

Expenditure and Revenue

Quarterly Bulletin – Q4, 2019

Year End Report 2019



Democratic Republic of Timor-Leste
Ministry of Finance



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Box 1: Execution trend and reasons- selected LM/AAs13

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)
International Development Agency	IDA
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 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
Quarter 2	Q2
Quarter 3	Q4
Quarter 4	Q4
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 reports will detail quarterly expenditure and revenue trends for line ministries, municipalities and autonomous agencies in Timor-Leste. The reports 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 service delivery levels in each quarter which requires more detailed non-financial information. Additionally data insights presented in this 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 this report has been generated by the Ministry of Finance. The source of all government accounts data is the Ministry of Finance as of January 2 2020. Data analysis should be viewed cautiously in-year as there are often delays in reporting, especially for revenue. For more detailed information on service delivery, readers are requested to contact the individual spending agencies.

2 Expenditure trends in Quarter 4

2.1 Aggregate expenditure vs budgeted expenditure

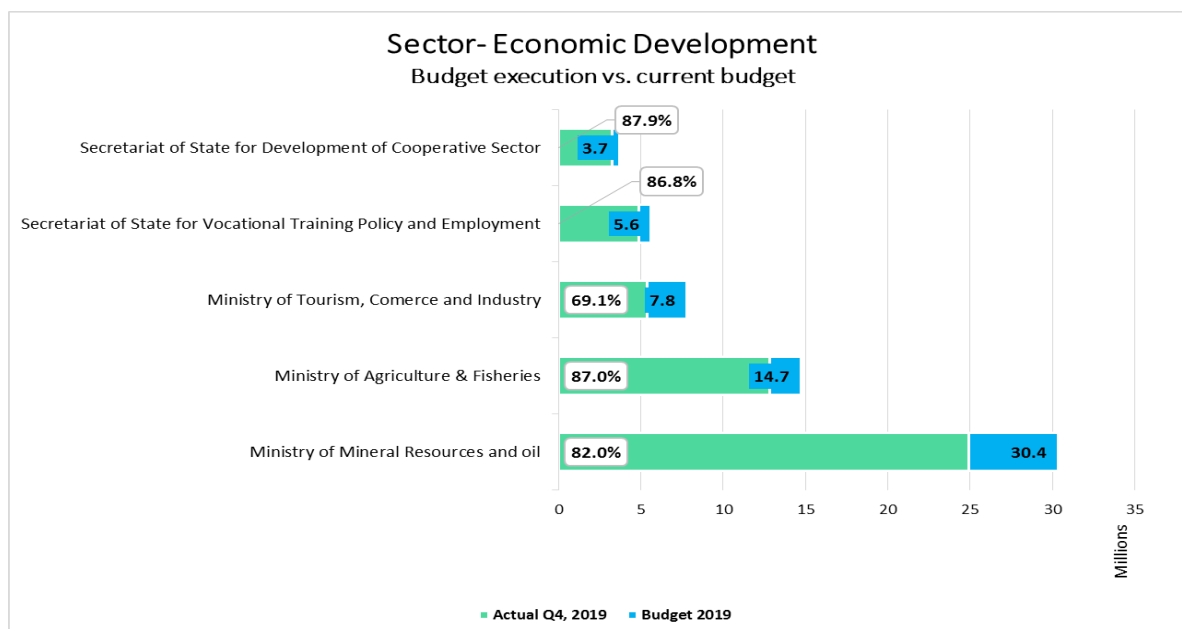
The State Budget for 2019 is \$1.482 billion including loans. The materiality directive¹ of Timor-Leste states that the government must spend 100% of the budget by the fourth quarter (Q4). The total government execution in Q4 (by current budget which includes transfers, virements and contingency transfer) was 83.8%. The Infrastructure Fund not including loans (IF) and Human Capital development Fund (HCDF) execution for Q4 stands at 76.8% and 88.3% respectively.

The following sections report on the basis of current budget (including virements and transfers).² Budget execution is calculated as the 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 Sector (SDP sector)

This section describes budget execution using the Strategic Development Plan (SDP) classification of Timor-Leste. Five ministries in each sector, with the highest budget allocation in State Budget 2019, are displayed in the following graphs.

Figure 1: Q4, 2019 execution for SDP Sector-Economic Development



Sources: Ministry of Finance, IFMISU, January 2020

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

² In Q4 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.

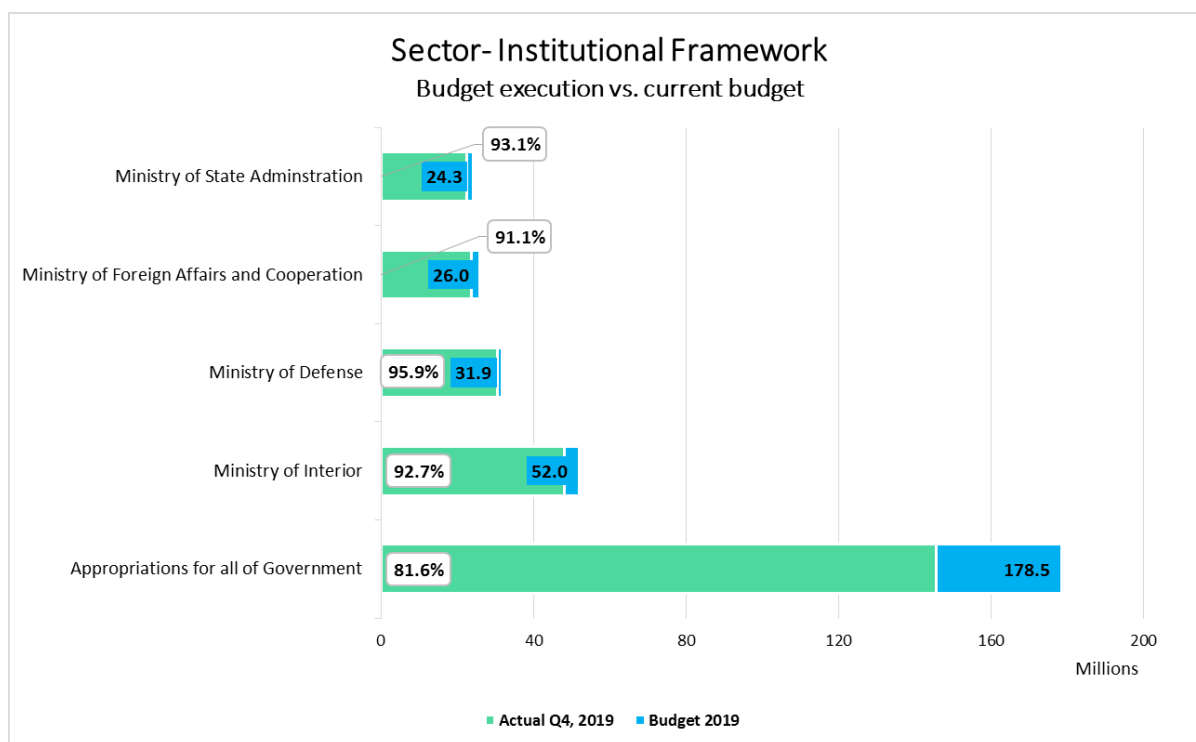
Ministry of Mineral Resources and Oil has the highest budget in the Economic Development SDP sector in General State Budget (GSB) 2019 and its execution was 82.0% by Q4, a mere 2% increase from Q3. This was driven by an 83% execution of its Transfers budget (transferred to ANPM, Timor Gap, and IPG). The National Company for Mining was allocated \$450,000 but has not yet received approval from the President of the Republic. ANPM received funds from JDA which was to be deducted from its GSB 2019 allocation. SW execution was low because of delayed recruitment and non-completion of its organic structure.

Ministry of Tourism, Commerce and Industry only executed two-thirds of its total GS allocation, driving its overall execution down. Till Q2, it had low GS execution driven by issues in procurement for i) plans to install system for games, ii) park industry and (iii) social business, and creation of laws for the tourism sector. SW allocation was impacted by it not having a complete ministry structure and hence political support.

Overall, CD execution for this sector was low with MAP and SEFOPE failing to even execute 35% of their budget.

Note: SECOOP, SEFOPE and MAP did not submit their execution reasons for Q4, 2019.

Figure 2: Q4, 2019 execution for SDP Sector-Institutional Framework



Sources: Ministry of Finance, IFMISU, January 2020

Appropriations for all of Government (DTG) had the highest Institutional Framework allocation in GSB 2019. Its execution is based on requests from other implementing agencies as most of its budget is Public Transfers (PT). Its GS execution remained low at 54% while its MC execution was 88%. Ministry of State Administration received a contingency transfer of \$1.7m for the celebration of the 20th anniversary of referendum and Chegeda day for INTERFET.

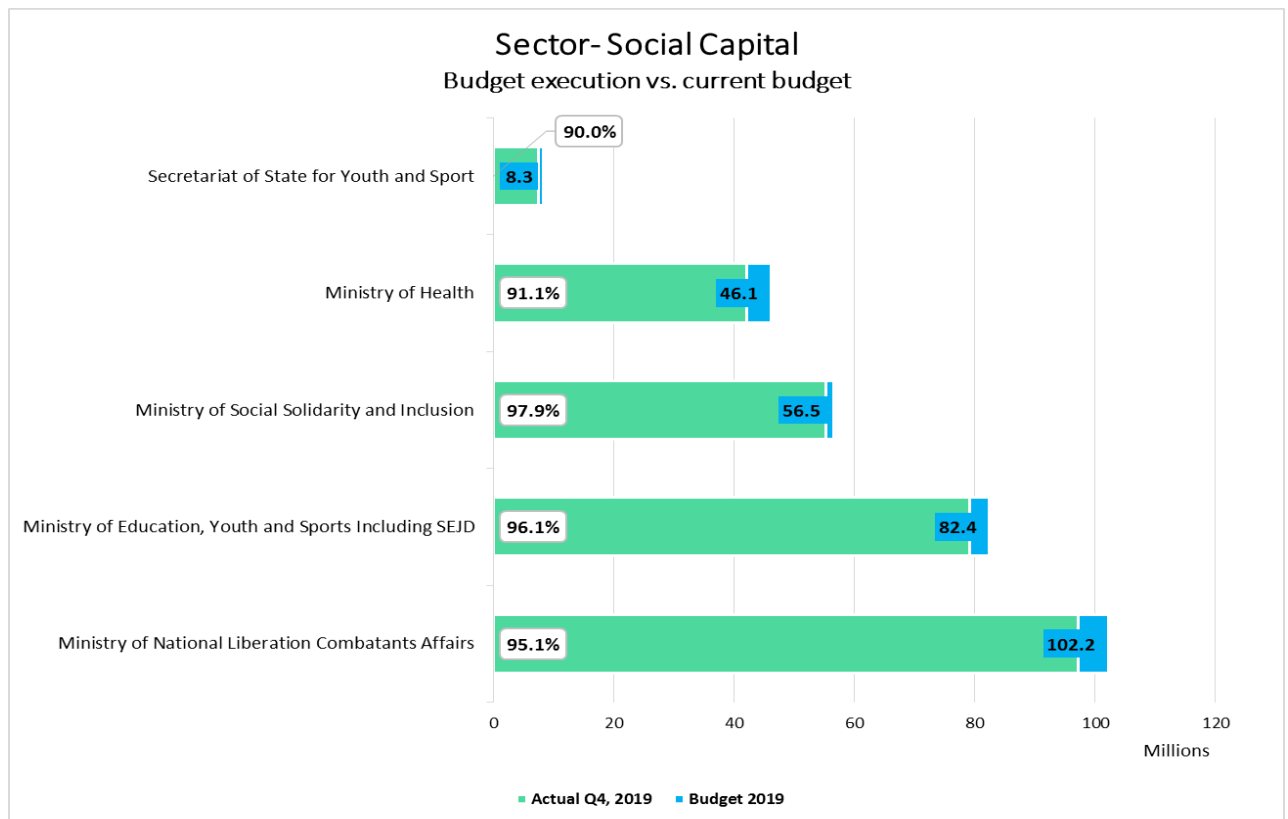
Ministry of Interior (MI) had a low SW execution of 63% because its public recruitment was slow, the promotion degree was not implemented as the new organic structure of MI was approved

late. It generated savings in payments related to the tenderization of uniform sewing of security guards and the Bomber Corpus.

Ministry of Finance (MOF) executed 86% of its SW budget and 80% of GS by the end of Q4. Ministry of Defence including F-FDTL executed only 78% of its MC budget by Q4. Ministry of Foreign Affairs execution was 87% as the transfers to the embassy and other payments had not been reported as completed by them.

Note: MD, MOF and DTG did not submit their execution reasons for Q4, 2019.

Figure 3: Q4, 2019 execution for SDP Sector-Social Capital



Sources: Ministry of Finance, IFMISU, January 2020

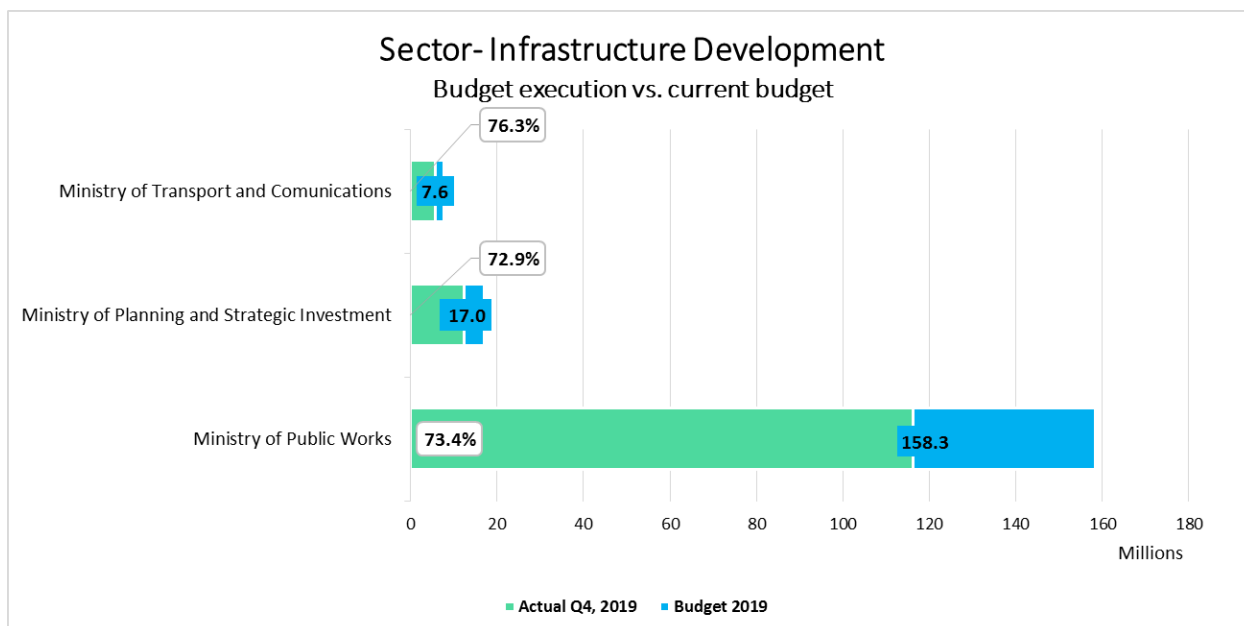
Overall, ministries with the highest allocation in the Social Capital sector performed above the average yet again by the end of Q4, with the exception of Secretariat for Youth and Sport (SEJD) which reached 90%.

The Ministry of National Liberation Combatant Affairs (MACLAN) had the highest budget allocation in Social Capital, spending 95% of its budget. While its PT execution was high, all the other appropriation categories were low, especially CD (27%) and SW (62%). SW and CD execution was low as the Cabinet of the Minister was not established and its plan to recruit 21 civil servants in 2019 could not be realised. The scholarship for CLN martyrs and children of the deceased had planned to help up to 720 individuals at a cost of \$499,000 but instead the scheme only supported 393 beneficiaries at a total cost of \$322,000.

Ministry of Health had under 84% execution for both GS and MC budgets, reasons cannot be ascertained due to lack of a submission.

Note: MEYS, MOH, SEJD and MSSSI did not submit their execution reasons for Q4, 2019.

Figure 4: Q4, 2019 execution for SDP Sector-Infrastructure Development



Sources: Ministry of Finance, IFMISU, January 2020

Ministry of Public Works had the highest budget allocated to it in the Infrastructure Development (excluding Infrastructure Fund) sector in GSB 2019. It executed only 50% of its \$16.8m CD budget by the end of Q4 stating that the payment process request was slow from ADN’s side and companies also did not raise their payment request on time. MC execution was also under 24% as some projects were still in contract stage by the end of the year. It also used \$3.5m in contingency measures. GS executions reached 81% as payment for debt in rubric in fuel Generators, maintenance for generators and maintenance line transmission was needed.

Ministry of Planning and Strategic Investment’s (MPIE) overall execution was 73%. MPIE reported that SW (41%) was low as the Cabinet of the Minister had not been able to recruit. Its CD execution (66%) was not approved by the National Directorate of Administration and Finance in time.

Ministry of Transport and Communications’ (MTC) overall execution was just 76%. Its CD and SW execution were under 75%. MTC had budgeted for Directors of the newly created directorates under its organic law. However, a merit based selection process delayed the execution of the SW budget for these new positions. It transferred funds to ANATL during the year based on its proposal submitted to MTC.

Note: MPIE did not submit their execution reasons for Q4, 2019.

2.1.2 Municipalities

Municipality budget execution stood in the 80-92% range, Dili having the highest execution at 92%. However, execution for Merenda Escolar (School feeding programme) did not reach its desired level in private schools.

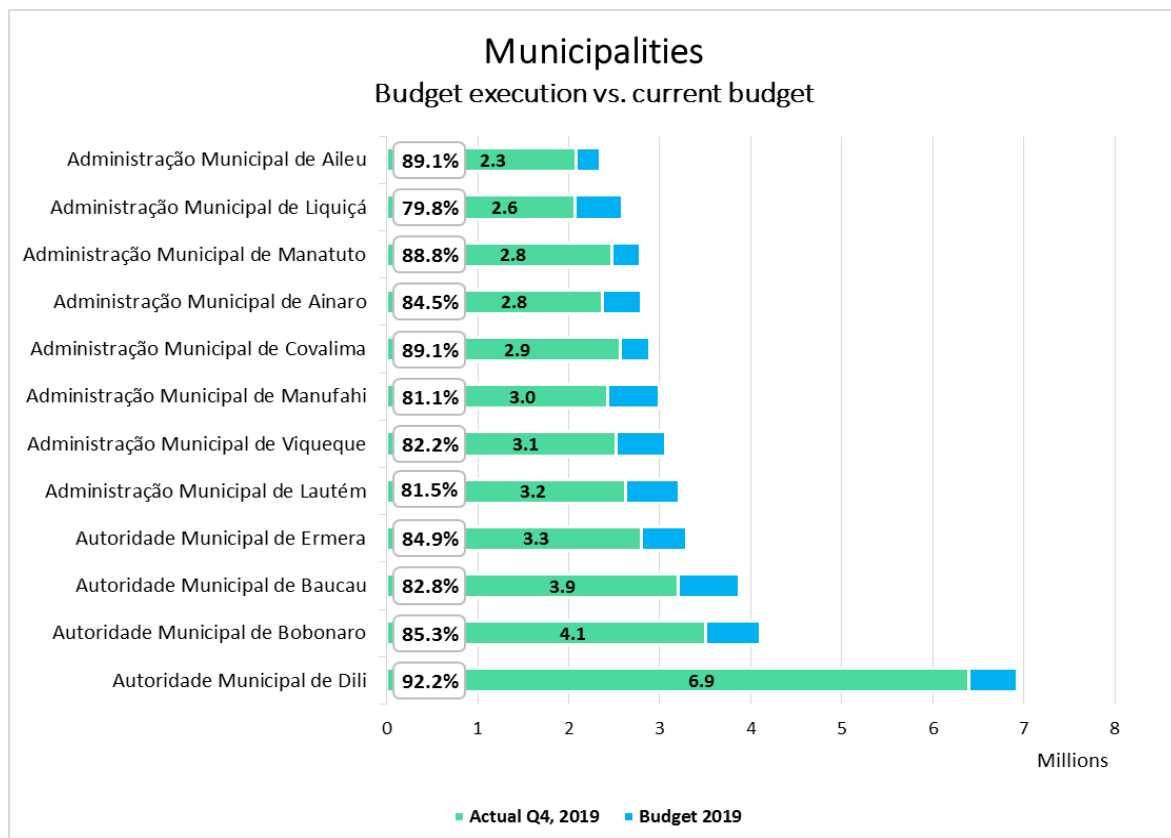
SW execution was between 77-88% for all municipalities, while MC execution was nearly 100% with the exception of Manatuto at 75%. Liquica and Manufahi had the lowest PT execution between 63-64%, making Liquiça the lowest executing municipality overall. Liquica stated that

the funds could not be executed as it was waiting its mandate to make payments to Council members at the suco level.

Ermera executed 72% of its SW budget stating that although funds had been allocated for new positions in GSB 2019, the new structures hadn't been created by December 2019. Baucau executed 84% of its SW budget stating that Chefe positions mandated by law for one year were actually only for six months, with the contracts finally starting in August 2019.

Viqueque executed 77% of its GS budget stating that Merenda Escolar wasn't executed in Q1. It made savings on its overseas travel budget and it was not able to recruit advisors as indicated in the 2019 plan. Bobonaro similarly stated that its SW executed was 86% as new chief positions were not recruited as per the Decree Law 9/2018. BS allocation was 87% because of i) non execution of Merenda Escolar, ii) pulsa for new Chefe not executed due to lack of recruitment (Lautem had a similar reason) and iii) Division for Cadastral Registry did not execute its budget. Municipalities do not have a Capital & Development budget allocated to them.

Figure 5: Q4, 2019 execution for municipalities



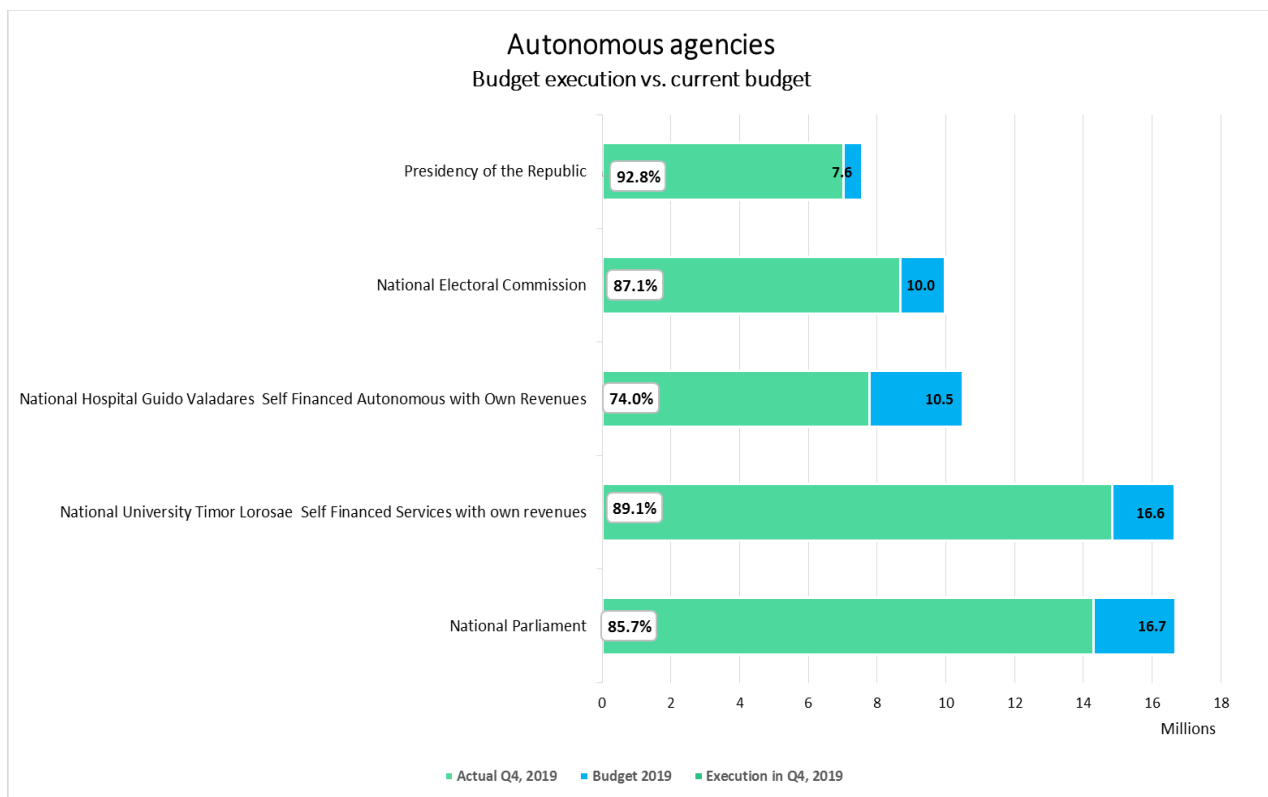
Sources: Ministry of Finance, IFMISU, January 2020

2.1.3 Autonomous agencies

A large percentage of autonomous agencies did not provide their reasons for high/low execution hence the following two sections cannot be substantiated. National Election Commission had low GS (65%) and MC (47%) execution. National Hospital Guido Valadares (HNGV) had similarly low execution with GS (72%) and MC (60%). National Parliament only spent 33% of its CD budget.

The graph below shows the overall execution rate in Q4, 2019 for the autonomous agencies with the highest budget allocation in State Budget 2019.

Figure 6: Q4, 2019 execution for autonomous agencies



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

2.2 Execution trends and reasons for top and bottom 10 LM/AAs

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. This section outlines the trends and some reasons for low and high execution for the top 10 and bottom ten line ministries and agencies.

Box 1: Execution trend and reasons- selected LM/AAs

- Centre of National logistics had the lowest execution as it didn't execute its MC budget which is more than half of its total allocation.
- AMRT (67 %) and Tibar (59%) had low GS execution, which contributed to their overall low execution. AMRT stated that it had to divert money from GS to SW to pay for current and retroactive salaries. Tibar mentioned that the winning tenders were less than the original budget allocation, leading to seemingly low execution for Minor Capital. For GS, Tibar indicated that the budget doesn't have line items for material training and personal protective equipment which usually accounts for 70% of its expenditure. Moreover, it is not able to provide food for trainings as MOF states that it must go under a process of tendering for external contractors.
- Ministry Coordinator of Economic Affairs' low overall execution was driven by SW which was only 13%.

- Public Service Commission (SC) mentioned that it was not able to reach 100% execution as some of the activities attributed to it are not part of its portfolio. This includes awards for public functions, integration of the system SIGAP-CFP and GRP-FMIS MoF (for maintenance) and other some internal exercise from secretariat to support program unforeseen as seminars, trainings etc.
- Secretariat for State for Environment had 81% SW execution as its original plan had foreseen 14 directorates and 24 departments. However eventually this new structure did not materialize leaving them with an excess budget in SW.
- APORTIL mentioned that it has 61% SW execution as its budget includes payment for Subsidio de Risco (Risk Subsidy) for public servants at the port, but there was no incident that made them use it. Its GS execution didn't reach 100% because of issues such as non-use of professional services, informatics services for Dili Port not submitted on time by Telecomsel, operational costs for Nakroma not used as it was in Surabaya for repair amongst others.
- *Note: See Section 2.1 on LM/AA/M for reasons for execution that have not been detailed out in this box. Please note that several LM/AA/M did not submit reason behind their high/low execution and hence those have not been detailed here.*

Figure 7: Q4, 2019 execution for lowest execution across LM/AAs

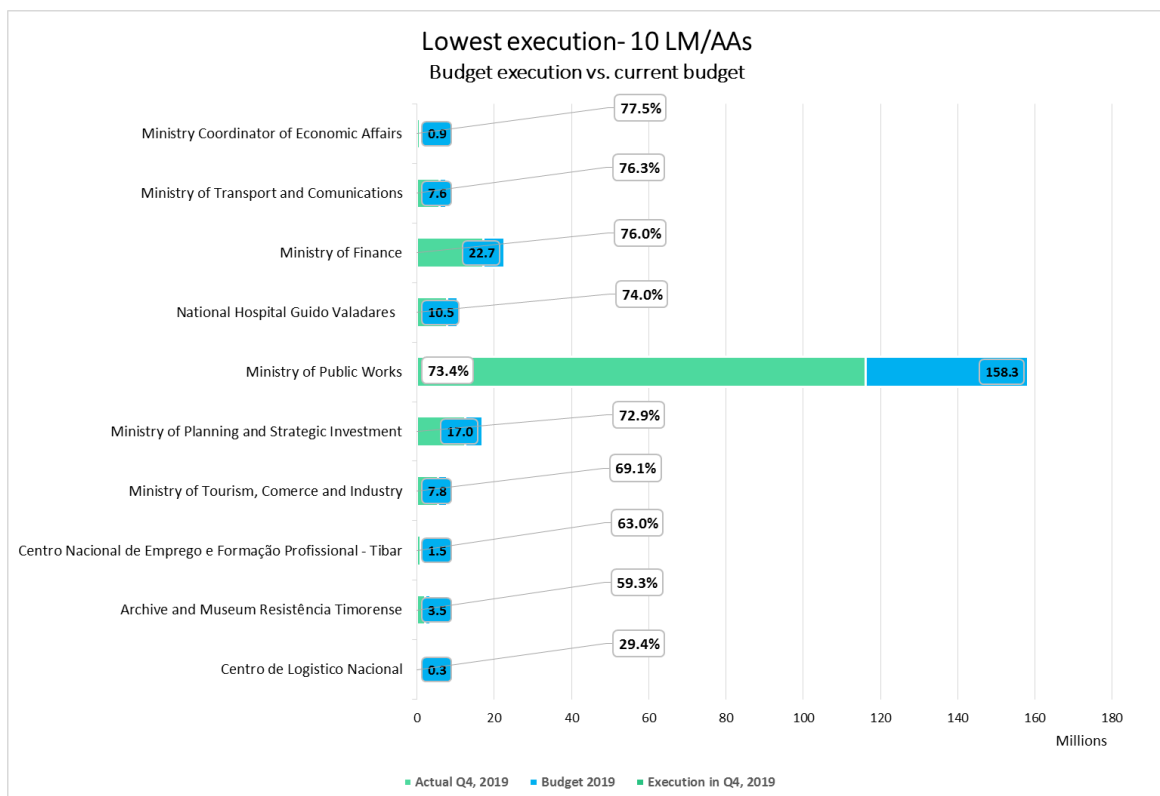
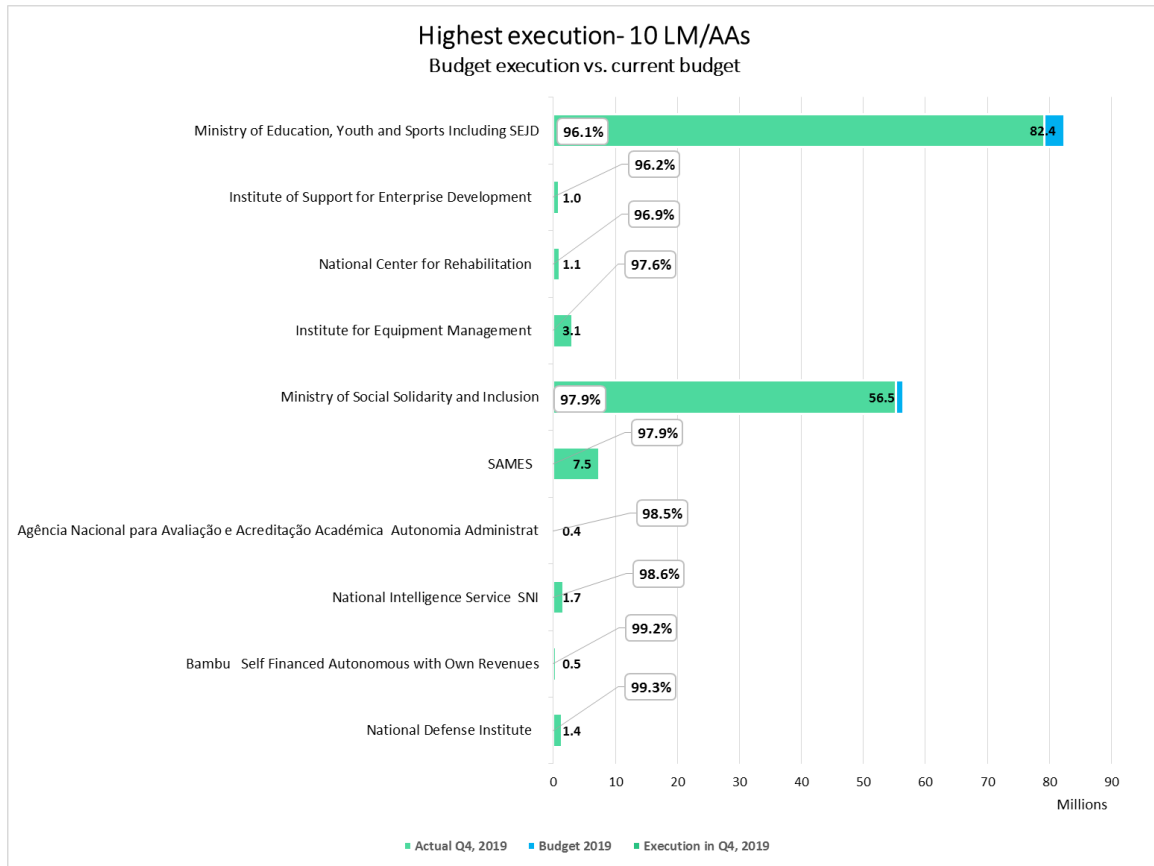


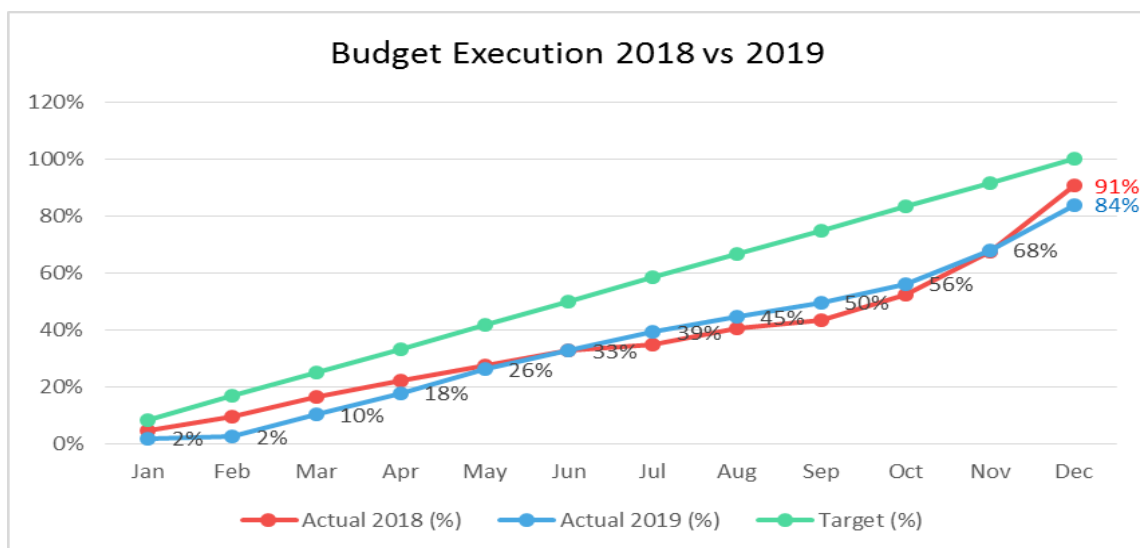
Figure 8: Q4, 2019 execution for highest execution across LM/AAs



2.3 Comparison of budget execution with previous years

While expenditure remained in line with 2018 trends till Q3, it diverged in Q4 with a total execution (cash) of 84% compared to 91% in 2018. See Section 2.1 and 2.2 for possible reasons for this fall.

Figure 9: Budget execution 2018 vs 2019



2.4 Virements

According to the Public Financial Management Law, no. 13/2009 article, all line ministries and autonomous agencies can make an adjustment within or and between appropriation categories of a division in a ministry. The limit of the adjustment is 20% of the total budget in the given category level.

The law prohibits LM and AAs to make transfers or virements out of Salary and Wages and Capital Development categories to other recurrent categories. However, adjustments can be made within SW and CD categories themselves. To execute the PFM law, all LM and AA's should submit their virements / transfers proposal to the Ministry of Finance. UPMA reviews the implication of the adjustment to their programmes and activities.

The table below shows ministries that made the maximum quantum of virements between appropriation categories by end of Q4, 2019.

- **Ministry of State and of Presidency of Council of Ministers:** It had to move funds to Minor Capital to pay for 80% dividas (debt) from 2018. It also had to make virements to facilitate the printing of voting books for the anticipated election of 2018
- **Ministry of State Administration:** It received a contingency transfer from Appropriations of Whole of Government to facilitate the celebration of the 20th anniversary of the International Force East Timor (INTERFET).
- **Ministry of Education including SEJD:** Virements were made to SW to facilitate the payment of CAFÉ teachers. It also retroactively paid teachers from RAOEA for 2011-2014 using its PT virements. Capital development received a virements for an edifice in the district of Ermera and MC for Instituto Nacional de Formação de Docentes e Profissionais da Educação (INFORDEPE) water equipment.
- **Ministry of National Liberation Combatants Affairs:** GS received a big transfer for the translation of documents for AMRT, contributions towards veterans that passed away, contributions to the study of veterans' children, council for veterans in the municipalities, chairs and voucher contributions for the functionaries of MACLAN. It used a MC transfer to buy laptops, impressors and ext. disks, pay debt to the company Vismitra and pay for new water filters for potable drinking water.
- **Presidency of the Republic:** SW received funds as the funds were not sufficient for payments of functionaries.
- **The Ministry of Defence:** MC received funds for ensuring equipment readiness for FDTL and SW received funds for the payment to functionaries.
- **Autoridade de Inspeção Alimentar e Fiscalização da Atividade Económica, Sanitária e Alimentar:** The virement was used to buy cars for the activities of the agency.
- **National University Timor Lorosae:** The virement to GS was made to ensure the implementation of ongoing activities for students for the current academic year, payment of pending debt such as electricity, telecommunication, and to complete late so as to eliminate the need of debt roll over to the next year.

Table 1: Selected reasons for virement making LM/AAs in 2019

Name of Ministry	Appropriation Category	Virements
Ministry of State and of Presidency of Council of Ministers	02 _ Goods & Services	-183,500
	03 _ Minor Capital	183,500
Ministry of State Administration	40 _ Despesas Contingencias	1,775,141
Ministry of Education, Youth and Sports Including SEJD	01 _ Salary & Wages	104,544
	02 _ Goods & Services	-476,902
	05 _ Transfers	359,358
	04 _ Capital & Development	8,000
	03 _ Minor Capital	5,000
Ministry of National Liberation Combatants Affairs	02 _ Goods & Services	834,906
	03 _ Minor Capital	70,094
	05 _ Transfers	-905,000
Presidency of the Republic	02 _ Goods & Services	-372,840
	03 _ Minor Capital	372,840
Ministry of Defense	02 _ Goods & Services	-166,200
	03 _ Minor Capital	100,000
	01 _ Salary & Wages	66,200
Autoridade de Inspeção Alimentar e Fiscalização da Atividade Económica, Sanitária e Alimentar	02 _ Goods & Services	- 136,432
	03 _ Minor Capital	136,432
National University Timor Lorosae	02 _ Goods & Services	179,000
	03 _ Minor Capital	-179,000

2.5 Ministry in Spotlight: Ministry of Justice

The government through Ministry of Justice continues to strengthen legislative reform in the justice sector and enhance justice system in Timor-Leste, to ensure an accessible and effective justice system for citizens with regard to equal rights and obligations in the state of democracy. This has been done through the following:

- Systematic Cadastral Survey (SCS), through national cadastral services, has conducted a national survey of 88004 plots of land across the national territory

- Training and the strengthening capacity building for Justice officials (Magistrate and Public Defenders) through Judicial Training Centre: 61 officials and Portuguese languages course for 100 participants
- Providing increased access to justice through public defenders services. Legal assistance on civil cases through the use of public defenders for 1,944 civil and criminal cases in Dili, Baucau, Covalima and RAEOA; Civil registry service to issue identity cards including passports, birth/marriages certificates, and death certificates.
- Strengthening the effectiveness of the criminal investigations (how many cases have been properly investigated and how many cases have been sent to Public Defender)
- Enhancing the legal framework in the area of justice and law.

2.5.1 Mandate

The Ministry of Justice is the Government body which responsible for designing, implementing and coordinating the policy defined by the National Parliament and Council of Ministries for the area of Justice and Law include properties (Article 2, Decree Law No.10/2019, 14 June).

The Institutions under superintendent of Ministry of Justice:

- Legal Training Centre (LTC) is responsible for training and investigations in the area of justice and law.
- Public Defender is responsible to provide legal assistance, free and integrated, judicial and extra-judicial assistance for citizens most in need.
- The Scientific, Criminal and Investigation Police Agency is the superior criminal body responsible for assisting the judicial authority, developing and promoting prevention, detection and investigation actions, as well as ensuring centralizing national criminal information and its respective operational coordination, as well as international police cooperation.

Justice Sector Coordination

The role of the Ministry of Justice is to coordinate with the relevant justice sector institutions including the Courts, Public Prosecution, Superior Councils of the Judiciary and public prosecutor including public defenders.

In addition: the Ministry of Justice also coordinates with other institutions in the Justice sector and Law such as:

- Ministry of Legislative Reform and Parliament affairs.
- Ombudsman of Human Rights and Justice
- Anti-Corruption Commission

2.5.2 Strategic framework

Timor-Leste has political commitment to implement a more peaceful and inclusive society, referred to in SDG 16 “peace, justice, and effective, responsible and inclusive institutions at all levels”. The Government of Timor-Leste recognizes that without peace, justice and sound institutions, it is very difficult to implement other objectives essential to sustainable

development. A crucial area for development in the Strategic Development Plan (SDP 2011-2030) is the creation of an institutional framework with the objective to ensure an accessible and effective justice system for all citizen.

In 2010, to help meet the objectives defined in the SDP and SDGs, the Ministry of Justice combined with the Council of Justice Coordination's support developed a justice sector strategic plan (JSSP 2011-2030) to define a coherent and general vision on how Justice System in Timor-Leste can be better developed and operationalized.

2.5.3 Objectives

The targets set out in the Ministry of Justice's strategic plan in justice sector are as follows:

- Institutional development: strengthening justice administration through improving the capacity of the institutions and coordination among them.
- Legal framework reform: strengthening and harmonizing the legal framework of the justice system and law.
- Human resource development: building the capacities and skills of justice sector officials such as providing institutions with the necessary and sufficient human resources, to carry out their mandates, meeting training needs and ensuring regular performance evaluations.
- Infrastructure and information technology: establishing the necessary infrastructure for the justice institutions throughout the country, in respect to buildings, housing, transportation, communication and ICT.
- Access to justice (*dalan ba justisa*): bringing justice closer to the people, offering them access to justice, particularly in the municipalities, including raising the awareness of the population regarding laws, rights and available justice services, and guaranteeing the interaction between the formal and informal justice systems.

In the eighth constitutional government program, consolidation in the justice sector became one of the key priorities, as the government believed that it is also a crucial factor in conveying confidence and attracting investment in the development of the economy. Although due to the complexities of the current system, this continues to be a major challenge for Timor-Leste.

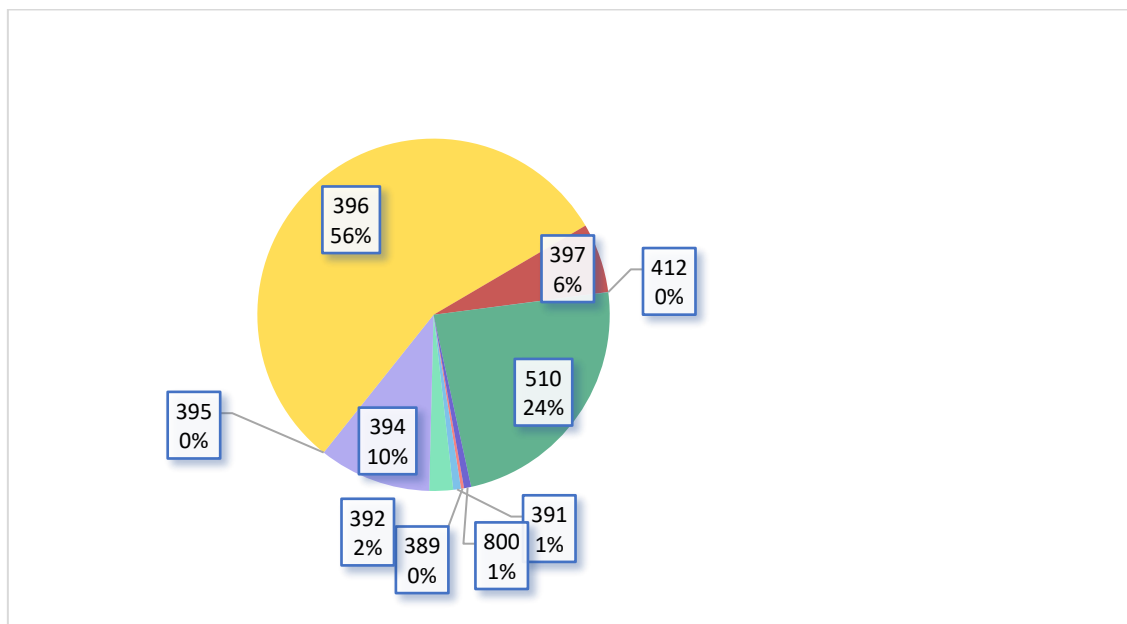
In order to push this agenda further, the VIII constitutional government program has set the following priorities in the area of justice:

- Consolidate peace and democracy by guaranteeing the fundamental rights, duties, and freedoms and guarantees of all citizens;
- Introduce profound reform in the justice sector
- Improve the efficiency, effectiveness and expediency of the exercise and administration of the justice;
- Promote a professional, competent, independent, transparent in judicial sector;
- Build a human resource framework in the justice sector that is competent, independent, professional and experienced;
- Ensure the independence of the Courts before other sovereign bodies;
- Promote and respect the rights of all citizens, including the extension of legal assistance to the most vulnerable and unprotected citizens, particularly regarding access to and understanding of the justice system;

- Promote the trust of the people and other foreign citizens, including investors, in the justice system.

2.5.4 Budget allocation and execution based on the programs

Figure 10: Budget allocation based on programme



Description of the program code in the pie chart: 389- HR Development in the Specific Technical Areas of the Justice Sector; 391- Legislative Reform and Legal Framework; 392- Access to justice; 394- Prison services and social reintegration; 395- Human rights; 396- Lands and properties Management; 397- Registries, Notary and Civil Identification; 412- Implementation of Gender Policy; 510- Good governance and institutional management and 800 Public Buildings.

The above pie chart shows budget allocation per program in the Ministry of Justice. From the amount 56% was allocated to lands and properties management program, 24% allocated to good governance and institutional management program, 10% allocated to prison services and social reintegration program and others programs have allocation less than 10%.

2.5.5 Budget Execution per programs

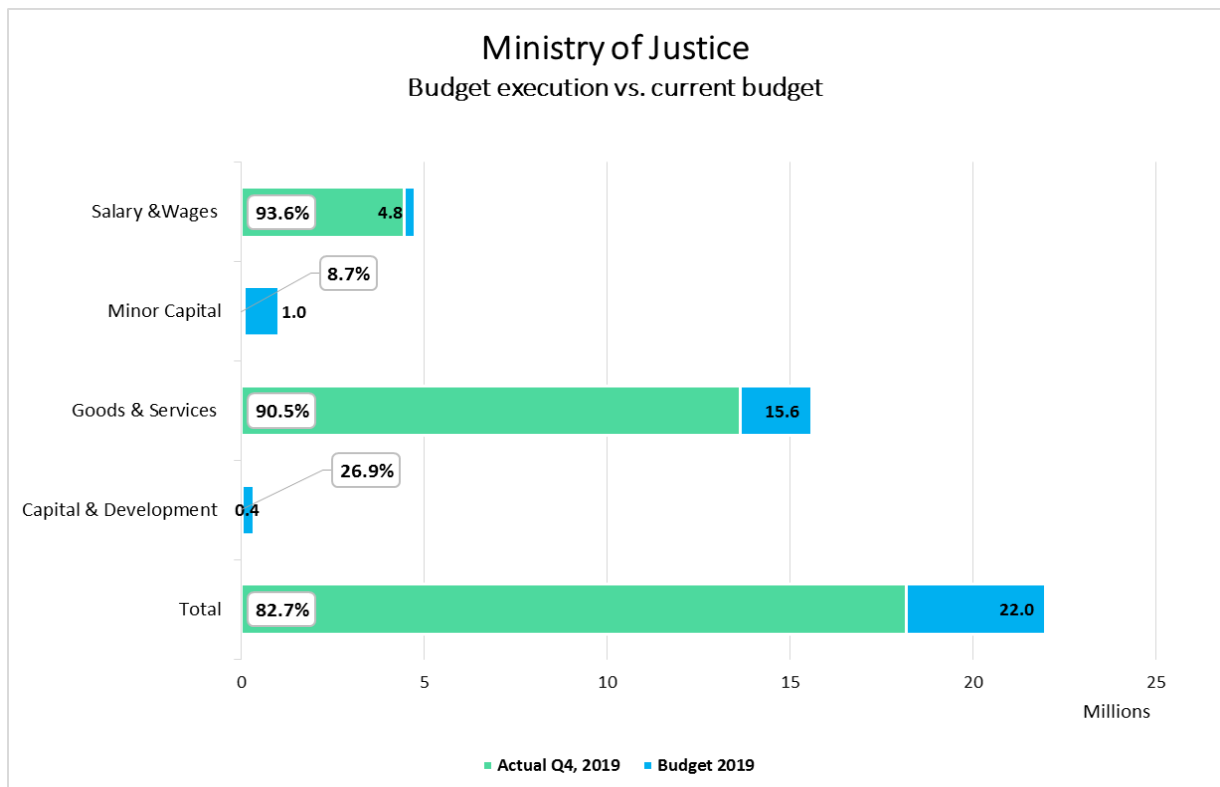
The table below indicates that the “Lands and properties Management” program managed to spend 95% from its 2019 budget allocation. This greatly exceeds the other programmes run by the Ministry. For instance another key program “good governance and institutional management” only executed 47% of its budget. The “Lands and properties Management” program implementing one of the key activities within Ministry, the *Nacional Cadastral System (SNC)*. The SNC has the largest single allocation of the Ministries’ funds (US\$9,501,069) which resulted in 88,004 plots of land being registered throughout the country.

Table 2: Programme level allocation and execution

Programmes	Budget Allocation	Budget Execution	Budget Execution (%)
389 - HR Development in the Specific Technical Areas of the Justice Sector	48,780	24,290.33	50%

Programmes	Budget Allocation	Budget Execution	Budget Execution (%)
391 - Legislative Reform and Legal Framework	122,543	44,955	37%
392 - Access to justice	374,974	257,702.50	69%
394 - Prison services and social reintegration	1,778,944	1,208,254.85	68%
395 - Human rights	2,000	0	0%
396 - Land and properties Management	9,621,604	9,179,313.14	95%
397 - Registries, Notary and Civil Identification	1,100,288	920,715.63	84%
412 - Implementation of Gender Policy	4,500	0	0%
510 - Good governance and institutional management	4,068,246	1,899,571.10	47%
800 - Public Buildings	112,500	31,835.09	28%
Grand Total	17,234,379	13,566,637.64	79%

Figure 11: Budget execution at the appropriation category level



Total budget allocation was US\$21,982,783 in 2019. Good and Services category has biggest budget allocation at 71% of the total budget. The lowest executed was the MC category where it only managed to execute 8.7% of its allocation.

As shown above, the biggest budget execution are within SW (94%) and GS (91%). Both categories contribute to the implementation of the keys activities of the programs including payment for the salary of the civil servants and professional service fee and SNC land registry project.

Table 3: Virements for Ministry of Justice, 2019

Programme	Capital Development	Goods and Services	Minor Capital	Salary and Wages	Public Transfers	Grand Total
Lands and properties Management		(505,472)			-	(505,472)
Dir.Nac.Regirtos Notariados		-		(67,487)		(67,487)
Registries, Notary and Civil Identification	(16,000)	(37,500)			-	(53,500)
Access to justice		(28,000)			-	(28,000)
Dir.Nac.Serv.Adm Fin.d Passoa		-		(15,425)		(15,425)
Dir.Nac.Asses.Jurid.Legislacao		-		(15,000)		(15,000)
Dir.Nac.Direitos Humanus Ciudad		-		(5,000)		(5,000)
Gabinete do Vice-Ministro da Justiça		-		(3,598)		(3,598)
Human rights		(2,000)				(2,000)
Secretario Permanente		-		110		110
Legislative Reform and Legal Framework		3,000			-	3,000
Gabinete do Secretario de Estado de Terras e Propriedades		-		3,598		3,598
Gab.Ministra da Justica		-		7,523		7,523
Gab.Inspecção e Auditoria MdJ		-		7,792		7,792
Dir.Nac.Serv.Prision.Reinser.S		-		87,487		87,487
Prison services and social reintegration	103,967	120,000				223,967
Boa governação e gestão institucional	70,000	353,725	0		(61,720)	362,005
Grand Total	157,967	(96,247)	0	-	(61,720)	-

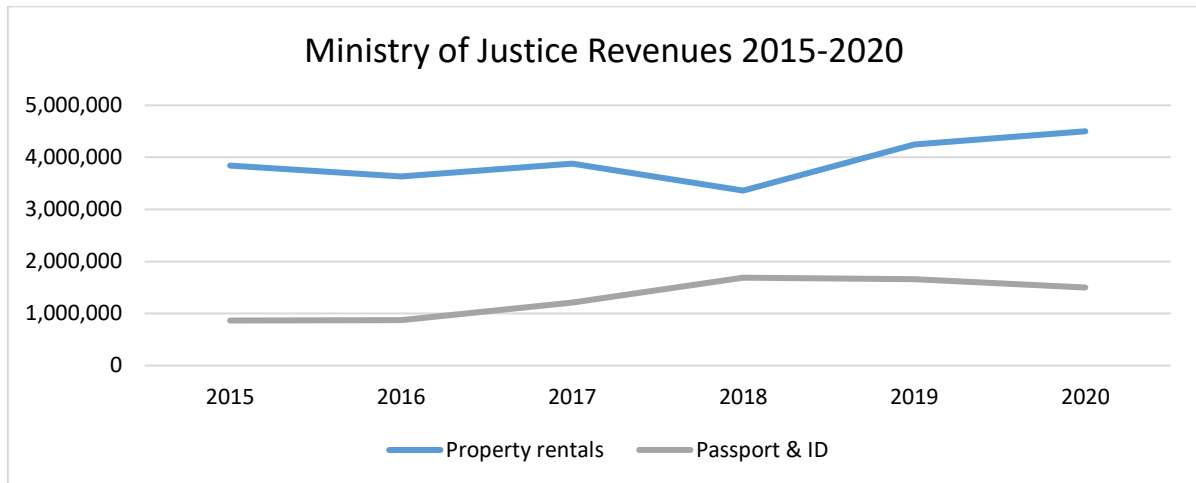
The table above describes virements made between programs and categories during 2019 budget execution. The total virement within Ministry of Justice is US\$695,482 (3% of the total budget). The 3% virement is considered moderate as it is within the limit set out in the law (which allows a maximum of 20%)

The table also shows that, the biggest transfer (vire out) of the budget was made from the Land and Property Management program at a total of US\$505,472. In the other hand the Good governance and Institutional Management program had vire in totaling US\$ 353,725 and the Prison Services and Social Reintegration program received (vire in) US \$120,000 to support prisoner rehabilitation.

2.5.6 Revenue collection

Ministry of Justice generates revenue from two sources; Passports and IDs and Property Rentals. The majority of finances comes from Property Rentals with it totalling over 70% of the total revenues in 2019. This trend is likely to continue, with the estimated revenue from Property Rentals expected to rise while Passport and IDs are likely to remain constant, though these estimates do not include the introduction of a number of potential new policies.

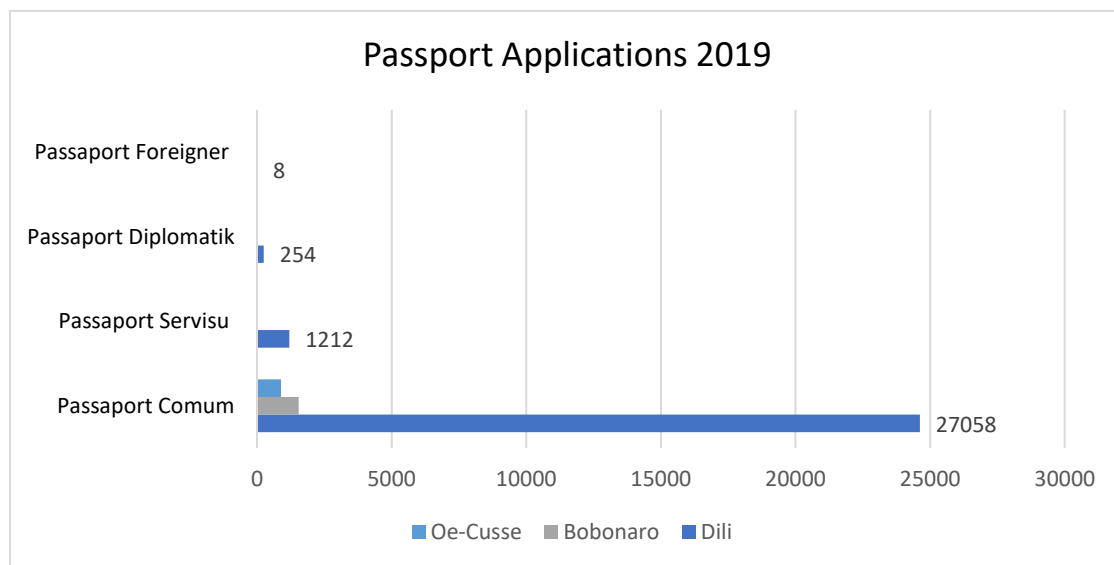
Figure 12: Ministry of Justice Revenues 2015-2020



In Timor-Leste, there are a number of different passport types. The Passaporte Comum is the standard passport type granted, used by the majority of the population. A Passaporte Servisu is available for civil servants/public officials. It is a different colour to the Passaporte Comum and allows for faster service at the airport. Diplomats and politicians are able to use a Passaporte Diplomatik which acts in a similar manner to the Passaporte Comum. The final passport option is a Passaporte Foreigner which is for individuals from outside Timor who want to get a Timorese passport.

The graph below shows the number of passport applications in 2019. The vast majority of applications were made in Dili, with no Diplomatic or Foreigner passports made in either of the other locations and only a total of 8 Passaporte Servisu made in both other offices.

Figure 13: Number of Passport Applications, 2019



There are a number of new policies hoping to be enacted surrounding Passport and ID revenues. Firstly a number of new offices are planned to be opened in the districts, with Baucau, Manatuto and Viqueque believed to be the first set. Secondly the department plans to introduce a faster delivery service for double the current cost. This would largely be used when travel is needed at short notice e.g. during a health emergency. Passport officials may go directly to hospitals to make the processes even easier. Finally while Timor-Leste currently provides ID cards to all citizens over 12 years for free, there are plans to introduce a \$5 fee in 2021.

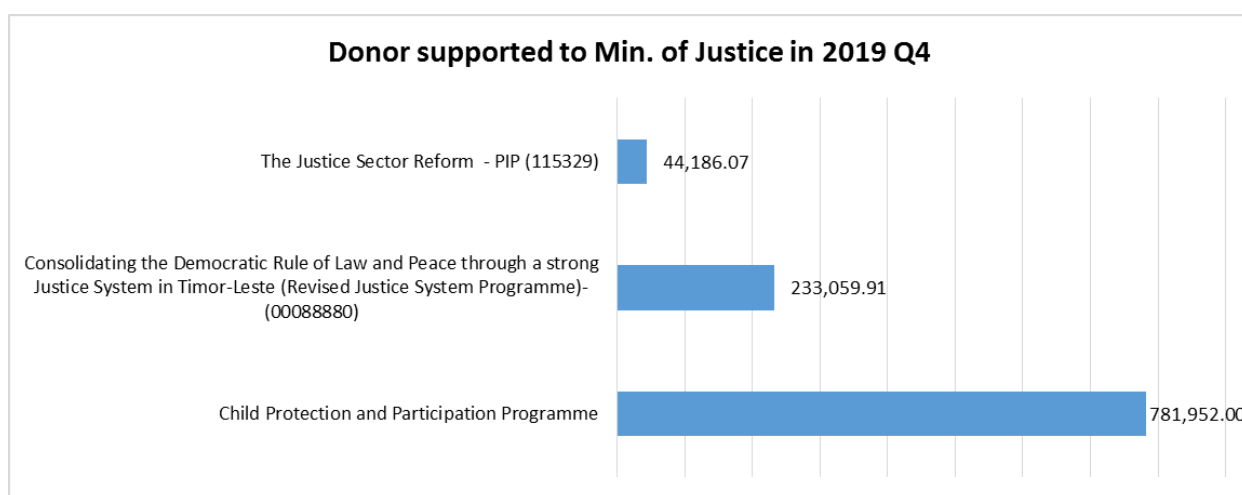
Regarding Property Rentals, the Ministry of Justice is responsible for processing the rental of government land across the country. The cost of each rental is dependent on the location the building is in, with those in more strategic/central locations costing more. There are 3 possible tiers of payment. The Ministry of Justice has a record of land ownership across the country, including what is government owned or community owned. They are responsible for monitoring who is using government land and identifying those that have not registered their use of the land. This process is being hindered by a lack of operational support e.g. transport to the different areas, lack of staff. However new technologies such as Google Maps are being used to make the process easier, this will only continue to grow in the future.

Revenues for the Ministry of Justice are likely to be effected by the duo-decimal budget, particularly those from Passport and IDs. This is because the duo-decimal budget can cause a slowdown in access to essential equipment such as paper, stamps and printing toner which are needed to make the new passports/ID cards. Additionally in order to get a Passport, a number of different documents are needed including a birth certificate, ID card and criminal record. Under a duo-decimal budget, there can be a greater delay in accessing such documentation which delays the whole application process. Revenues from land rental fell during 2018 due to the political impasse. Many applications were delayed till 2019 which explains the large increase during that year. This problem will likely occur again during the duo-decimal budget this year.

2.5.7 Donor support to the Ministry of Justice

The Ministry of Justice received a little over \$1 million through donor assistance with projects focussing on justice sector reform, strengthening of the justice system and child protection programmes. The vast majority of the funding being focused on the final category as seen in the graph below. All the funding for 2019 was received in Q4 altogether. Government of Japan, Government of Australia, Government of Spain, Norway, UNICEF Core Resources, and United Nations Children's Fund was the biggest funding partnership for the Child Protection and Participation programme.

Figure 14: Donor support to Ministry of Justice, 2019



2.6 Development Partner Disbursements

Donors made a cumulative disbursement of \$145.4 million in Timor-Leste by end of Q4, 2019. The following graphs present the projects with the highest cumulative disbursement by the end of Q4, 2019. All data is provided by DPs (development partners) and is extracted from the Aid Transparency Portal.

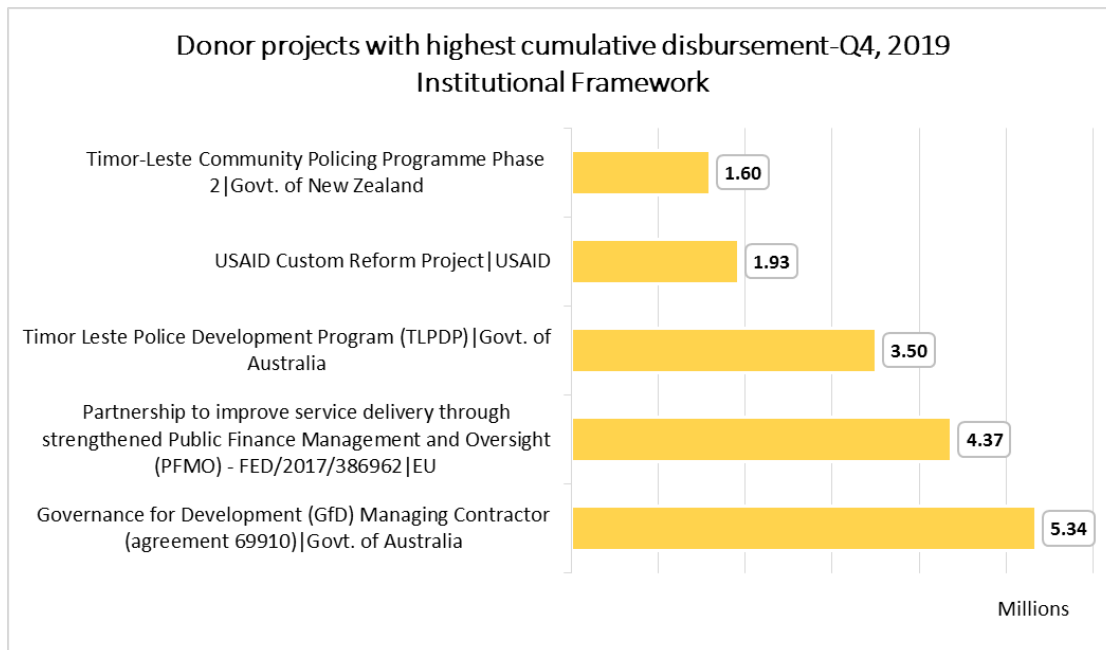
Often times, actual disbursement is higher than planned disbursement in Timor-Leste as DP plans change over the course of the year. Hence, only actual disbursement has been shown in the graphs.³ Since the same project may contribute to multiple SDP sectors, it may repeat across the graphs if it has made 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.

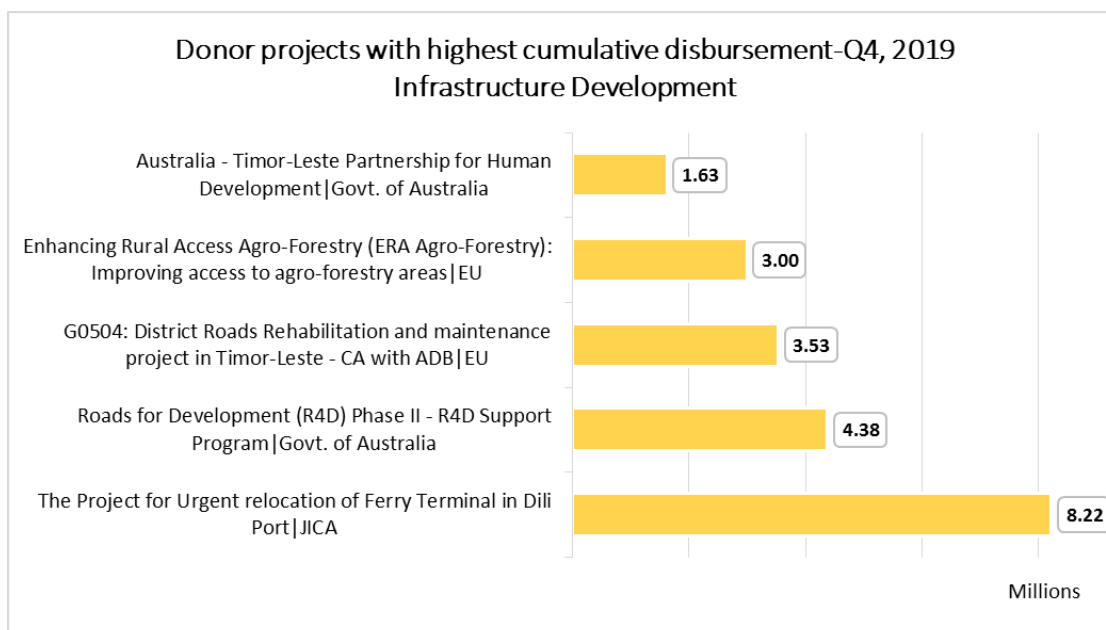
⁴ 1. The Govt. of China, The Global Fund, and the US Embassy had not uploaded their Q4 data as of Feb 14, 2019 and may account for under-counting.

Figure 15: Q4, 2019 disbursement for donor projects, SDP Sector- Institutional Framework



This sector received a total disbursement of \$22.6 million in 2019. The Government of Australia is the largest donor in this sector. The Governance for Development programme disbursed \$5.3 million by end of Q4. The New Zealand programme on community policing (\$1.6 million) and Australia’s programme on police development (\$3.5 million) are the biggest police reform programmes in value.

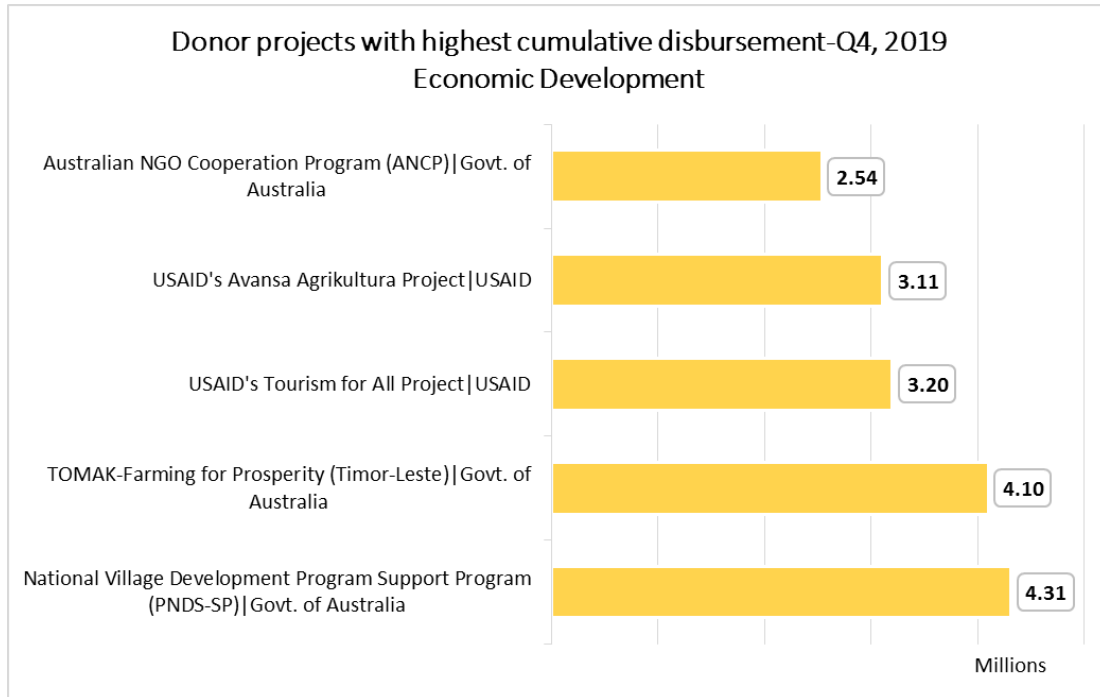
Figure 16: Q4, 2019 disbursement for donor projects, SDP Sector- Infrastructure Development



This sector received a total disbursement of \$26.3 million in 2019. Infrastructure Development donor disbursements commonly focus on land and water transport, climate resilience and water and sanitation. The biggest donor project in was the JICA funded relocation of ferry terminal Dili at \$8.2 million. In 2019, Australia made the biggest disbursements to its two programmes;

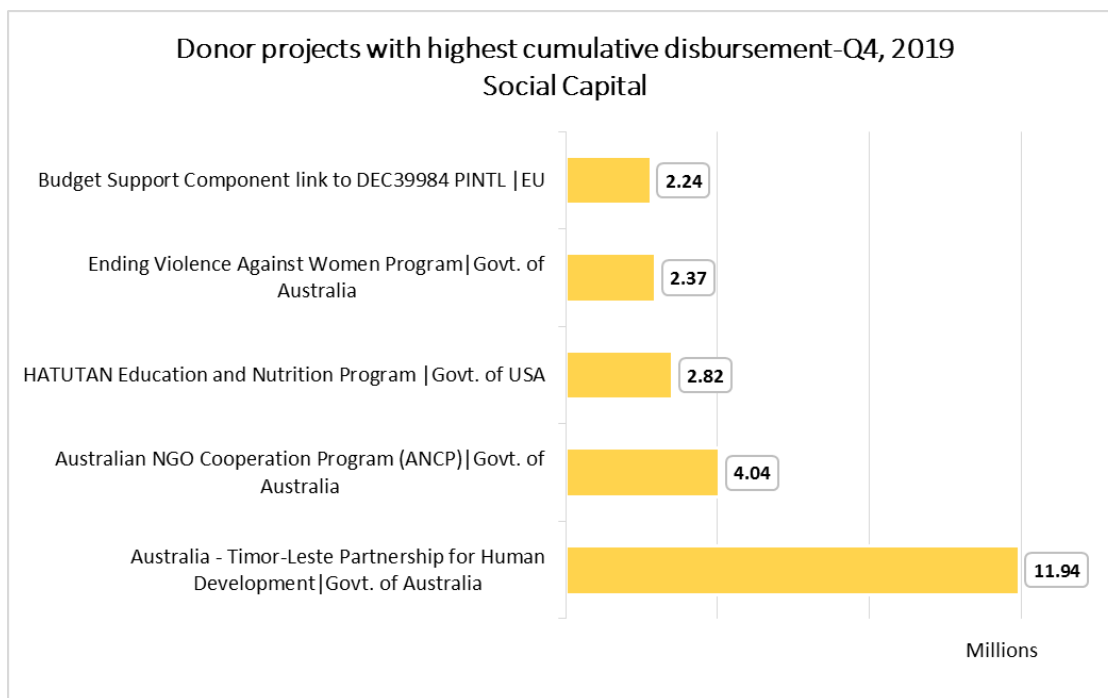
Partnership for Human Development (\$1.6million) and Roads for Development (\$4.4 million). EU contributed over \$6.5 million between its two big programmes on agro-forestry and roads rehabilitation and maintenance.

Figure 17: Q4, 2019 disbursement for donor projects, SDP Sector- Economic Development



The Economic Development sector received \$33.0 million in 2019. These donor projects focus on food security, income generation, natural resource management and agriculture. The largest donor programmes in 2019 was the PNDS Support programme (\$4.3 million) and TOMAK (\$4.1 million) both by Australia. USAID's Avansa programme disbursed nearly \$3.1 and its Tourism for all project disbursed \$3.2 million by the end of Q4. Ai ba Futuru by the EU (\$2.3 million), and the World Bank's sustainable agro forestry programme (\$1.7 million) focused on sustainable agriculture .

Figure 18: Q4, 2019 disbursement for donor projects, SDP Sector- Social Capital



This sector received \$63.4 million in donor funding in 2019. Social capital projects focus on women’s empowerment, child protection, social protection, health and education. Australia was the biggest donor in sector, disbursing \$23.7 million in 2019. The United States Embassy and USAID disbursed \$6.0 million across various programmes on health, nutrition and education.

2.7 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 maximum contribution of the budget support component is \$30 million 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.

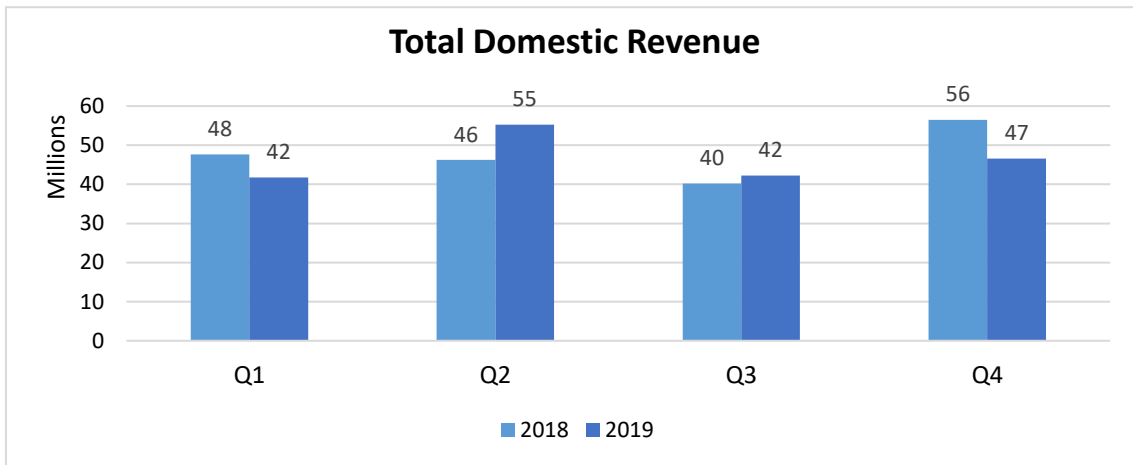
In 2019, the government received a first tranche of \$3.1 million. The second tranche of \$6.7 million was received on 19 January 2020. Out of this, \$3.8 million was distributed to the Ministry of Finance, \$2.2 million to the Ministry of Health and \$559,951 to the Ministry of State Administration. Ministry of Finance has currently executed \$4.4 million (for national technical assistance, international technical assistance, overseas travel, incidental costs, social security and transfers to the Ministry of Health and Ministry of State Administration). Ministry of Health and Ministry of State Administration must report to the Treasury about the execution of these transferred funds.

3 Revenue Trends in Quarter 4

3.1.1 Revenue Trends

Domestic revenues rose in the last 3 months of the year, compared to the previous quarter. This was driven by a rise in tax revenue, particularly withholding and excise taxes. Fees and charges saw no overall change with the previous quarter despite a large increase in revenues from electricity. Autonomous Agencies and Special Administrative Regions saw a fall compare to Q3, despite the slow start to the collections earlier in the year. It is important to note that ZEESM fees and charges are not yet known for 2019 but are included in the 2018 amounts (in which they appeared only in Q4).

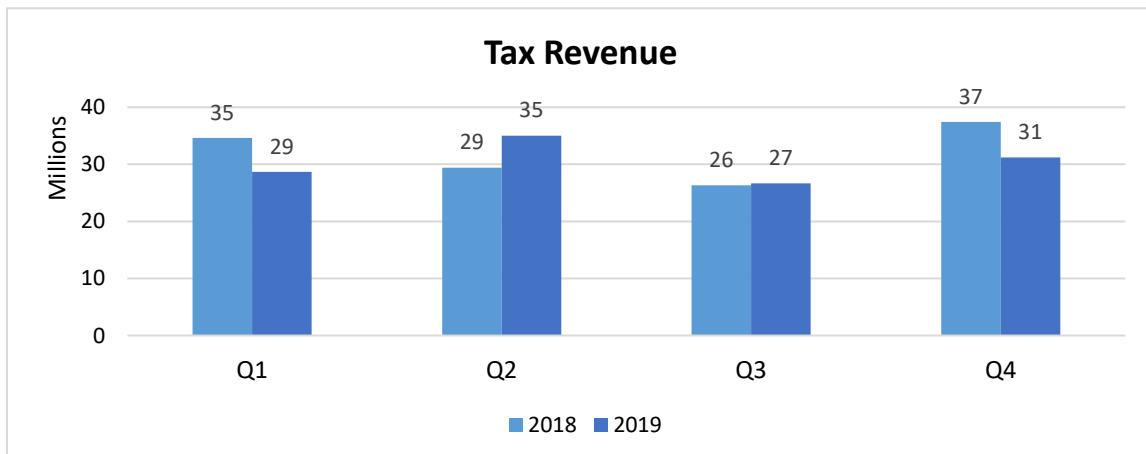
Figure 19: 2018 vs 2019, Total Domestic Revenue



3.1.2 Tax Trends

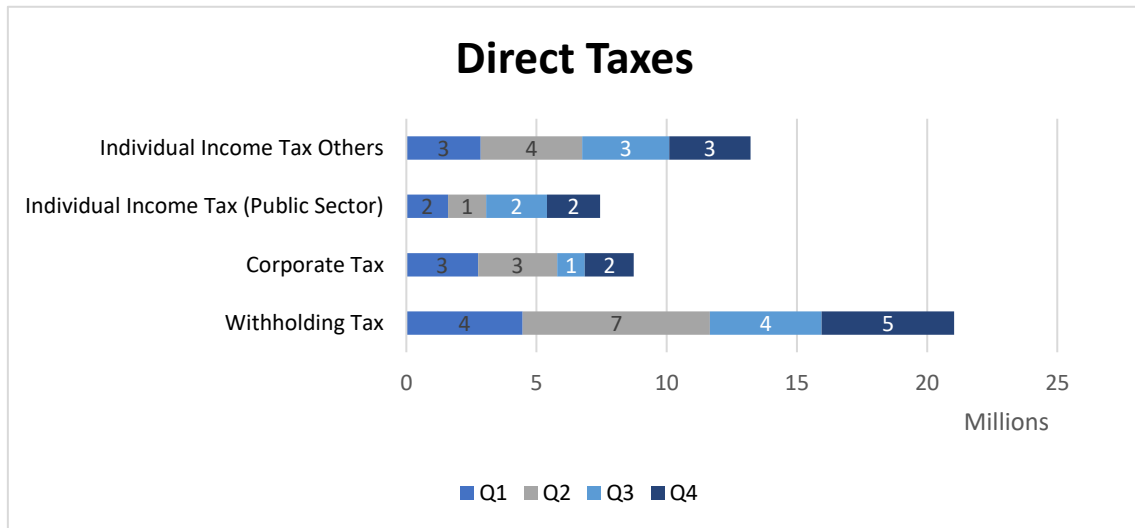
There was an increase in overall tax revenues compared to Q3, however the level was lower than collections in the same quarter of 2018.

Figure 20: 2018 vs 2019, Tax Revenue



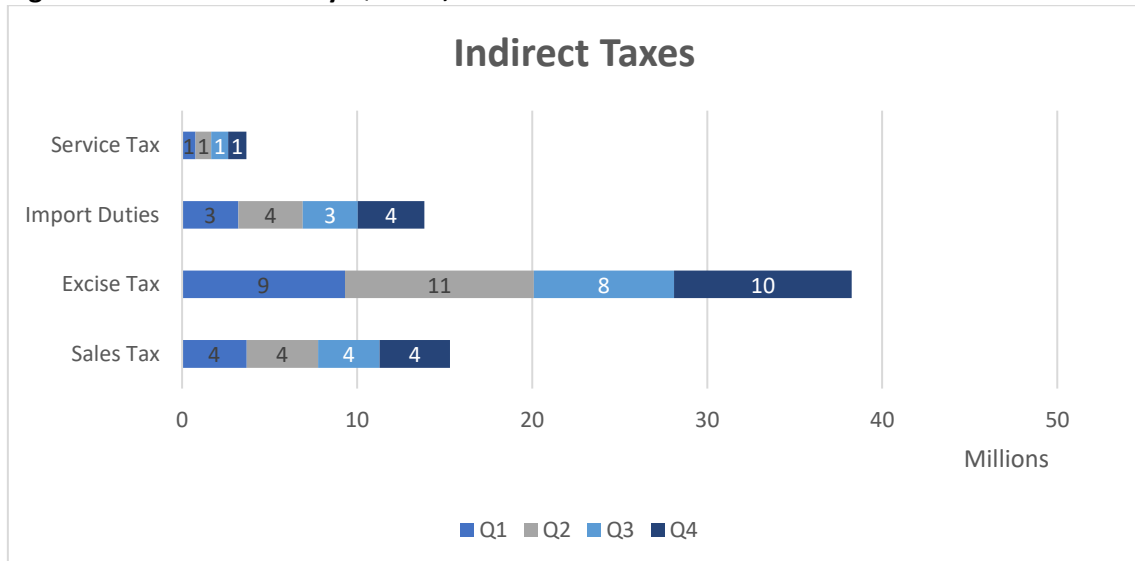
The rise was driven by an increase in withholding taxes. This is common as a large number of capital expenditure projects are often commissioned in Q4, before the close of the financial year. If anything, due to the high executions rate on Capital and Development in the last 3 months of the year the seen increase in revenue from Q3 is lower than expected. There can be some delay in the collection of withholding tax which may mean we will see a boost to the figures in Q1 2020 as a spill over from the contacts signed in Q4.

Figure 21: Direct Taxes by Quarter, 2019



There was also an increase in the amount of excise tax collected, compared to Q3. The amount is also an increase from the Q4 collection rate in 2018 where Excise Tax totalled \$9 million. There was also a slight rise in import duties. Indirect taxes are often seen as a proxy for consumer spending. Therefore the rise in Q4 suggests a rise in consumer confidence and a boost to economic growth.

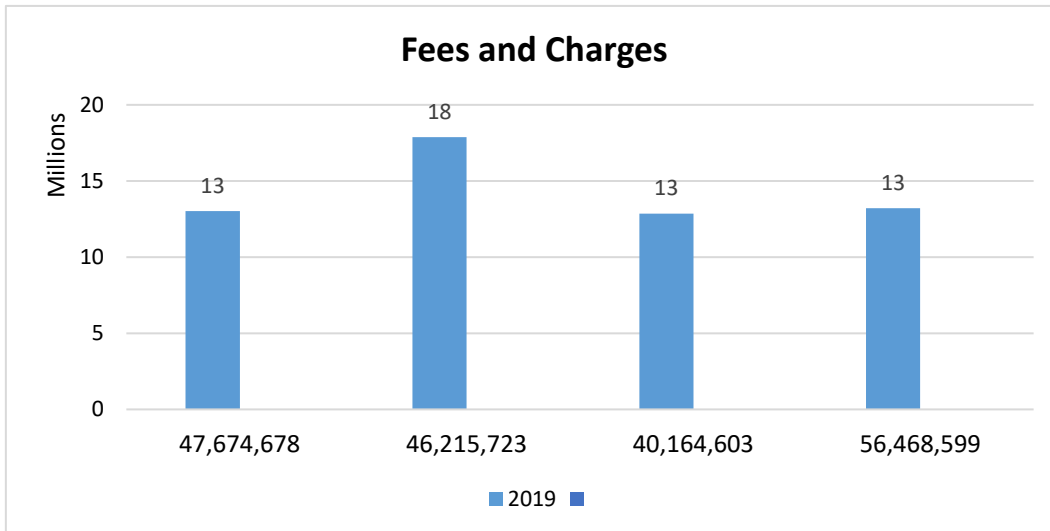
Figure 22: Indirect Taxes by Quarter, 2019



3.1.3 Fees and Charges Trends

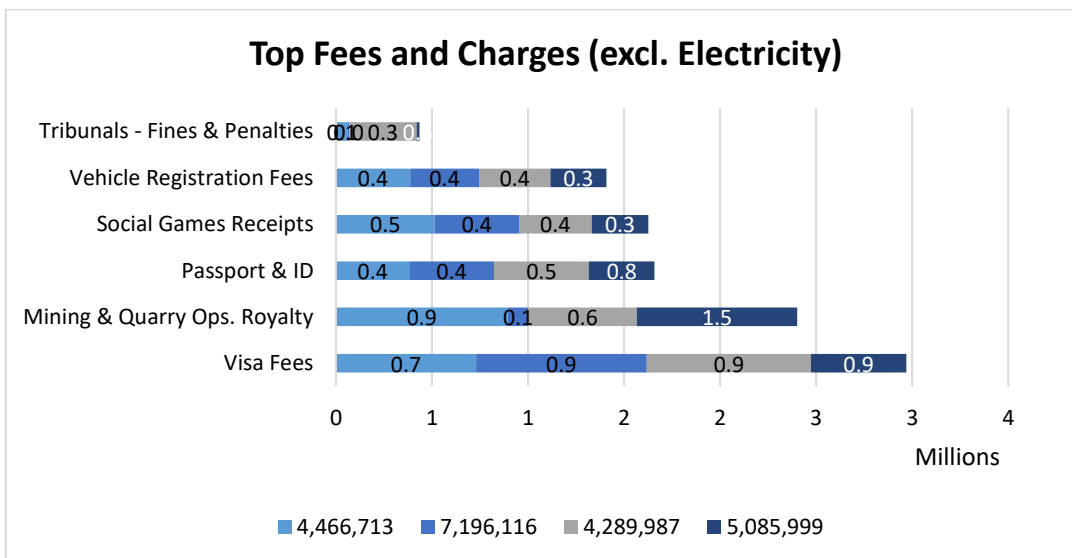
For fees and charges there was no significant change between Q3 and Q4, but a fall in the year on year amounts between 2018 and 2019.

Figure 23: 2018 vs 2019, Fees and Charges



There was a significant increase in the revenues from electricity to just over \$9 million. Electricity is largest competent of Fees and Charges, often accounting for over 60% of the total collection. However this rise was offset by small falls across all other categories except Mining & Quarry Royalties, The largest decline in absolute terms compared to the previous quarter was seen in property rentals, visa fees and tribunal fines and penalties.

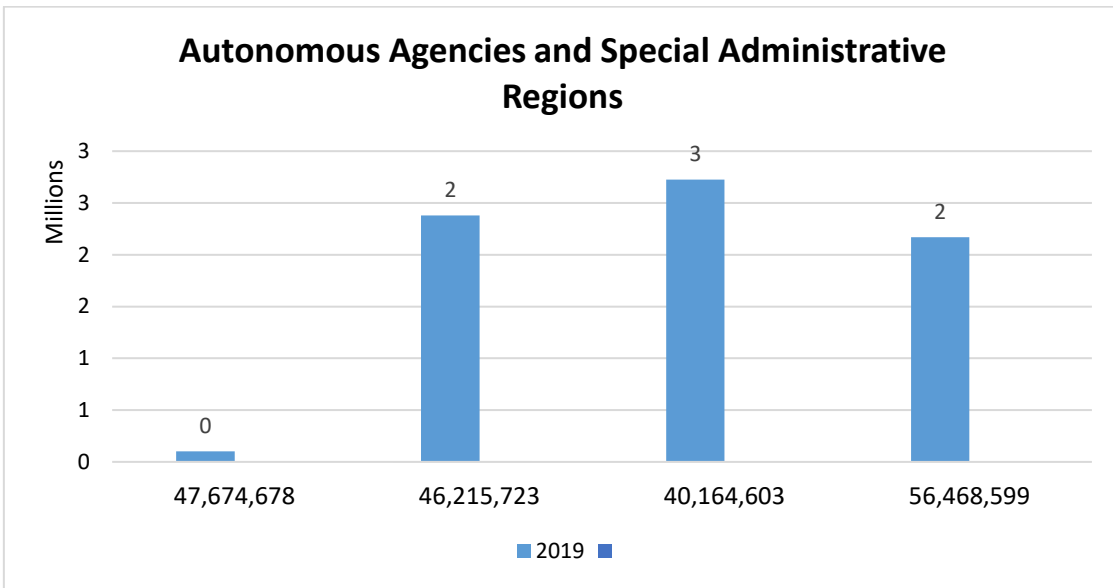
Figure 24: Top Fees and Charges Revenues (excluding Electricity) by Quarter, 2019



3.1.4 Autonomous Agencies and Special Administrative Regions Trends

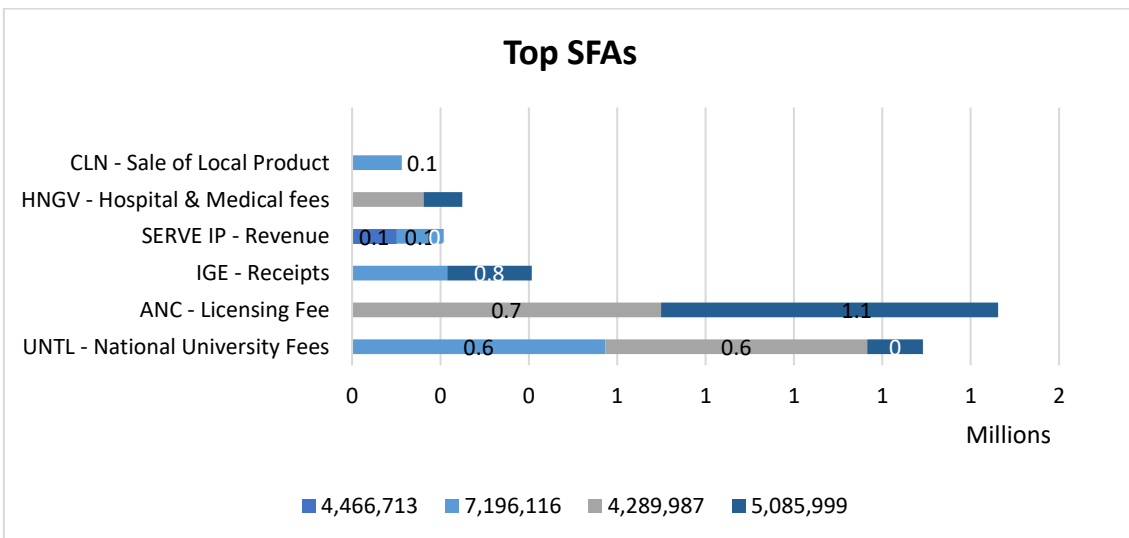
There was also a fall in the revenues generated by Autonomous Agencies and Special Administrative Regions, both between Q3 and Q4 and 2018 and 2019. It is important to note that 2018 data includes income for ZEESM through fees and charges only; tax revenue is not. The information for 2019 is not yet available and therefore not included. The total for 2018 for ZEESM fees and charges was \$761,665 and appeared as a lump sum in Q4.

Figure 25: 2018 vs 2019, Autonomous Agencies and Special Administrative Regions



A number of agencies/regions reported no revenues generated in Q4. This included SERVE IP and CLN for the sale of local products. APORTIL (Port Charges & Fees), the largest revenue generator, saw a fall in their revenue collections as did UNTL, HNGV (Hospital & Medical fees) and IADE (Service Fees).

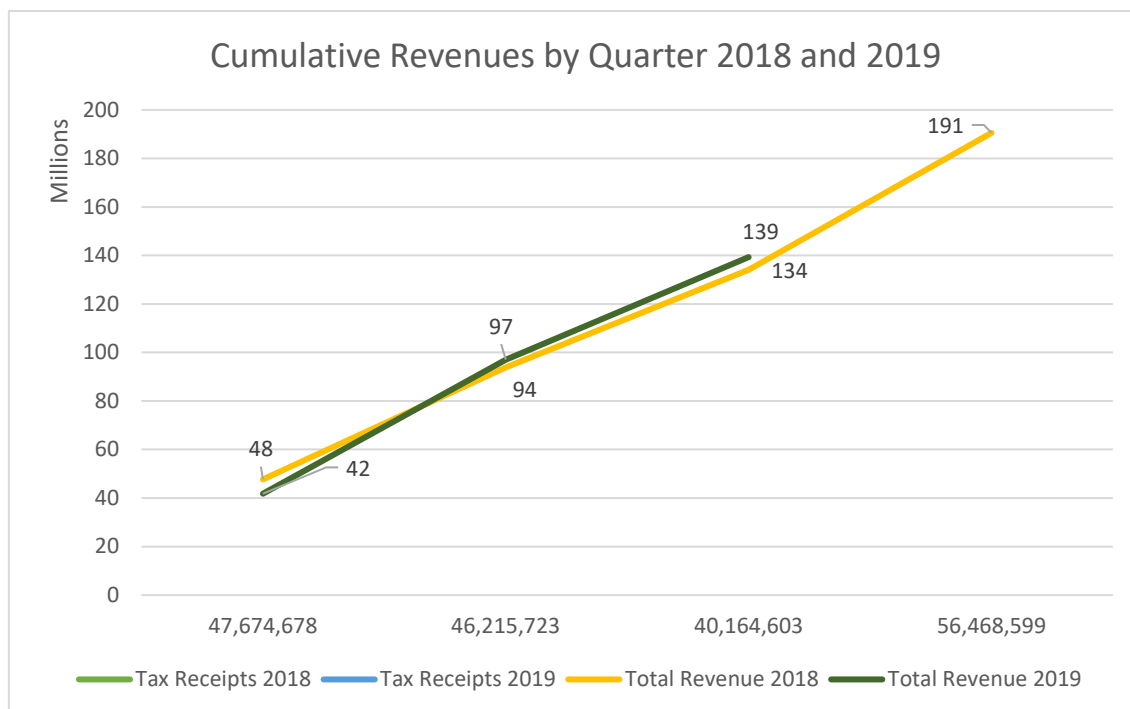
Figure 26: Top SFAs by Quarter, 2019



3.1.5 Revenue Trends across 2019

Looking across the whole year, revenues followed a very similar collection pattern in 2018 and 2019. The graphs for the total amount of revenue and tax receipts are shown on a different graph to those that compare Fees and Charges and revenues for Autonomous Agencies and Special Administrative Regions due to the different scale of collection. In comparison to the previous year, total revenues were slightly lower (\$186 million in 2019 versus \$191 million in 2018).

Figure 27: Cumulative Revenues by Quarter 2018 and 2019, Total and Tax



Tax revenues fell slightly in 2019 in comparison to 2018. The total tax revenues for 2018 was \$128 million, while in 2019 the total was \$122 million. Both direct and indirect taxes fell overall, despite large rises in some categories. The distribution across the year was fairly consistent, around 25% for each quarter. There was a slight increase in Q4, which echoed collections in 2018, and Q2.

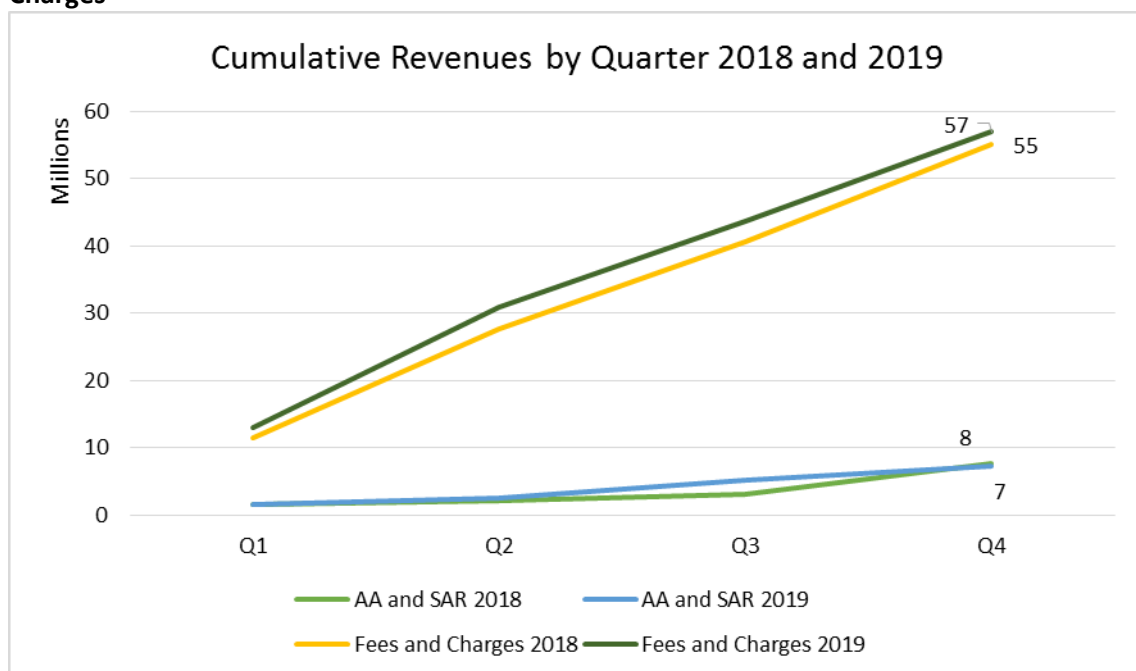
The fall in total tax revenues was driven by a decline in the overall levels of withholding tax across the year. This was due to a decline in capital expenditure during 2019. However as emphasized in the previous section, there may be delays in the receipt of such taxes. Corporate taxes also fell, suggesting a drop in private sector activity during the year. This was emphasized by a small fall in service duties. Import duties also fell substantially.

These declines were off-set by a large increase in individual income taxes of the public sector (47%), as well as a small rise in income taxes receipts for the private sector. The rise in public sector income tax was linked to an increase in casual worker employment across government, particularly in second half of the year. Casual workers are more likely than permanent to be earning over the \$500/month threshold and thus be eligible for income tax. Therefore a rise in income tax receipts is strongly linked to a rise in casual worker employment. There was also

positive signs to household consumption with a growth in sales tax and excise tax, suggesting an increase in consumer spending.

Revenues from Fees and Charges were consistently higher in 2019 compared with the same quarter in 2018. There were significant increases in the incomes generated by property rentals and mining & quarry royalties. Revenues from fines and penalties from tribunals and TL Internet Domain Revenue also increased relative to 2018. Electricity was still the largest fee and charge revenue creator, generating just over 55% of the total revenue from fees and charges. This is a slightly decline from the 60% it made up in 2018. The fall was due to a decline in overall revenue collected from fees and charges in 2018 and a fall in the level of charges electricity generated in 2019. Electricity fees in 2019 were \$281,981 lower than 2018, totalling \$32.96 million.

Figure 28: Cumulative Revenues by Quarter 2018 and 2019, AA and SAR and Fees and Charges



Autonomous Agencies and Special Administrative Regions ended the year slightly lower than the previous. However growth was more consistent over the year compared to the previous. Both years saw slow revenues at the start of the year, with Q1 making up only 10% of the total for 2019 and 19% for 2018. However the subsequent three quarters in 2019 made up 28-35% of the total each, very close to a third divide for each of the three sections. In 2018, on the other hand, revenues remained flat for the first 3 quarters of the year, with huge increase in Q4 which generated 59% of the total. The increase in revenues during Q2 and Q3 for 2019 relative to 2018 could have been due to a delay in collection from Q1, particularly given the low amounts seen during the first 3 months of the year.

2019 saw the introduction of a new revenue stream from the introduction of the ANC (Autoridade Nacional de Comunicações) Licensing Fee as well as a rise in collections from IGE Receipts and UNTL University Fees. However this was not enough to off-set the falls in other areas including the APORTIL Port Charges & Fees, the CLN Sale of Rice and Institute for the Support of Enterprise Development Service Fees. As noted previously, the figure for 2019 ZEESM fees and charges is also not yet included in the final amount.

4 Other matters of interest

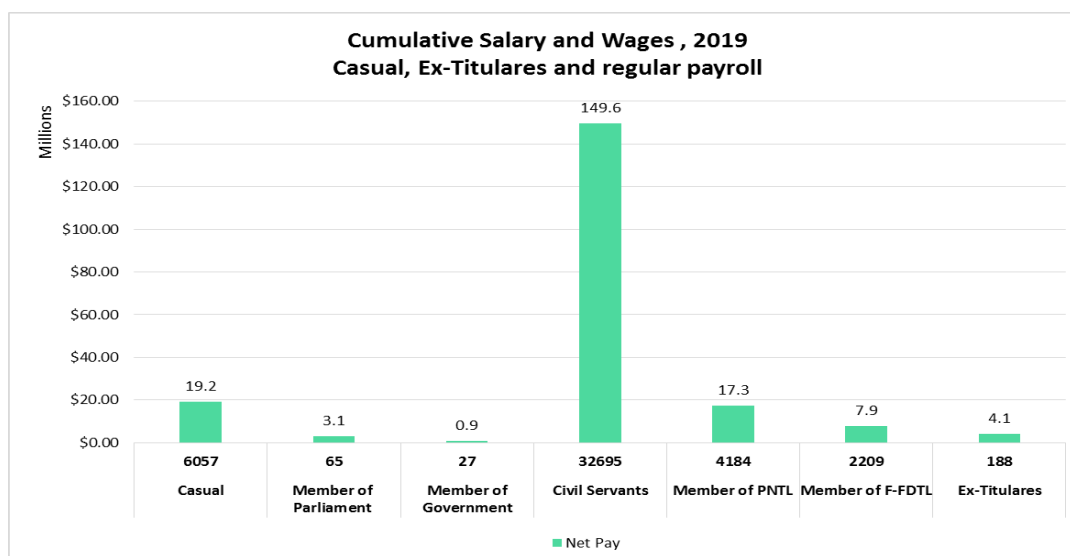
4.1 Procurement

Timor-Leste has instituted a 10% limit on sole source procurement⁵. All line ministries and agencies must focus on competitive procurement which reduces corruption and encourages competition between vendors. As of Q4, Archive Museum of Timorese Resistance (15.1%) and the Ministry of Transport and Communications (13.0%) have surpassed the limit and the National Centre for Rehabilitation (10.0%) reached the 10% limit. SAMES, which is an exception to the rule, had 21% sole source contracts by the end of Q4⁶.

4.2 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 Q4) for each subgroup is presented on the horizontal axis. In 2019 combined, \$19.2 million was spent on casual employees, \$4.1 million on ex-Titular's and \$178.8 million on regular payroll.

Figure 29: Q4, 2019 Salary and wages



⁵ Legal Regime for Procurement, No 10/2005 amended by 38/2011

⁶ Limit 10% direct award applies to all projects provided they meet the requirements set forth in Article 92 of the Procurement Law, except for supplies under the All-Government Appropriations, those related to national security issues, medicines, medical supplies and medical-hospital equipment, and those of Municipal Integrated Development Planning. This includes SAMES, RAEQA-ZEESM, CAC and PDID.

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)

4.3 Loans

The following graph shows the ongoing and disbursed loan projects in Timor-Leste as of September 30, 2019. The loan disbursement must be utilised six months before the closing date of the loan. 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 TLSP1, 3020, 3021, and 3181 are due to close in September 2020 and are expected to disburse 45%, 70%, 76% and 62% from now till the closing date. Loans 3020, 3021 and 2181 had only managed to disburse between 1-5% between Q2 and Q3, 2019. However, there was clear acceleration in disbursement in Q4 for all of them ranging from 20-40%. The ADB loans for Baucau-Viqueque have the lowest disbursement, between 0-10percent, but are still due to be completed by December 2021.

Figure 30: Loan execution until Q4, 2019

