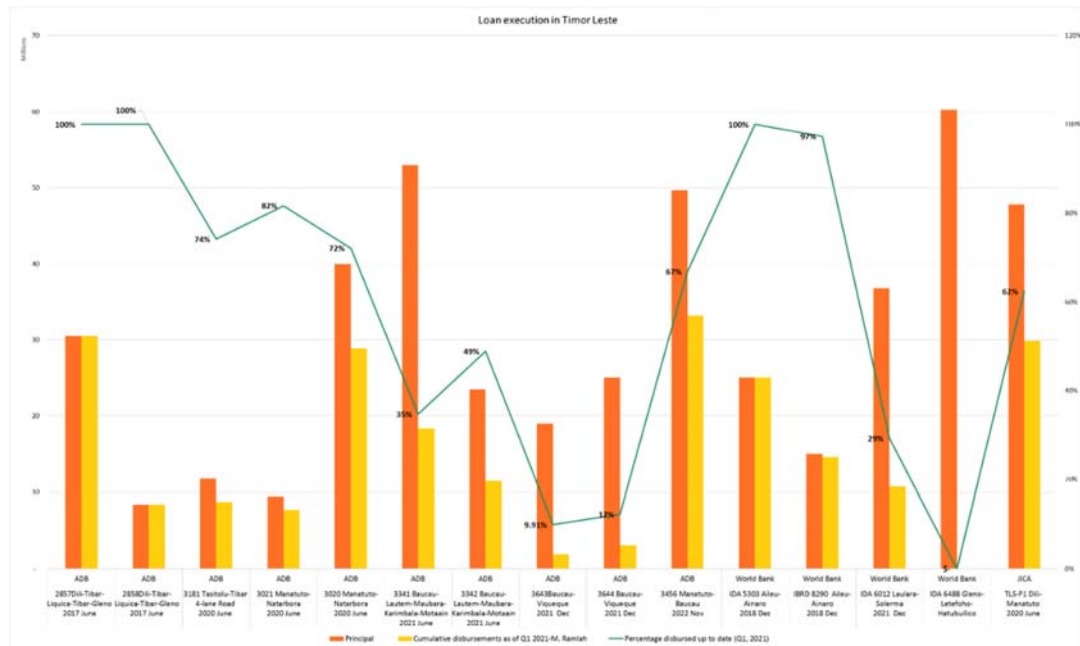
5.3 Loans

The following graph shows the ongoing and disbursed loan projects in Timor-Leste as of June 30, 2020. The loan disbursement must be utilised six months before the closing date of the loan. There has been almost no change in loan execution between Q1, 2020 and Q1, 2021 which can be attributed to issues related to state of emergency due to Covid-19.

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

Loans 3020, 3021, TLS-P1 (loan end date extended for first three) and 3181 disbursed between 50-85% by Q1, 2021. The loan execution of 3181 which was due to close on September 2020 has not moved since Q4, 2019 and remains at 62%. Similarly 3341 has increased execution by only 5% since Q4, 2019. The ADB loans for Baucau-Viqueque (3643 and 3644) have the lowest disbursement, all falling below 10%, but are still due to be completed by December 2021. IDA 6488 (Gleno-Letefoho-Hatubulico) is a new World Bank addition to the loan portfolio.

Figure 29: Loan execution until Q1, 2021



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