TIMOR-LESTE PUBLIC EXPENDITURE REVIEW

Changing Course:
Towards Better and More Sustainable Spending

Main Findings: Revenue and Expenditure

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Why a Public Expenditure Review for Timor-Leste?

Sustainability and Adequacy

Is the level of Timor-Leste public spending sustainable and adequate to address the country's development challenges?

Efficiency

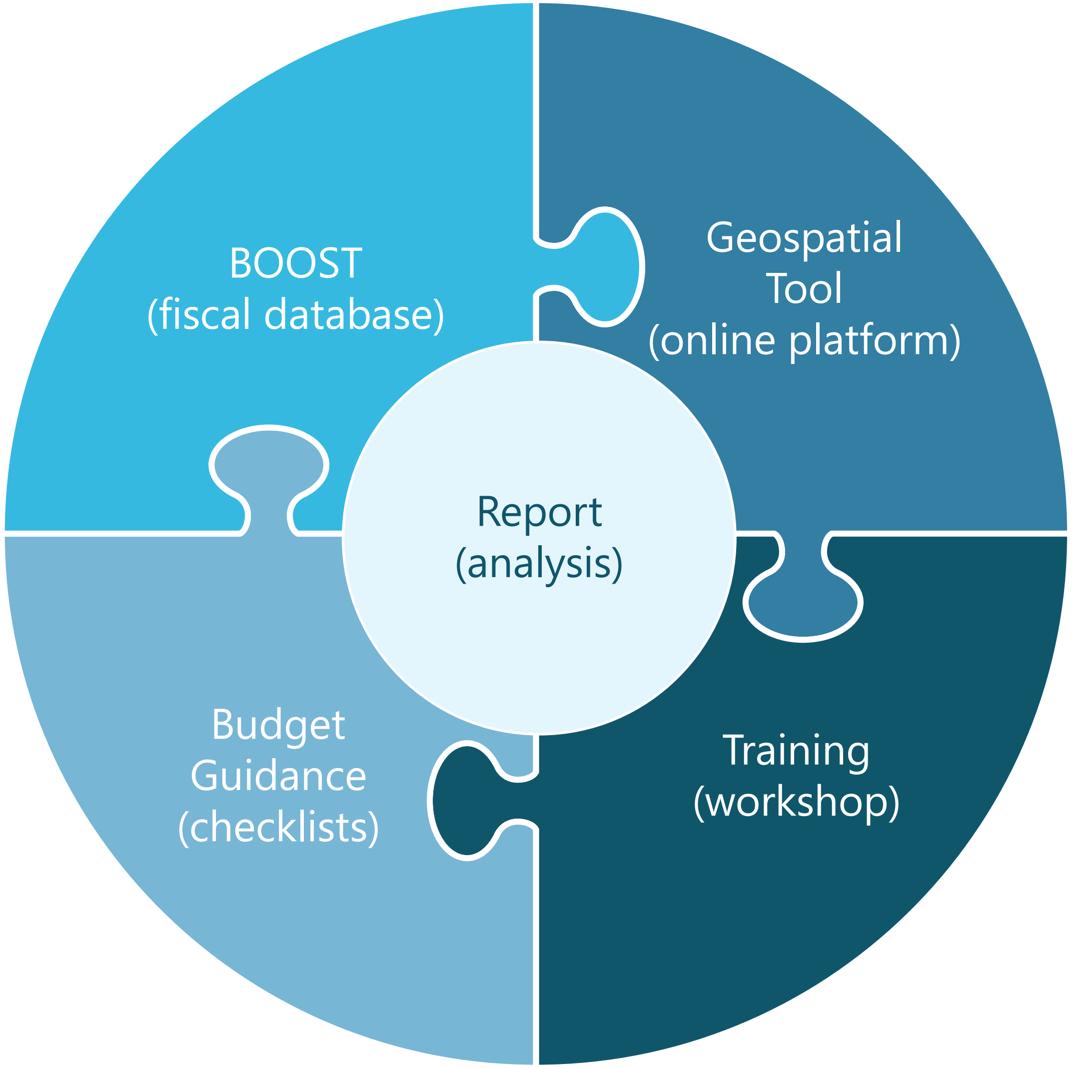
Have public resources been used effectively in delivering public services?

Effectiveness

Have public resources been used effectively to achieve Timor-Leste development objective?

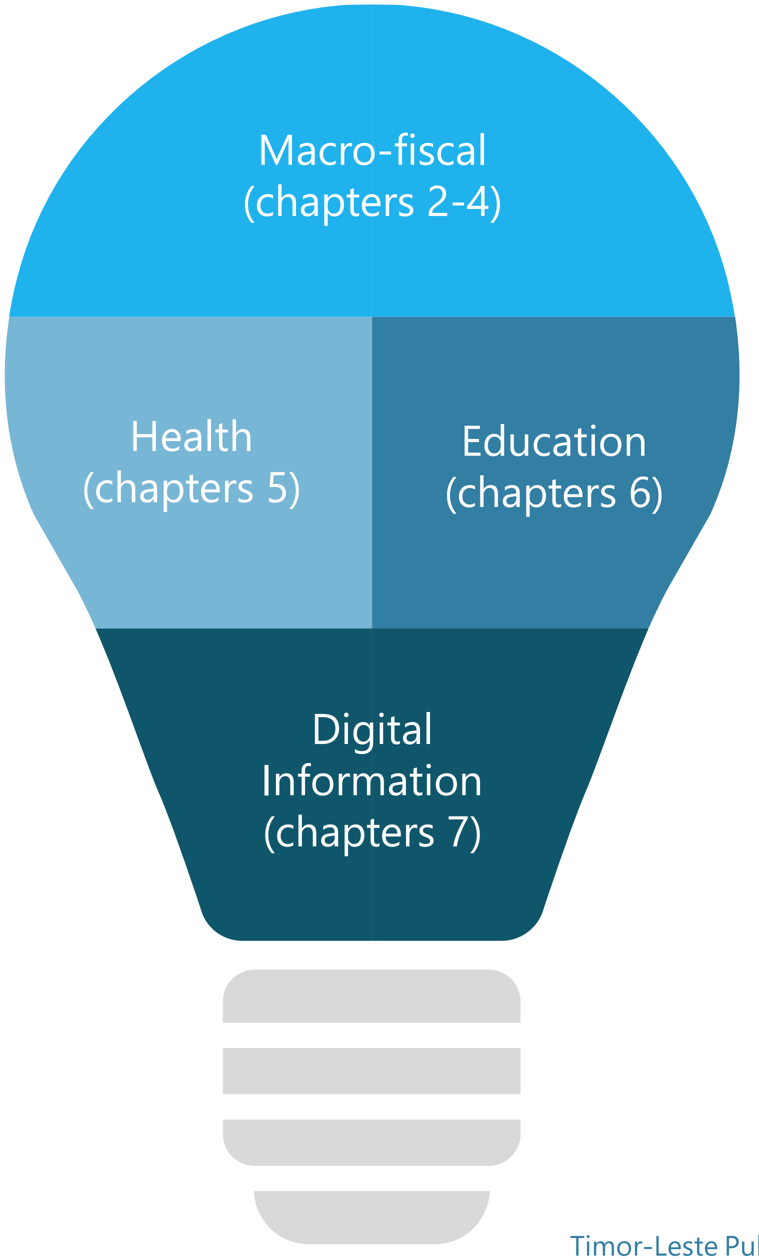
Public Expenditure Review Output

- Productive **collaboration** between WBG and Government (e.g., MoF).
- **Missions** comprising education, health, and governance experts.
- **BOOST** database developed to facilitate future analytical work.
- Geospatial **tool** piloted to support planning and budgeting.
- Informal **guidance** provided to improve budget preparation.
- **Training** to ensure the sustainability of the PER process.



Public Expenditure Review Structure

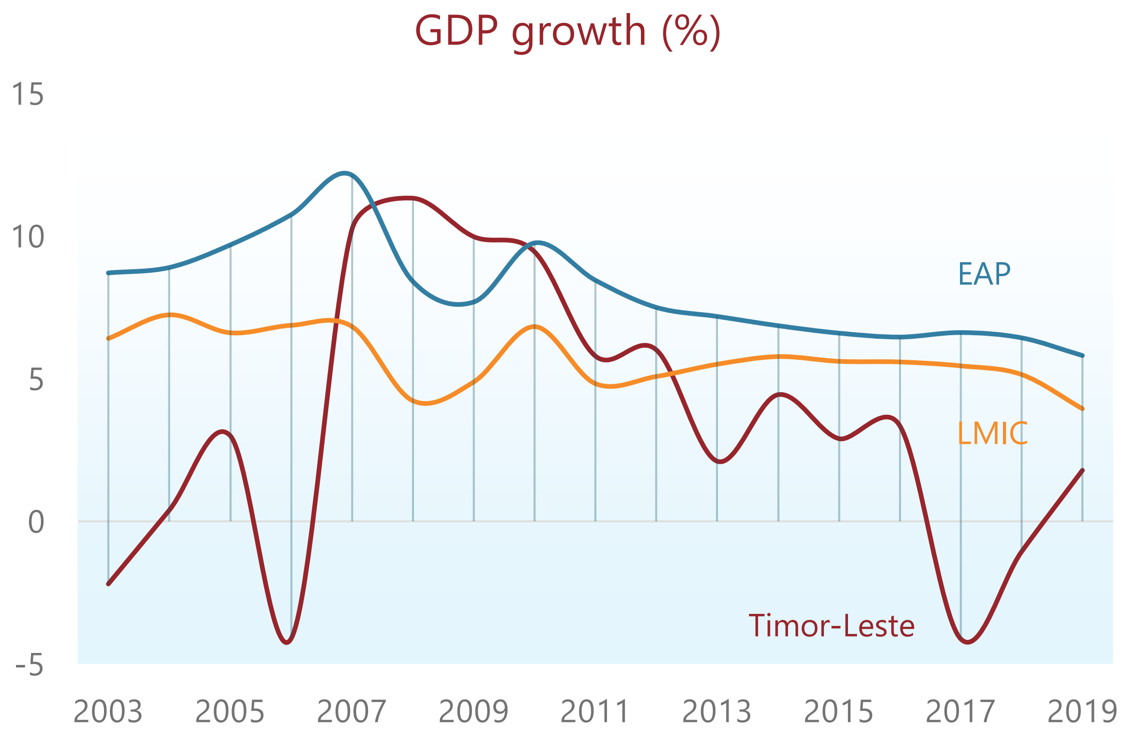
- Report comprises several **chapters** framed as interconnected building blocks (e.g., modules).
- Chapters on **macroeconomic** trends, **expenditure**, and **revenue**.
- Thematic chapters on **health** and **education**.
- **Digital** chapter introducing the Geospatial (GBP) tool.

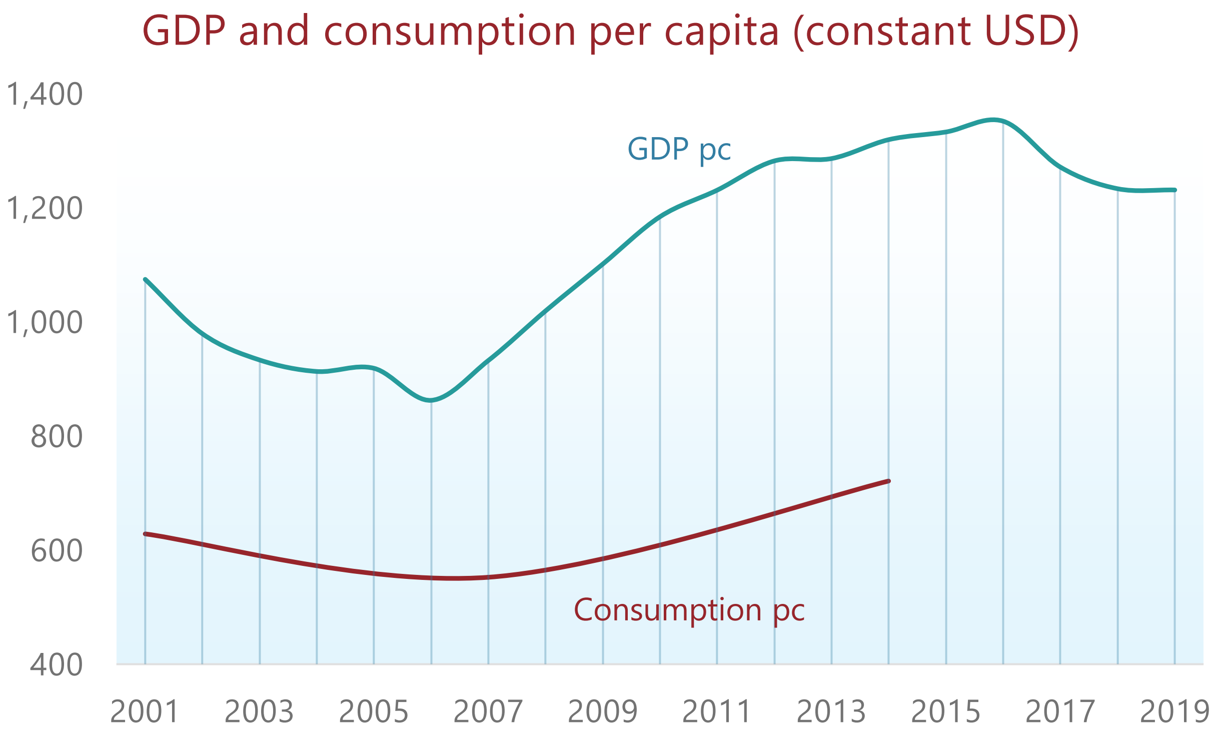


Macroeconomic Performance

- Economic Growth
- Living Standard
- Growth Drivers

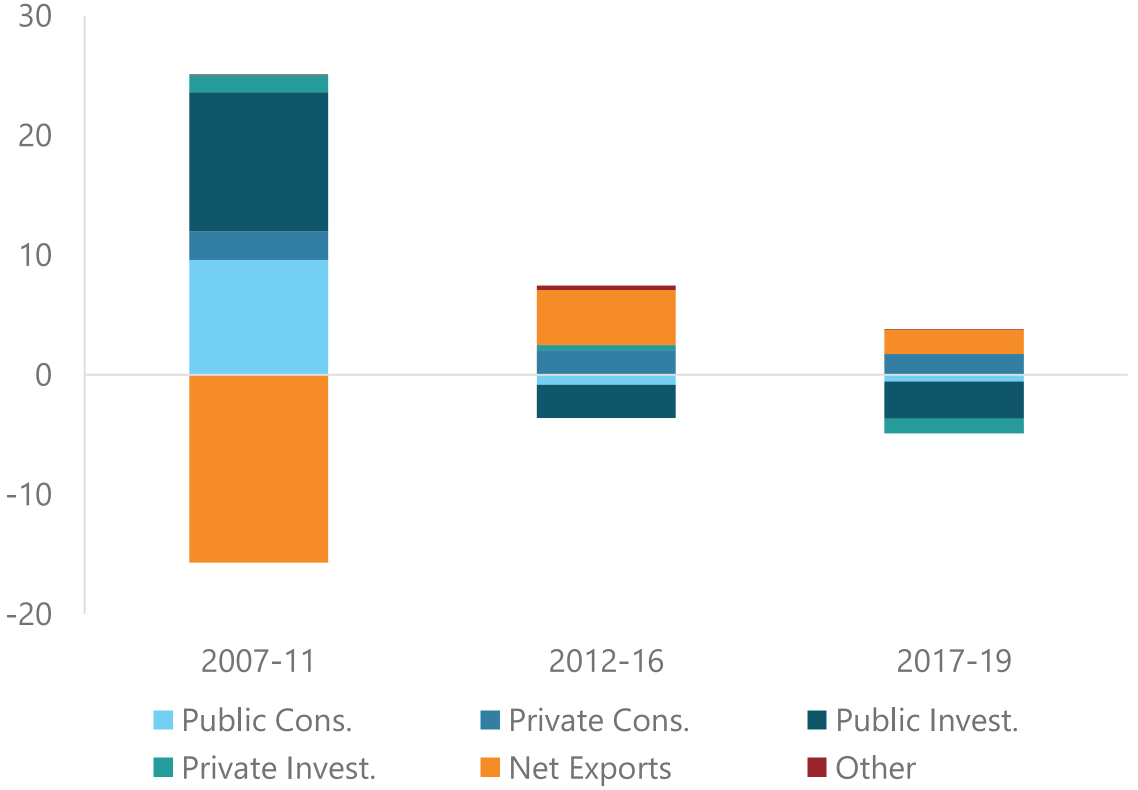
Economic Growth and Living Standard



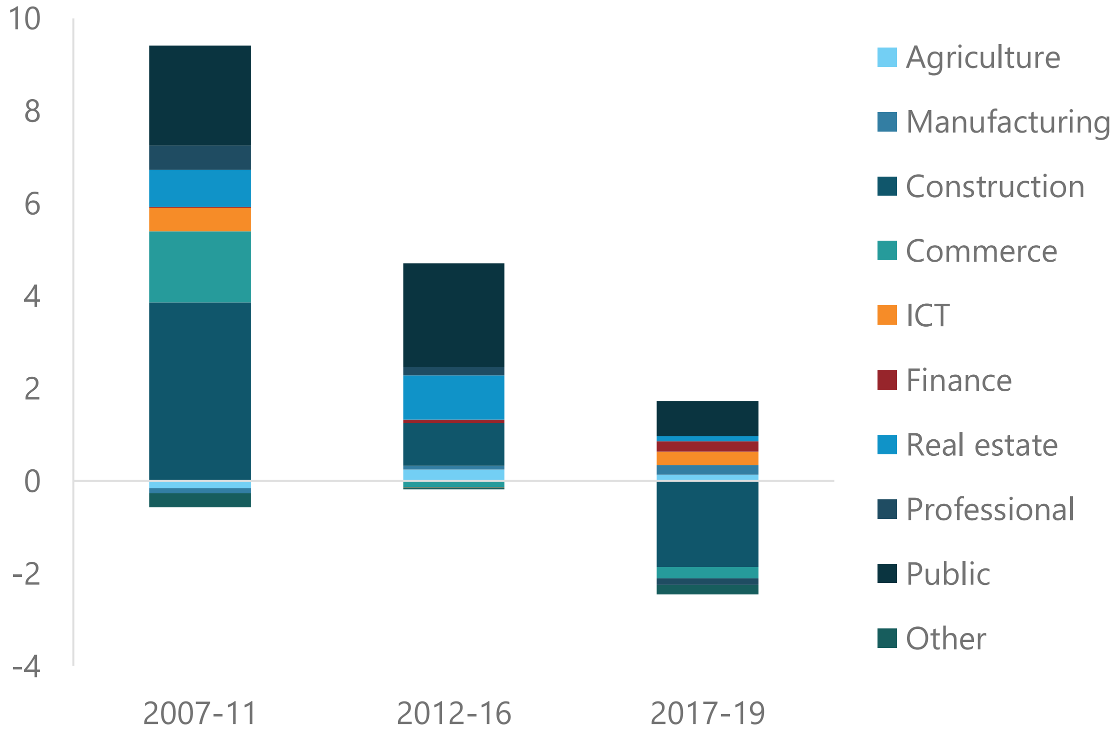


Growth Drivers

Expenditure contributions to growth (percentage points)



Sectoral contributions to growth (percentage points)

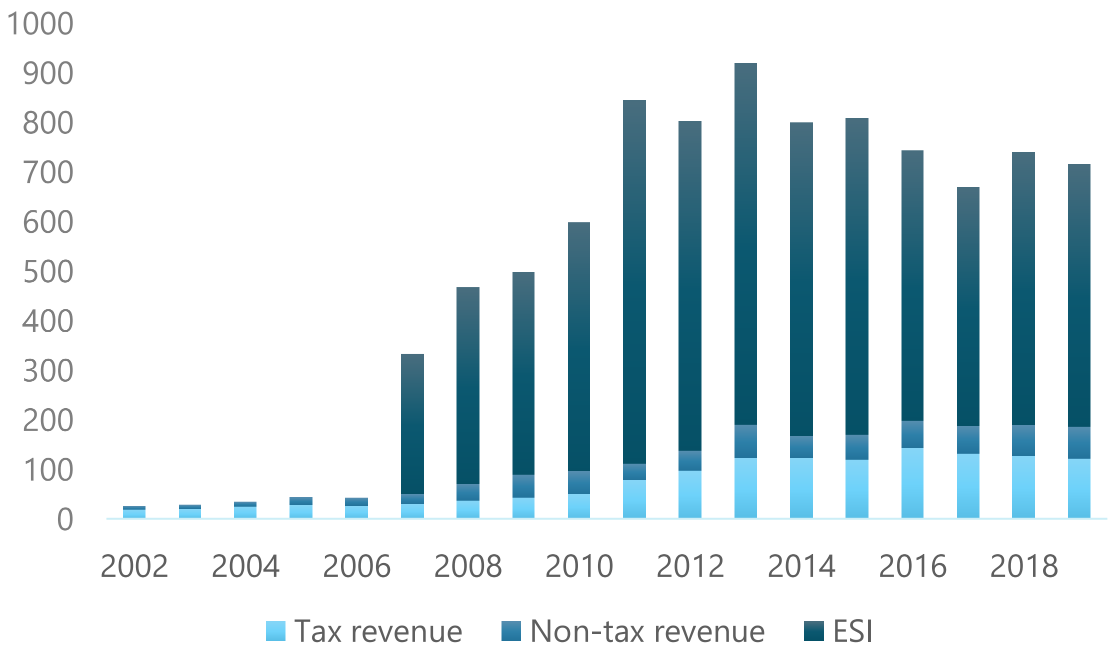


Domestic Revenue

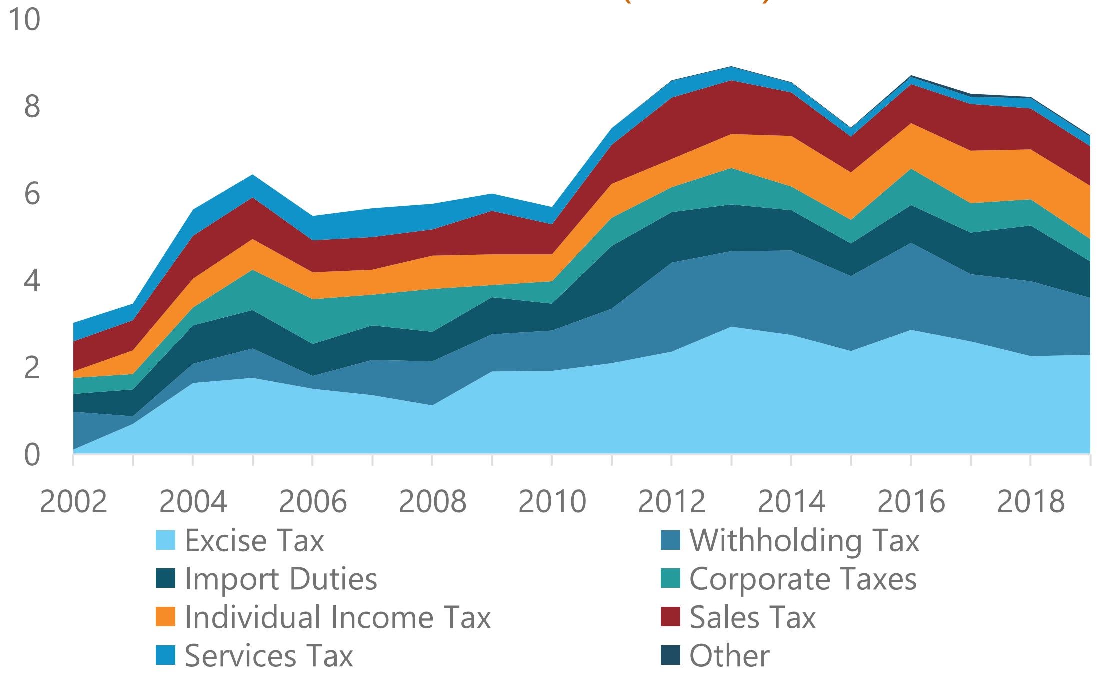
- Composition
- Tax Collection
- Tax Potential

Composition

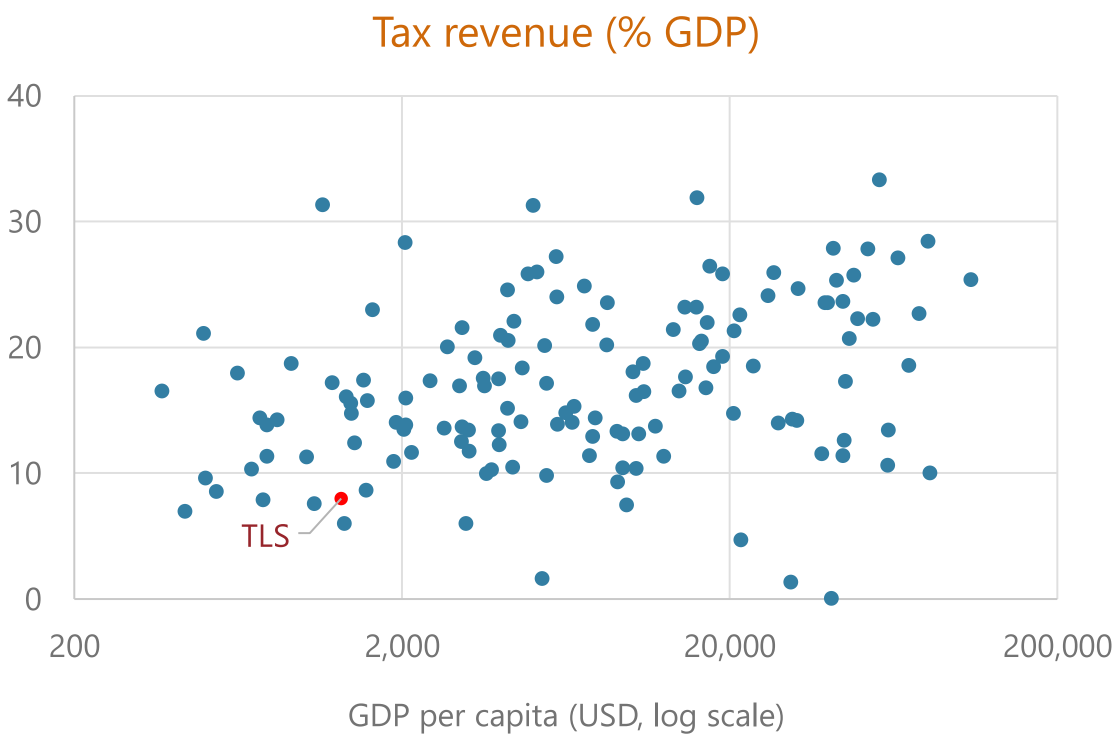
Government revenue (USD million)

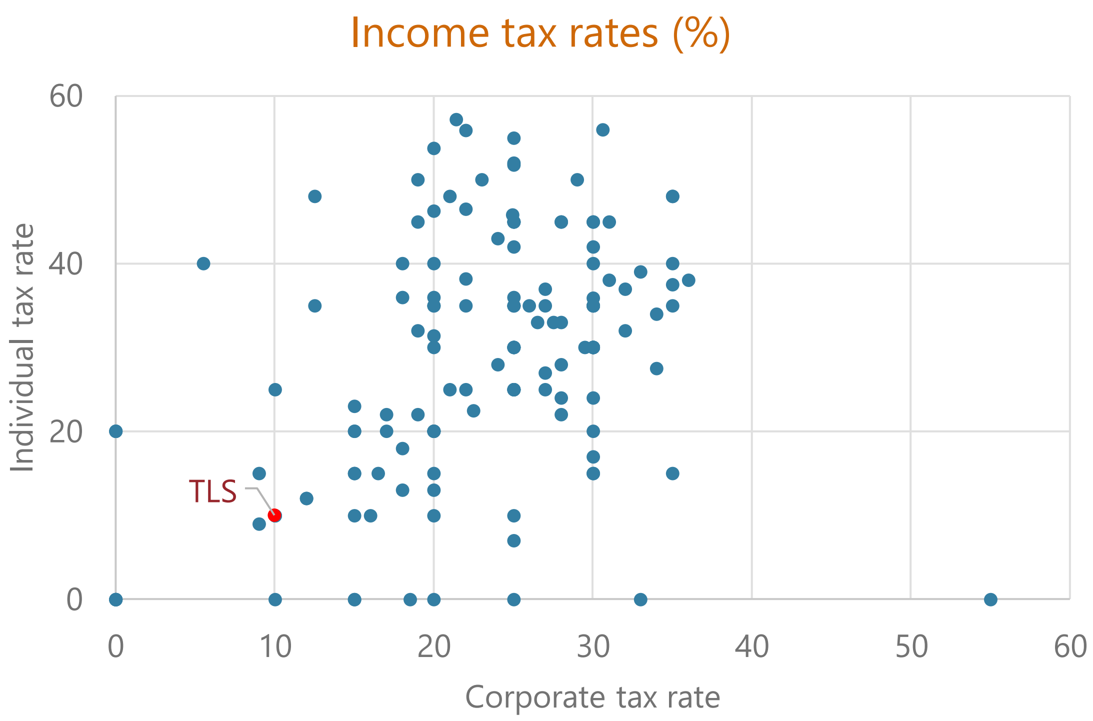


Tax collection (% GDP)

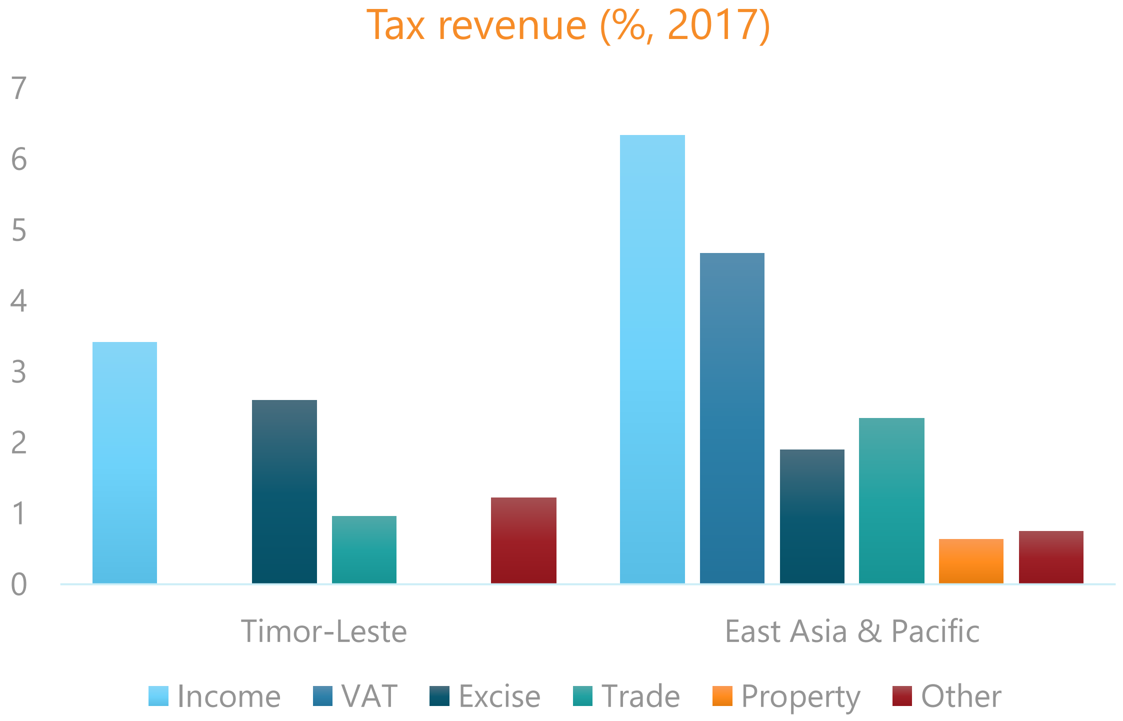


Tax Collection





Tax Potential



	Reform Period	Tax collection (% of GDP)	
		Before	After
Bulgaria	2002-2008	18.0	23.8
Burkina Faso	2009-2013	11.9	16.8
Colombia	1999-2009	11.3	15.8
Georgia	2011-2015	13.2	17.6
Maldives	2011-2017	8.8	20.9
Mauritania	2010-2014	11.1	17.2
Mexico	2002-2008 (2013-2014)	14.2	16.6
Rwanda	2010-2015	11.9	15.6
Senegal	2010-2017	18.0	20.9
Uganda	2013-2017	10.5	14.0

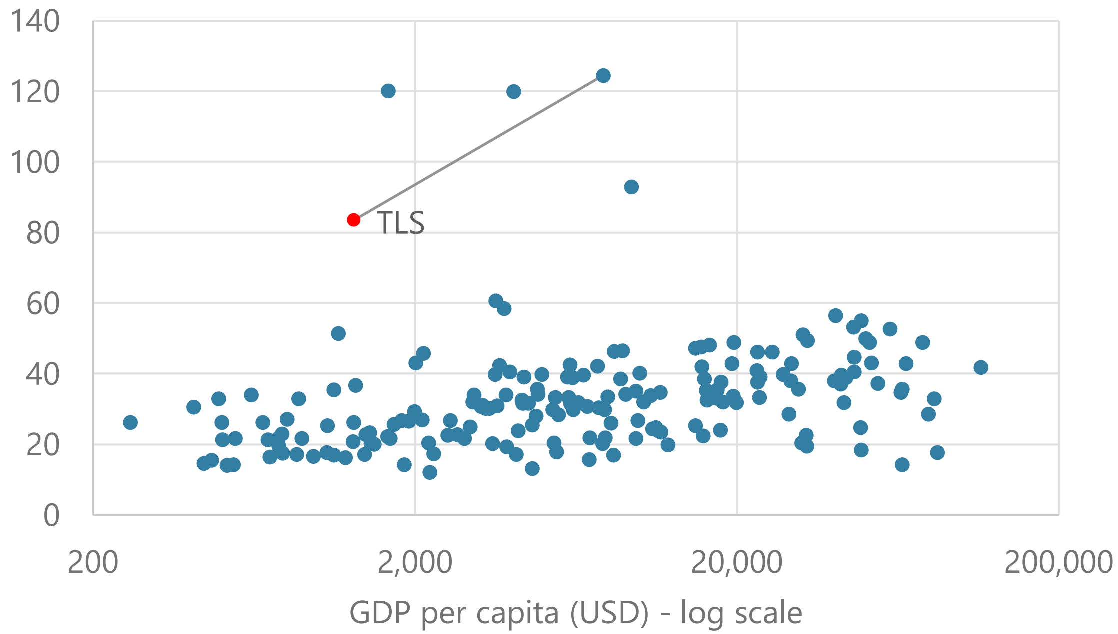
Table 1. Various tax and administrative reforms (compiled from different sources)

Public Expenditure

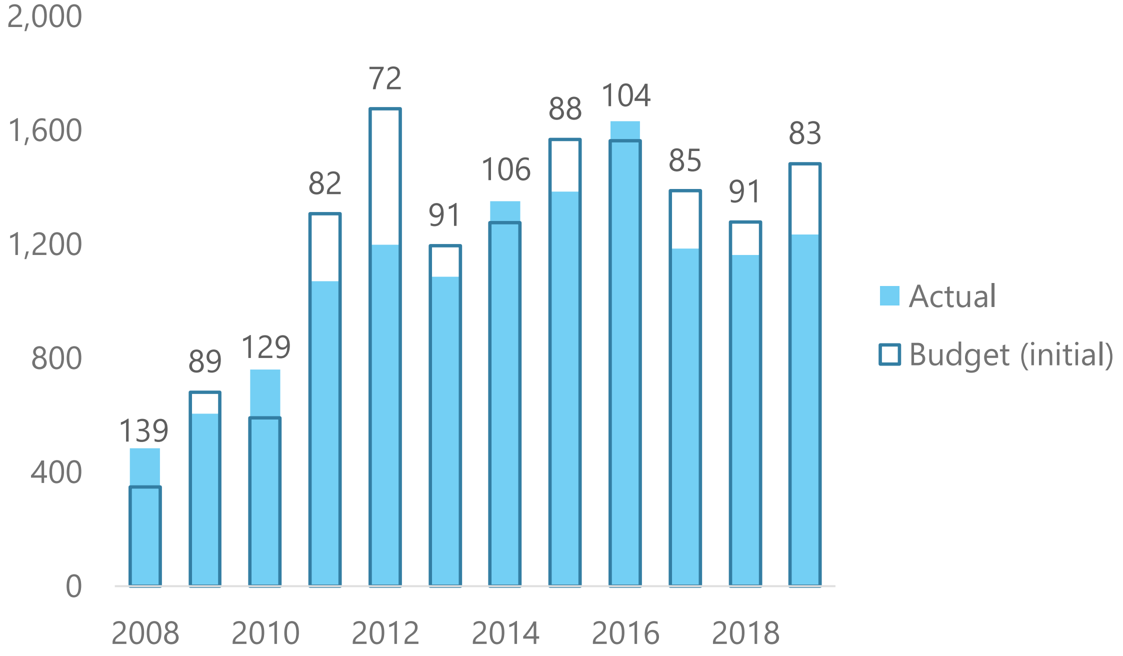
- Levels and Execution
- Composition and Rigidity
- Efficiency and Effectiveness
- Sustainability

Spending Levels and Execution

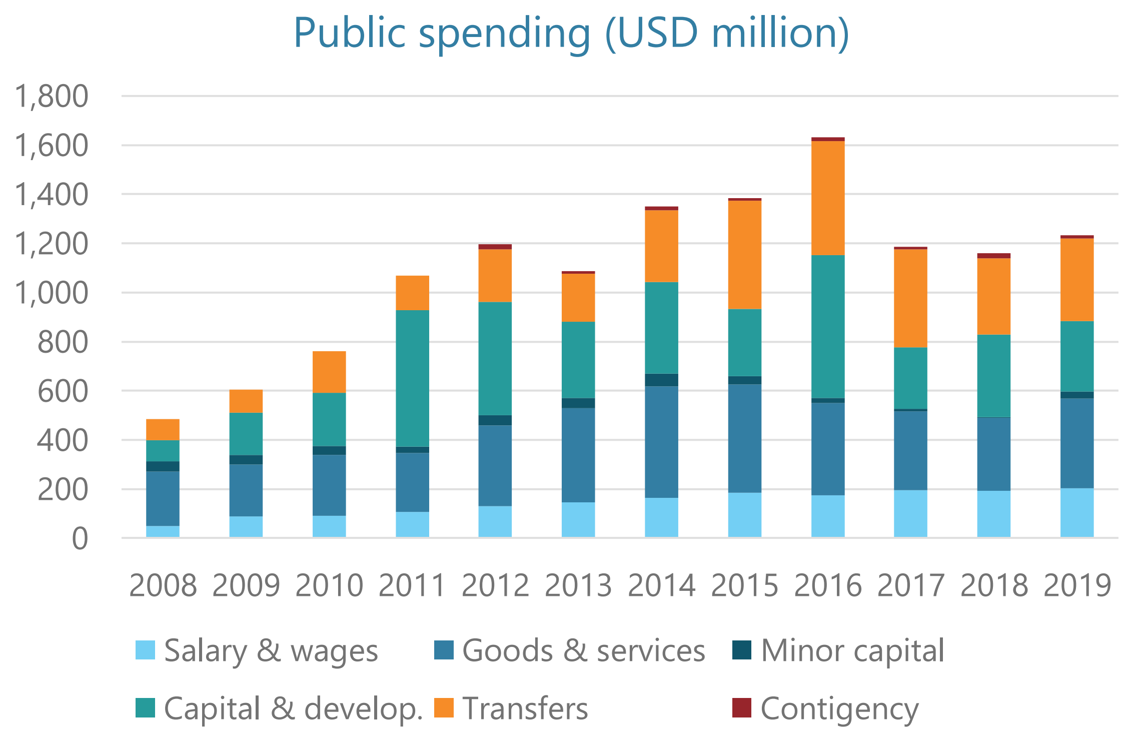
Public spending (% GDP, avg. 2014-19)

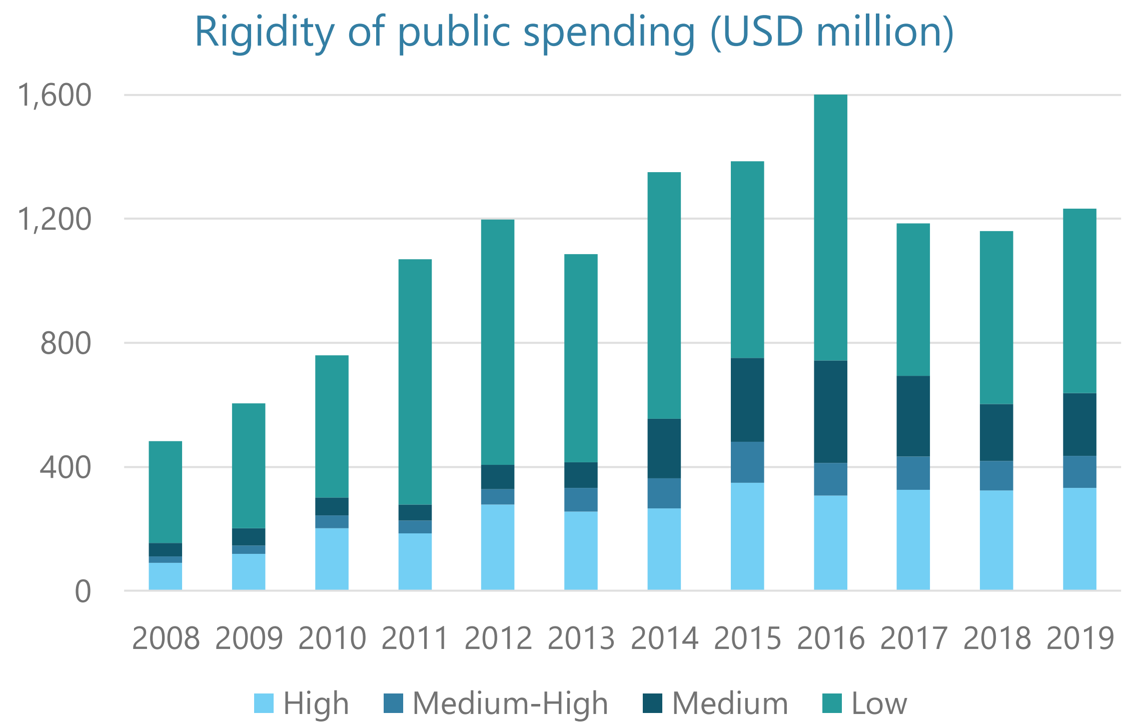


Budgeted and actual expenditure (USD million)

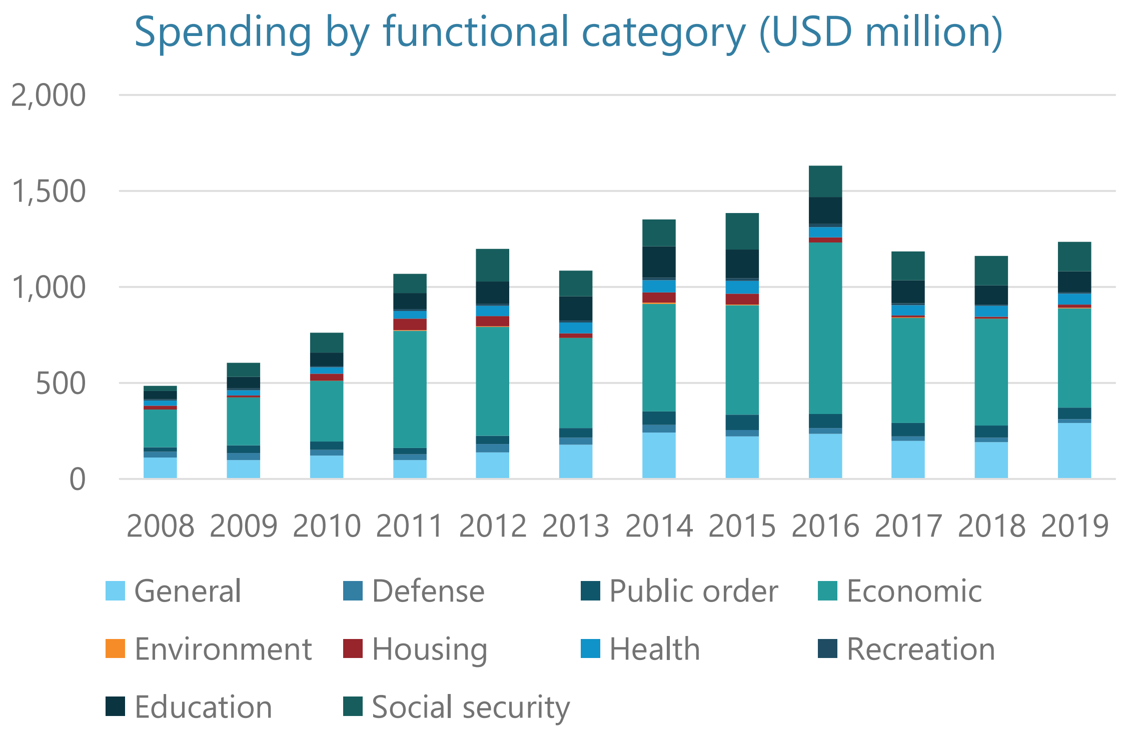


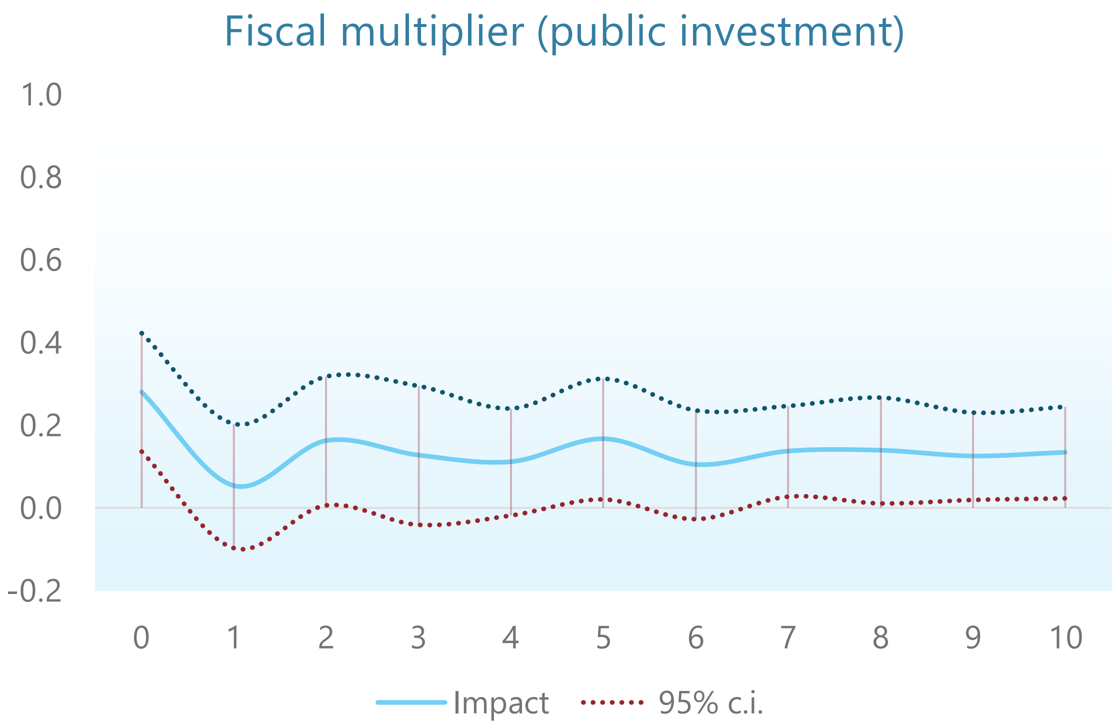
Spending Composition and Rigidity





Spending Efficiency and Effectiveness





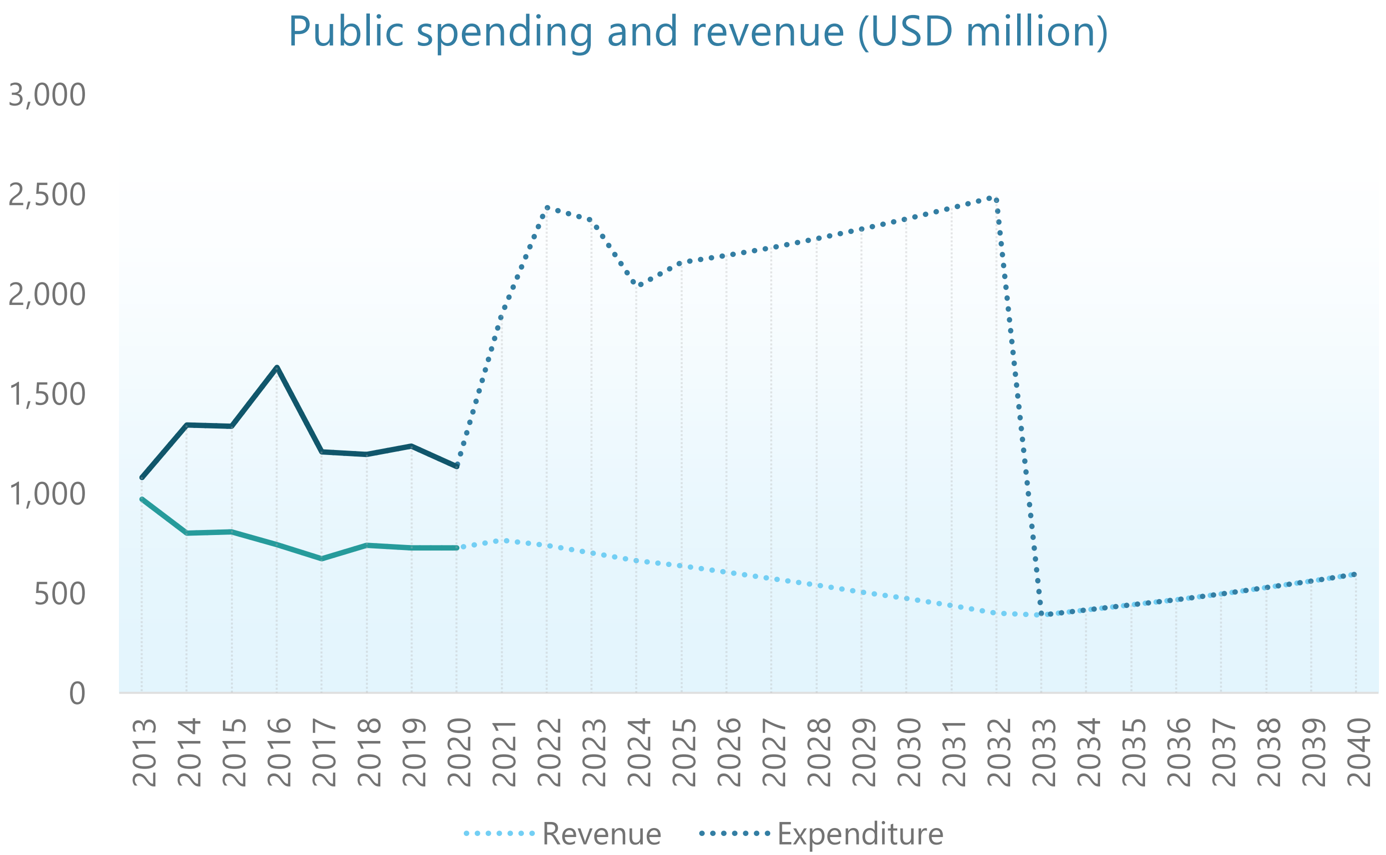
Spending Sustainability

The fiscal outlook raises several concerns from a **sustainability** perspective.

High spending levels will gradually deplete the Petroleum Fund, leading to a **strong adjustment**.

Petroleum Fund (PF) could be **exhausted** in about 10 years, under planned spending patterns.

Prudent **management** of the PF is key to ensure that future generations benefit from savings.



Policy Recommendations

Reform Area	Action	Timeline	Impact
Macroeconomic Framework	Binding commitment to ESI.	2-5 years	Very high
	Coherent medium-term economic strategy.	1-2 years	High
	Medium-term debt management strategy.	1-2 years	Moderate
Domestic Revenue	Introduce a value-added tax (VAT).	1-2 years	Very high
	Raise outdated excise tax rates (e.g., on alcohol and tobacco) and introduce a sugar tax.	1-2 years	Very high
	Assess the potential of a property tax.	1-2 years	High
	Streamline income tax rates.	1-2 years	High
	Improve revenue administration.	2-5 years	High
Public Expenditure	Undertake critical public investment management reforms.	1-2 years	Very high
	Enhance the selectivity and transparency of public grants and reform the social protection system.	1-2 years	High
	Develop pay and employment policies for the civil service and improve human resource planning.	1-2 years	High
	Curb the budget for goods & services and initiate a procurement reform.	1-2 years	High
	Pursue critical public financial management reforms – with a focus on service delivery.	1-2 years	Very high

THANK YOU

Questions?
Please email: arezza@worldbank.org