

Citizens Budget 2020

Timor-Leste



Democratic Republic of Timor-Leste
Ministry of Finance



The 2020 State Budget

The government of Timor-Leste promises to publish a citizen's budget each year to ensure that citizens are informed of the state budget in an accessible format. It is designed by the Directorate of National Budget and seeks to inform citizens of the relevant aspects of the state budget, including forecast revenues and details of expenditure to be made. The Government of Timor-Leste's policies guided by the Strategic Development Plan are laid out in the Annual State Budget, with the objective to become an upper middle income country by 2030.



What is the State Budget?

The State Budget is a document which includes forecasts of revenue and fixed expenditure for the upcoming year. It is based on government priorities. The Ministry of Finance organizes the 'Jornada Orsamental'- a workshop with members of Government to discuss national priorities and fiscal scenarios for the upcoming year. After distribution of individual fiscal ceilings, line ministries and other agencies submit their proposals to the Ministry of Finance which are compiled into documents called Pasta Verdes or green books. These discussed by the Budget Review Committee and are sent to Parliament for discussion and approval. After this, the budget is sent to the President for promulgation and this is the final enacted budget for the upcoming year.

INVESTING IN PEOPLE

The government is committed to strengthening the social capital sector.

Education

7% of the recurrent budget will target the Education Sector.

\$10.7 million to the Human Capital Development Fund for capacity development and scholarships.

\$9.4 million to the Ministry of Education, Youth and Sport for the school subsidy programme for Basic Education, Secondary and Technical-Vocational education.

\$4.0 million to the Ministry of Education, Youth and Sport for concessions for public and private school, payment of contractual teachers and operational cost for CAFÉ school.

Social Security

Social Security is the second largest sector in the budget with 13% of the recurrent budget allocated to it.

\$93.3 million is dedicated to veteran pensions

\$13.4 million for the Whole of Government for the provision of pensions for permanent civil servants under the contributory regime and \$44.6 million for the contributory and non-contributory regime.

Health Care

10% of the recurrent budget will target the Healthcare Sector.

\$333.2 million to the COVID-19 pandemic fund

for health response and economic recovery projects.

\$11.5 million to the Ministry of Health for treatment abroad, primary health care and subsidy for Cuban doctors.

\$5.5 million to SAMES for the acquisition of medications and pharmaceutical goods to help improve the quality of health services provided throughout the country.

INVESTING IN INFRASTRUCTURE AND ECONOMIC DEVELOPMENT

22.7% of the recurrent and capital budget will target the Infrastructure Development Sector.

\$10.0 million to the Ministry of Public Works for a master design of roads and water sanitation project.

\$5.0 million to the Ministry of Public Work for a flood control program to protect against possible damage caused by floods on the coast and inland.

\$3.0 million the Ministry of Public Works for maintenance of water sanitation project in urban and rural areas.

STRENGTHENING INSTITUTIONS

\$1.3 Million to the Ministry of State Administration for a programme to increase the capacity of Municipal Administration.

\$3.8 million to the Ministry of Justice to support the cadastral survey program, passport and identity card.

Macroeconomic assumptions of the State Budget

Timor-Leste is expected to contract by 6% (real GDP non-oil) in 2020 due to the effects of a delayed budget, duo-decimal system*, political uncertainty, the COVID-19 pandemic and the State of Emergency (SOE).

Inflation is expected to remain low and stable at 0.9%. This is good for consumers when they buy goods and food and for Timorese companies exporting their products overseas as their products are more competitive.

In 2020, the tax revenues are expected to reach \$110.5m (excluding RAEOA-ZEESM), down from a total of \$122.3 million in 2019. This is due to the COVID-19 pandemic and associated SOE.

Between May 2019 and May 2020 the US dollar appreciated by 4.6% against a weighted basket of currencies of Timor-Leste's trading partner. A small appreciation of the dollar reduces the price of foreign imports like food which is good for consumers but makes Timorese exports like coffee more expensive in foreign markets.

COVID-19 Response

Timor-Leste recorded its first COVID-19 case on 21st March 2020. There has since been a total of 30 recorded cases in the country, all of which have so far recovered with no deaths. There has been no evidence of community transmission.

Government announced on 17 April, 19-measure economic stimulus and response package of COVID-19, including deferral tax payments; a universal cash transfer provided a monthly basic income of \$100 to households,

Total Petroleum Wealth is estimated to be \$18,145.1 million in 1 January 2020. Accordingly, the 3% ESI is estimated at \$544.4 million for 2020.

Summary	Actual	Actual	Projection
%	2019	2020	2021
Real GDP (non-oil) **	2.7	-6.0	3.2
Inflation CPI***	0.9	0.9	2.1

*Duodecimal system: A budget system in 2020 which mandated that spending in each month of 2020 could only be equal to 1/12 of each line item appropriation in the 2019 budget. It was created as the 2020 budget was not passed.

**Real gross domestic product is a measurement of economic output that accounts for the effects of inflation. Non oil GDP refers to all GDP that is not derived from the Petroleum Fund. 2019-2021 are forecast.

***A price index (CPI) measures changes in the price level of market basket of consumer goods and services purchased by households.

private sector employees received 60% of their salary provided by the government; all electricity consumers (over 160,000 individuals) received a \$15 credit, payment of water bill, social security contribution, internet subsidy for 4200 student currently abroad to attend online study.

The package also included the creation of new credit opportunities and a reduction in interest payments. Businesses were provided access to emergency loans to prevent bankruptcy and those importing essential goods were given credit guarantees.

REVENUE

Petroleum Revenues (excluding investment returns) is expected to make up 64% of total revenues in 2020, with total domestic revenues contributing the other 36%.

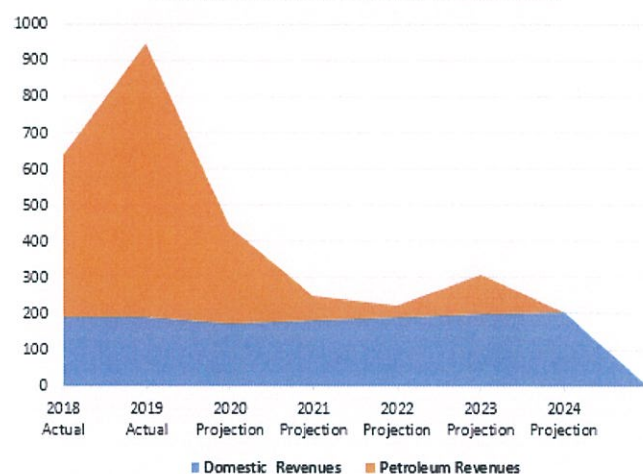
Total domestic revenues are forecast to reach \$172.3 million by the end of 2020, down 11% on 2019.

Tax revenues consistently comprise the largest source of domestic revenue, estimated to total 66% (including RAEOA-ZEESM) in 2020. Fees and Charges are predicted to contribute 30%, with the rest made up by interest and Autonomous Agencies revenues.

Tax revenues are predicted to decline compared with the previous year due to a significant fall in collections during Q2 2020, with indirect taxes (those on goods and services) impacted the most.

Fees and Charges are also estimated to fall due to the effect of the electricity subsidy on reducing electricity payments, the largest contributor to Fees and charges revenues (often over 60% of the total).

Combined Sources of Revenue 2018-2024



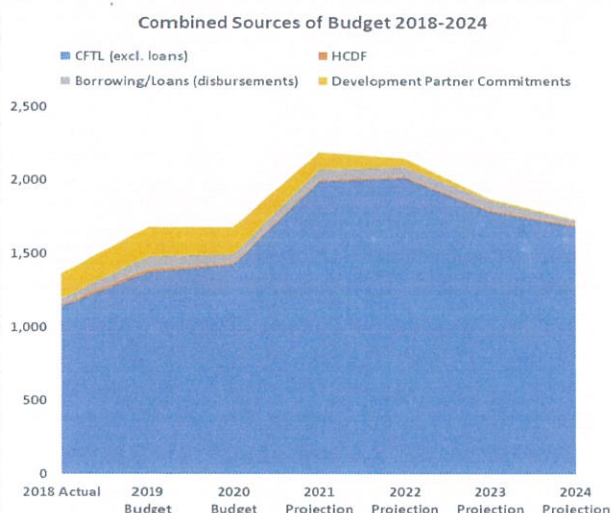
EXPENDITURE

Total expenditure for 2020 budget is \$1,497.0 million (excluding donor funding activities of \$184.0 million and loan \$60.0 million).

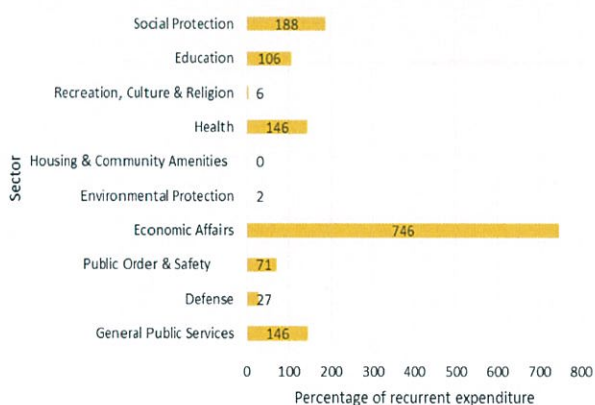
The total 2020 state budget (excluding donor funded activities) is 1.0% higher than in 2019.

FISCAL DEFICIT

The fiscal deficit is equal to revenue minus expenditure. In 2020 this expected to be -\$ 780.4 million. Most of this will be funded by excess withdrawals from the Petroleum Fund, totalling \$419.5 million. This is lower than withdrawals in 2019 due to increased budget support by the European Union and the UN International Labour Organization as well as the use of cash balances.



Recurrent expenditure by sector 2020



Other Information

For more information, please see budget books 1-6 (Budget Book1: Budget Overview, Book2: Annual Action Plan, Book3A: Infrastructure Fund, Book3B: Municipalities, Book3C: RAOEA & ZESSM, Book4a and 4b: Budget Line Items, Book5: Development Partners, Book 6: Special Fund- FCDH), which are published on the Ministry of Finance website: www.mof.gov.tl.

Cover photograph: Ferderick Nelson Lopes, Ministry of Finance, Timor-Leste
Data and shape file sources: Ministry of Finance and Directorate General Statistics, Timor Leste.

LOANS

Loan disbursements (payments to the borrower) are expected to be \$60.0 million in 2020, 20% higher than those in 2019.

\$8.0 million from the 2020 budget is allocated to the whole of Government to cover the loan repayments.

What is the Petroleum Fund (PF)?

The PF of Timor-Leste is a sovereign wealth fund into which the surplus wealth produced by Timor-Leste petroleum and gas income is deposited by the government.

What is Estimated Sustainable Income (ESI)?

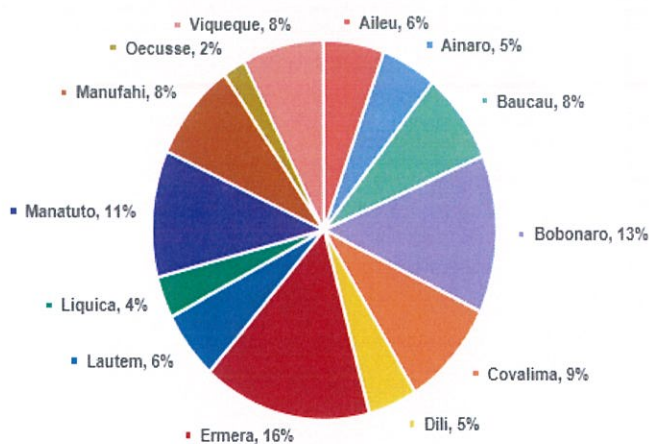
The ESI represents the maximum amount that can be withdrawn from the PF in a single fiscal year that does not reduce the long term sustainability of the PF. The ESI is currently set as 3% of the Fund's net wealth. Any withdrawal above this amount is called an "excess withdrawal".

FUNDING TO SUB-NATIONAL GOVERNMENT

Municipality funding is a key priority of the government given their role at the frontline of service delivery.

\$7.2 million is allocated in 2020 for Programa Dezenvolimentu Suku (PNDS) and \$5.9 million for Programa Dezenvolimentu Integrada Munisipius (PDIM).

Distribution of PDIM and PNDS funds in Municipalities 2020



You can also access budget information on Budget Transparency Portal (<http://www.budgettransparency.gov.tl/>).

You can contact National Director of Budget Sr. Salomão Yaquim, email: syaquim@mof.gov.tl, Telephone no 77305809 for more information, Director General State Finance Sr. Januario da Gama, email: jgama@mof.gov.tl, Telephone no 77852000 leads the budget initiative.

