

NATIONAL PARLIAMENT

COMMITTEE ON BUDGET AND FINANCE

Report and Opinion

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Proposed Law No. 35/V (4th) - State Budget for 2022

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I. CONSIDERATIONS

(i) Admission of the Proposed Law

1. Constitutional, legal and procedural formal requirements (Constitution, Law for the Publication of Acts and Rules of Procedure of the National Parliament)

The legislative initiative under consideration entered the National Parliament on 15/10/2021, under the provisions of Article 97.1(c) and Article 145.1 of the Constitution and in accordance with the provisions of Article 30 of Law No. 13/2009 of 21 October on Budget and Financial Management, as amended by Law No. 9/2011 of 17 August and Law No. 3/2013 of 11 September.

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

The legislative initiative takes the form of a draft law (PPL), is signed by the Prime Minister and the Minister of Finance, and contains the mention of its approval by the Council of Ministers on October 6, 2021, obeying the form for draft laws under paragraphs 1 and 3 of Article 11 of Law 1/2002 of June 29 (Law of Publication of Acts) and complying with the provisions of Articles 90, 91.1 and 96.2 of the Rules of Procedure of the National Parliament. It is written in Portuguese, in the form of articles, concretely defines the changes to be made to the legislative framework and has a title that adequately translates its main object, thus showing compliance with the provisions of Articles 92.1 and 98.1 of the Rules of Procedure. It contains a preamble and is accompanied by an explanatory statement, complying with the provisions of the Rules of Procedure as well as Article 11.1 of the Law on the Publication of Acts.

Finally, in accordance with Article 16 of the Law on the Publication of Acts, the PPL provides for the commencement of the State Budget for 2022, determining the entry into force on the day following its publication, with effect from January 1, 2022.

2. Structure of the Budget Law - Budget and Financial Management Law

According to Article 24 of the Budget and Financial Management Law (LOGF), Law No. 13/2009 of 21 October on Budget and Financial Management, as amended by Law No. 9/2011 of 17 August and Law No. 3/2013 of 11 September, the State Budget Law contains the articles and budget tables, which are approved in annex. The budget tables to be presented are those referred to in Article 28, namely: (i) Table with the estimated revenues to be collected, (ii) Table with the appropriations of the General State Budget, (iii) Table with the autonomous bodies that are partially financed by own revenues within the General State Budget (GSB). The law also determines that other tables may be annexed, duly approved in the articulation.

The draft law should also refer, under Article 25 of that law, the authorization for the withdrawal of the petroleum fund as well as other articles that are considered necessary and according to Article 29, the draft law has a structure and content identical to the law. It contains an article with 24 articles divided into 5 chapters, and an annex with 7 budget tables and under the provisions of Article 22 of the LOGF, the GSB contains general information on the budget, plan with expenditure appropriations and forecast revenues, and information on assets and liabilities.

3. Petroleum Fund Law

In rounded figures, the draft law proposes a transfer from the Petroleum Fund of \$1,042.5 million, of which \$554.1 million corresponds to the Estimated Sustainable Income (ESI) and \$488.4 million relates to transfer beyond the ESI.

Documents presented by the Government

Along with the draft law, the Government submitted to the National Parliament all the documents required by law for transfers from the Petroleum Fund.

The Government has therefore delivered the documents required to be submitted to the National Parliament for the purposes of transfers from the Petroleum Fund, in accordance with the provisions of Articles 8 and 9 of the Petroleum Fund Law.

(ii) Public Finance Committee

Due to the matter, the Public Finance Committee is the competent committee to consider this legislative initiative, under the National Parliament Deliberation 2/2018, of June 26, and Article 3 of its Regulations, which assigned it, among others, powers in budgetary matters and, by virtue of Article 164 paragraphs 1 and 2 of the Rules of Procedure of the National Parliament, it falls to the Public Finance Committee to prepare a report and reasoned opinion, which must take into account the sectoral opinions of the other specialized standing committees.

It was based on the draft law and respective explanatory memorandum, the technical note dated October 19, 2021, the supporting documents submitted by the Government with the draft law and the information obtained from the entities heard that this analysis was developed and supported the conclusions and recommendations contained in this report and opinion.

We recommend the reading of the sectoral opinions of the other specialized standing committees consulted and of the Petroleum Fund Consultative Council (CCFP). Whenever referred to, these opinions have informed the present report and opinion.

In the preparation of this report and opinion was observed, with the necessary adaptations, the provisions of Article 34 of the Rules of Procedure of the National Parliament.

(iii) Rapporteurs

The following Members of Parliament were appointed rapporteurs: Deputy Maria Angelina Lopes Sarmiento (PLP), Deputy Nélia Soares Menezes (Fretilin) and Deputy António Maria Nobre N.A. Tilman (KHUNTO).

(iv) Public Hearings

Within the scope of the initial appraisal of the PPL of State Budget 2022, the Public Finance Committee (Committee C), held the preparatory seminar of the budget appraisal "Budgetary Overview for 2022", which was held from October 27-29, 2021, in Tibar. The initiative was attended by all deputies members of Committee C, the representation of the Bureau of the National Parliament, the Bureaus of all other specialized standing committees and the political parties with parliamentary seats.

The seminar was a space for discussion of ideas and debate that preceded the formal start of public hearings on the budget proposal for next year, whose opening ceremony was attended by His Excellency the President of the National Parliament and the closing ceremony was the responsibility of a Vice-President of the National Parliament.

Observing the provisions of Article 80 of the Rules of Procedure, Committee C conducted public hearings with various entities of the Public Administrative Sector, banking entities, NGOs and others. The public hearings were held between November 4 and 19, 2021, at the premises of the National Parliament and according to the following schedule:

Date	Entity
4 November	Ministério do Petróleo e Minerais Autoridade Nacional do Petróleo e Minerais Instituto do Petróleo e Geologia Timor Gap E.P.
5 November	Ministro das Obras Públicas e Ministério dos Transportes e Comunicações
09 November	Ministro Coordenador dos Assuntos Económicos e Ministério do Turismo Comercio e Indústria Banco Central Timor-Leste, Banco Nacional Comércio Timor-Leste e Conselho Consultivo do Fundo Petrolífero

10 November	Conselho Gestão do Fundo COVID-19, composto pelo Ministro das Finanças, Ministra dos Negócios Estrangeiros, Ministra da Saúde e Ministro Coordenador dos Assuntos Económicos
11 November	Presidente da Autoridade da RAEOA e ZEESM, Ministério Administração Estatal e Administrações dos Municípios
15 November	FONGTIL
16 November	Ministro do Plano e Ordenamento, Fundo das Infraestruturas e EDTL E.P. e Bee Timor E.P. Tribunal Recurso e Câmara Contas
17 November	Fundo Desenvolvimento Capital Humano Unidade Planeamento Monitorização e Avaliação (UPMA)
18 November	Ministério da Defesa com IDN e Ministro da Segurança com PNTL
19 November	Ministro das Finanças (MF) + Autoridade Tributária + Autoridade Aduaneira + Comissão Nacional Aprovisionamento (CNA)

During them, the entities heard had the opportunity to clarify the doubts of the honorable Members and to convey their opinions and recommendations on the budget proposal. All documents submitted to the Committee during the hearings and the Budget Overview Seminar are attached to this Report and Opinion.

II. LEGAL BACKGROUND

Main legal issues raised:

- Normative deficit framework

The Government's option to structure the State Budget by programs was accepted by the National Parliament starting with the 2020 State Budget. The current framework law, the LOGF, despite providing for this possibility, was designed above all for a budget structured according to an organic classification.

It should be noted here that unlike the budget of the Central Administration and RAEOA sub-sectors, the budget of the Social Security Sector does not yet have framework rules in the Timorese legal system. This is a lack that should also be addressed. Without prejudice, with regard to the social security subsector, taking as reference article 61 of the law that created the social security contributory regime, Law No. 12/2016 of November 14, and article 19 of Decree-Law No. 55/2020 of October 28, which established the Social Security Reserve Fund (article 19), the structure and formal and material content of the Social Security Budget (OSS) are considered adequate.

Even so, the Committee C considers that the tables of the OSS (tables VI and VII of the PPL GSB 2022) suffer from a lack of detail, and it is recommended, for the future, the inclusion of two new tables relating to the expenditure of the two public institutes, the National Institute of Social Security (INSS) and the Social Security Reserve Fund (FRSS), in order to provide the level and detail of information on these institutes, along with the other public entities of the budget perimeter.

- Missing financial information

In the report and opinion of this Committee on the draft law on the State Budget for 2021 it was stated that "the information on assets does not include the assets of the State and the information on liabilities does not include guarantees given to third parties or non-financial debt, in contravention of Article 22.1(c) LOGF". Likewise, the proposal presented does not include the estimated cost of previous revenue not collected as a result of tax or customs benefits nor the forecast of revenue not collected as a result of tax exemptions and due to non-financial benefits, in contravention of Article 23.3 paragraphs m), n) and o) of the Financial Regulation. When questioned about this lack, also during the hearings under the PPL of the 2021 State Budget, in response to the concerns of Members of Parliament regarding non-compliance with the LOGF, the Minister of Finance informed us that the ministry has been improving the procedures of revenue projection analysis, which will allow it to calculate the projected revenue loss in the next State Budget. Despite the previous recommendation of Committee C

and the intention of the Government shown in 2021, the PPL now under analysis still does not include information on assets relating to the patrimony of the State and on liabilities it does not include information on guarantees given to third parties, non-financial debt, the projected cost of previous revenue not collected as a result of tax or customs benefits nor the forecast of revenue not collected as a result of tax exemptions and due to non-financial benefits. Committee C recalls these have been its requests for several years, the first reference being, for example, financial debt.

- The exclusion of certain public entities

The Petroleum Fund of Timor-Leste, despite being an integral part of Direct Administration is not part of the State Budget, because its budget and accountability are regulated by Law 9/2005 of August 3, amended by Law 12/2011 of September 28; also the Central Bank of Timor-Leste, despite being an integral part of Indirect State Administration is not part of the State Budget, and its budget and accountability are regulated by Law 5/2011 of June 15.

Despite being an Indirect State Administration entity, the PPL for the State Budget again proposes the postponement for another year of the integration of the budget of the National Petroleum and Minerals Authority (ANPM I.P.), contrary to the provisions on the subject in the 2021 State Budget law.

For the first time, and in compliance with previous recommendations of this Committee, the revenues and expenses of the Institute of Petroleum and Geology (IPG), an entity of the State's Indirect Administration, regulated by Decree Law No. 33/2012 of 18 July, are included in the PPL GSB 2022, which is welcomed.

- Taxes, Fees and Customs Duties

In the chapter on taxes, fees and customs duties, article 6.4 of the PPL GSB 2022 establishes the exemption "from the payment of taxes, fees, customs duties and other levies, as well as withholding tax, in the following situations:

The acquisition, by the State or other public legal persons, of arms and ammunition for the National Police of Timor-Leste (PNTL), the Scientific Criminal Investigation Police (PCIC) and the FALINTIL - Defense Forces of Timor-Leste;

Payments to be made on account of expenses related to medical assistance abroad and the introduction into national territory of goods that are donated to the State by foreign States, public legal persons of other States or international organizations."

The draft law also maintains the reduction of the excise tax rate currently levied on guns for slaughtering animals, from 200% to 10% (Article 6.7 of the PPL), but, on the contrary, Article 6.5 and 6.6 of the proposal, for the second consecutive time in two years, proposes to increase excise taxes on alcoholic beverages in relation to what is regulated in the Tax Law, an increase that in the explanatory memorandum the Government assumes to have the objective of promoting public health, discouraging the consumption of beverages with higher alcoholic content, while promoting the national beer production industry and, of course, increasing tax revenues.

The PPL GSB 2022 also states in article 6.7 that "during the year 2022, the excise tax rate applicable to tobacco, tariff headings 2401, 2402 and 2403, shall be \$25 per kilogram", which represents an increase of more than 30% over the \$19 per kilogram currently in effect, which the Government justifies in the proposal in the explanatory memorandum as having the objective of discouraging tobacco consumption.

Regarding exemptions or increases of certain excise tax rates, which are repeated annually, assuming a "permanent" character, it would be advisable to integrate such exemptions, if in fact they are permanent, in the Tax Law approved by Law no. 8/2008, of June 30, amended and republished by Law no. 5/2019, of August 27. Such integration should ideally come to be done through the urgent revision of the tax law, not least because in relation to arms, exemptions have been repeated successively since 2015, without the benefit being used.

- The lack of forecasting of certain own revenues and the failure to mention certain categories of expenditure

In the Central Administration

The PPL GSB 2022 defines own revenues as “the revenues so designated by law or, in the absence of such designation, the revenues collected by a given entity with financial autonomy arising from its specific activity or arising from the administration and disposal of its assets or the administration of the assets assigned to it, unless otherwise provided by law” (Article 4(t)).

Article 3.1 stipulates that the revenues of the GSB are presented and specified by organic and economic classifier. It is again noted that Table II limits the demonstration of revenue to some Autonomous Funds and Services, not listing accurately all the Services with financial autonomy.

As for the Direct Administration, the values refer to revenues from “Fees and payments” which include “a wide selection of non-tax source categories (...) encompass administrative fees, payments for services, tariffs, non-petroleum royalties, among others.) Despite the enormous diversity of the type of revenues, it is not clear that some other revenues should also exist. By way of example, we should mention those from the application of fines or penalties, as well as compensation.

Thus, regarding the omission of certain entities (even if they were entered at zero in the event that they do not currently generate any revenue) and the possible omission of certain categories of revenue (perhaps for lack of adequate specification) the Committee considers it necessary to make a greater effort by the Government to specify accurately all services capable of generating own revenue and to review the categories of revenue (with greater detail at the level of disaggregation) in order to allow effective and transparent control of government revenue by the National Parliament.

In RAEOA

The PPL provides in paragraph 3.7, 5 different categories of revenue in the Budget of the Special Administrative Region of Oe-Cusse Ambeno. Notwithstanding the legal provision for the RAEOA ‘s own revenues, according to Article 11 of Law No. 3/2014 of June 18, as amended by Law No. 3/2019 of August 15, Table IV of the PPL sets the collection of direct and indirect taxes to zero.

In 2020, the Ministry of Finance clarified that it is its understanding, also accepted by the RAEOA, that the rule determining tax revenue as own revenue depends on the entry into force of the Region’s special tax regime, so until that date, taxes collected in the Region are revenue of the Central Administration. Thus, this Committee recommends the Government to urgently submit the draft law that will regulate this matter. Differently happens with taxes, because such revenues are considered own when collected by entities with financial autonomy.

It is also strange to see the entry of zero for interest since they report annually high balances accumulated by the Region, as a result of poor budget execution. It is also questionable whether the RAEOA effectively has no leased assets, as seems to be the case, making their calculations in the table of own revenues. In view of the above, it is the recommendation of this Committee that the Government strives for greater transparency regarding the budget information of the RAEOA and that the National Parliament ascertains the exact values that should be introduced in the table of revenues of the RAEOA and add them by overwriting a proposed amendment to that end.

- Budgetary changes

Of special importance is the attribution of powers to the Executive to make budget changes to expenditure, given that the LOGF only regulates alterations to the budgets of non-autonomous services of the Central Administration (article 38).

The law that approved the State Budget for 2021 established in article 11.1 that the provisions of paragraphs 1 and 2 of article 38 of the LOGF would apply in 2021 to budgetary changes between programs in the central government budget, within a ministry or secretariat of state or between ministries or secretariats of state, thus limiting transfers between programs in the same ministry to a

maximum limit of 20% of the budget allocation from which the transfer is made. Similarly, Article 11.2 of this law prescribes that “it is the responsibility of the governing bodies of entities with financial autonomy, with the authorization of the Minister of Finance, to make budgetary changes between programs in the respective budget, provided that the amount does not exceed 20% of the budget appropriation from which the amount is transferred.

Differently, the PPL GSB 2022 does not provide any limit, either for budgetary changes between programs of the same Ministry or Secretary of State or within the same program in the Central Government Budget or for budgetary changes between programs in the same budget of organs or services with financial autonomy. The PPL establishes for 2022 a new regime for the powers of the Government to make budgetary amendments to expenditure, adding new rules to the LOGF currently in force and strengthening the powers of the Government to make these amendments outside of the National Parliament. This Committee argues that the limits on the budgetary changes to be made by the Government provided for in the law should continue to be maintained.

Finally, and as a guiding principle of the debate that the National Parliament should do on this issue is important to remember that Article 95.3(d) of the Constitution states that it is the exclusive responsibility of the National Parliament to decide on the state budget, adding in Article 145 that “the budget law should provide, based on efficiency and effectiveness, the breakdown of revenue and breakdown of the expenditure.

- Ataúro Special Development Fund

The PPL GSB 2022 creates, through article 15, the Ataúro Special Development Fund, a legal person under public law, with legal personality and administrative, financial and patrimonial autonomy.

As the Ataúro Municipal Administration is yet to be created, article 15.5 mentions that on a transitional basis, and until the installation of representative bodies of Local Government, the Municipal Administrator of Dili integrates the Fund’s Board of Directors, presided by the Minister of Planning and Urban Development.

Notwithstanding this declaration of constitutional conformity regarding the creation of the Infrastructure Fund, the PPL GSB 2022, regarding the creation of the Ataúro Special Development Fund provides, in paragraph 7 of the aforementioned article 15, that “the member of the Government responsible for finance is authorized to create a budget title relating to FEDA and transfer to this title the sum of \$13,000,000 from the budget appropriation entered in the category “Public Transfers” of the title “Whole of Government Appropriations”, “Program 028: Rural and Urban Development”. It turns out that such a normative solution raises some reservations, considering that the National Parliament to approve the existence of a budget title and its appropriation. Thus, and since the Fund will be created on the day of entry into force of the law of the GSB 2022, it is proposed to delete paragraph 7 of the aforementioned Article 15, and that we create, from now on, a title in Table III that provides the necessary budgetary allocation for the Special Development Fund of Ataúro, if this is the will of the NP.

Some of the rules that the Government introduces for 2022 in the PPL contradict rules of the budget law in force and even seem to conflict with the constitutional provisions that give the National Parliament exclusive power to approve the Plan and Budget.

At stake are specifically a wide range of budget amendments that next year will be transferred from the National Parliament to Central Government, to RAEOA and Social Security, if the Plenary of the National Parliament approves article 11 of the draft law on the State Budget 2022 as proposed, many of them subverting the provisions of Article 38 of the Budget Framework Law in force. Many of them subvert the provisions of Article 38 of the Budgetary Framework Law, in its current wording, Law No 13/2009, by substantially limiting the legislative powers of the former and transferring them to the latter, thereby reducing the transparency of public accounts, the ability of the National Parliament to monitor and control the budget and contributing to increasing off-budget spending.

In addition to the limitations it imposes on the National Parliament regarding budget amendments, also at issue is the authorization that the same article 11 gives the Central Administration, the RAEOA and Social Security (through INSS), to transfer budget appropriations freely and without limit between ministries and autonomous agencies and between programs within each sector, in the year 2022, provided that they comply with the provisions of paragraphs 3 and 4 of Article 38 of the LOGF (on the prohibition of transfers from the categories of wages and salaries and capital development to other categories of expenditure), leaving out the remaining paragraphs and subparagraphs of that article of the LOGF. Article 38.3 and 38.4 of the LOGF (on the prohibition of transfers from the categories of wages and salaries and capital development to other categories of expenditure), leaving out the remaining paragraphs and subparagraphs of this article of the law.

Finally, Article 11 of the draft law also gives the Central Government and the RAEOA powers to automatically integrate in the State Budget of 2022 without prior budgeting and without the possibility of intervention of the National Parliament, the balances of the previous year and the value of own and assigned revenues that will be collected, also removing from the National Parliament the power to authorize budget amendments from “Appropriations for the whole Government.

Another budget amendment proposed by the Government, also not provided for by Law No 13/2009 on Budget and Financial Management, is contained in Article 16 of the draft law; in question is the authorization that is given to the automatic integration in the budget year 2022, the management balances accumulated by the COVID-19 Fund and Infrastructure Fund in 2021, and its subsequent use for the payment of expenses not included in the State Budget, outside the budget law and an express authorization of the National Parliament.

Meanwhile, also Article 15.7 of the draft law of the GSB for 2022 is less consensual, by authorizing the Government through the Minister of Finance, to create a budget title relating to the new Special Development Fund of Ataúro after the approval of the law of the GSB 2022, and to transfer to this new fund the amount of \$13.0 million entered in the table of expenses of the GSB 2022 in Appropriations for the whole Government. As is well known, because it is an elementary rule of law, it is exclusively up to the National Parliament to create budget titles and it always does so upon approval of the GSB law.

III. ECONOMIC AND FISCAL OUTLOOK FOR 2022

The economic projections are intended to foresee the behavior of economies, looking at the evolution of the Gross Domestic Product (GDP) growth rate, credit to the economy, employment, and other relevant national and international macroeconomic indicators, which support decision making by the public and private sectors, with regard to planning and investment. On pages 17 to 55 of Budget Book 1 (in the Portuguese version) the Government provides its domestic and international macroeconomic and fiscal projections for the year 2022, and compares them with those presented for the year 2021. Book 1 is the main source of information for Committee C for the writing of this chapter.

Despite the fact that the global economy is in a process of economic recovery, there is still uncertainty about the future. In July of this year, the International Monetary Fund (IMF) presented its growth forecasts for the world economy for this year and next, predicting positive world growth of 6.0% in 2021 and the slowing of economies to 4.6% in 2022 after negative rates of 3.2% in 2020.

As for the emerging and developing economies, the IMF predicts that they will follow the global trend, contracting from 6.3% in 2021 to 4.5% in 2022, while in the opposite direction, for the group of emerging and developing Asian economies, growth is estimated to be around 6.4% next year, exceeding by 2.0% the growth projected for the advanced economies. Naturally, the calculations for next year's economic growth are still conditioned by the global evolution of the COVID-19 situation and the increase in foreign debt, among other factors.

The expected global growth for the year 2021 results greatly from the increase in the number of people vaccinated and the return of many countries to normalcy over the year, allowing economies to recover

after being so severely buffeted by the Covid-19 pandemic. These favorable conditions in the international economic environment also favor Timor-Leste and its exports.

Data provided by the Ministry of Finance indicate that Timor-Leste's non-petroleum GDP growth will be positive in 2021, reaching 1.6% after the sharp drop suffered in 2020 that put it at very negative values to reach (-8.6%). The modest growth forecast for this year results, in the opinion of that Ministry, from the fact that the country has been severely hit by two tropical cyclones in two consecutive years and has dealt with long periods of confinement, as a way to stop the progress of the COVID-19 pandemic in the country, causing serious social and economic impacts, including the destruction of infrastructure and high damage in thousands of homes and commercial establishments, also greatly affecting the business sector, leading first to its almost total paralysis and then to financial collapse.

In the medium term, if the political stability in Timor-Leste is maintained and the increase in investment by the private sector materializes, the Government anticipates the country's recovery to sustainable positive growth levels, despite the margin of uncertainty still associated with the behavior of imports and the actual budget execution of 2021 and 2022. Public spending in Timor-Leste remains particularly dependent on imports, affecting very negatively the country's GDP.

With regard to employment supply, the informal sector in Timor-Leste continues to absorb 2/3 of the total labor force. In the year now ending, the Government estimates that informal employment will fall by 8% and the drop in the formal sector of the economy will reach 13%, while employment in public administration, agriculture, construction, banking and insurance will not suffer any impact. As is well known, the economic downturn in the 2020s and 2021s has severely affected employment, especially in the retail sector.

The International Monetary Fund (IMF) forecasts that global inflation and consumer prices will grow by 3.5% in 2021 due to the recovery in oil prices, but then slowdown in the following years in the advanced economies. As far as domestic inflation is concerned, in August 2021 the country was up 3.9% year-on-year. In a country where most of the food consumed is imported, the relative price of food has been a factor with great weight in the calculation of the GDP. According to the World Bank's food price index, the country recorded a 34% increase in the price of imported food and a 6% increase in domestically produced food.

In relation to the domestic inflation rate, the Government believes that next year it will be lower than other Asian, emerging and developing countries, with 2.0% against 2.7%, leading to a reduction in prices abroad, a factor that may contribute positively to increase the country's competitiveness and its exports. The Government also foresees the stabilization of food prices next year and also in the medium term and a domestic inflation rate reaching 2.0% in the year 2023.

In the period between September 2021 and September 2022, the value of the U.S. dollar depreciated (-2.3%) compared to the weighted basket of currencies of its trading partners, and this trend is expected to continue in the medium term, at least until 2024, according to government projections. At the global level, the behavior of the US dollar in recent years had been exactly the opposite. The devaluation of the dollar against its trading partners could benefit Timor-Leste's exports.

The world price of oil is another macroeconomic variable of great importance for Timor-Leste, as a fuel consuming country and a petroleum exporter. The price of oil fell sharply in the first quarter of 2020, reflecting the drop in world demand during the peak of the pandemic crisis, reaching historic lows of \$22.7 per barrel in March of that year. Prices recovered gradually in 2021 to reach \$79.0 in October 2021. On November 17, 2021, the price of a barrel of Brent oil stood at \$71.74, reflecting a substantial downward change between this year and last year. The Government anticipates that the price per barrel of Brent may increase in the future, albeit moderately.

Book 1 also highlights the cost of credit in the national context because of the large impact it can have on the private sector. In August 2021 the average bank interest rate charged by commercial banks in Timor-Leste was 11.3%, an increase of 0.4% when compared to the same period in the previous year,

while total credit granted, not including credit to the State sector, amounted to \$637.9 million, incorporating the increase in demand for credit in the last 18 months.

The analysis of the national and international macro and microeconomic situation is one of the specific competencies of the Permanent Specialized Committee on Economy and Development (Committee D), and we suggest a careful reading of its sectoral opinion on the budget proposal for 2022, to better frame this issue and understand the behavior of the country's various productive sectors.

With regard to the analysis of public expenditure, it is curious that the Government admits that over the last 11 years there has not been a clear and direct relationship between the growth of real GDP, the levels of domestic revenue and the expenditure of the State Budget, due to the weak absorptive capacity of the Government, a situation about which Committee C had been persistently alerting over the years and as successive Governments demanded increasing volumes of financial resources, without managing, however, to reduce the unemployment rate and the level of poverty in the country.

Note that those who refer to the Government's weak absorptive capacity are the same Government that a few months ago defended before the National Parliament the need for the approval of a Rectifying GSB, with a global expenditure ceiling exceeding \$2.0 billion.

Very recently, in the first half of this month of November, two important documents were published, which we strongly advise the honorable Members of Parliament to read. One of them is a survey conducted at the national level that describes the severe economic situation experienced by micro, small and medium-sized national companies and the informal sector of the economy, as a result of the significant impacts suffered in the supply chain, demand and employment, due to the severe restrictions imposed in the country since 2020, and the second, a study that illustrates how domestic violence against children in Timor-Leste has more than doubled since the pandemic began, and how the number of cases of gender-based violence has also increased in the same period, in a country that was already so vulnerable even before the pandemic, with 46% of the population suffering from multidimensional poverty, 75% of the population depending on subsistence agriculture, and 43% of the population between 25 and 39 losing their jobs between 2020 and 2021.

Very belatedly, the Government is now assuming the need to engage more seriously in improving tax revenue collection, reviewing tax policy, promoting economic diversification, and fostering economic growth, in order to reduce dependence on the Petroleum Fund and enhance the development of the private sector, but if this is your will, it is reprehensible that you have recently forced an organization that had managed to raise support for the fight against COVID-19 and support for flood victims in Timor-Leste, to pay port fees, because the ministry responsible refused to grant it exemption on humanitarian goods that the law itself authorizes.

It is also regrettable that more than seven months after the recent floods that violently devastated the country, numerous displaced families are still living in temporary shelters, despite the commitment of the National Parliament to approve a Rectifying GSB, which would facilitate the support to the most affected communities.

In its brief macroeconomic and fiscal analysis in Budget Book 1, the Government alludes to the contribution of Development Partners' spending to support the country's long-term economic growth through support for institutional strengthening, health and education, and short-term growth in the infrastructure, agricultural and industrial sectors.

The Petroleum Fund will continue in 2022 to be the main source of funding for public spending with the Government's proposed withdrawals reaching \$1.043 billion. Withdrawals from the Fund above the sustainable limit of the ESI will reach \$488.4 million to pay for essentially recurrent expenditure, putting the already fragile sustainability of the Fund at risk. As the Government itself warns on page 47 of Budget Book 1, should Fund expenditures and withdrawals continue to grow at the current rate without significant new petroleum revenues coming in, the Fund will be exhausted in about 10 to 13 years. Table 13 in Book 1 illustrates well the gravity of the present situation and anticipates a worrying future for the Petroleum Fund's wealth and for the Timorese people. And if it is true that the proposed

withdrawals for the year 2022 total \$1.043 billion, the scenario for the following years is increasingly apprehensive: \$2.5 billion to be withdrawn from the Fund in 2023 and an additional \$2.4 billion the following year. The table above shows that as the value of the ESI decreases, withdrawals from the Fund grow, reaching truly unaffordable values under the current economic and financial model. Unfortunately, public companies also continue to fail to generate any economic return for the State coffers, despite the substantial financial injections by the Government in all of them, as Table 12 in Book 1 confirms, which should lead the Government to reflect on their usefulness and existence.

In 2021 there were changes to the investment strategy of the Petroleum Fund with the segmentation of the Fund in the middle of the year and the creation of a Liquidity portfolio which further diversified the investment portfolio, with the Ministry of Finance justifying this decision with the fact that withdrawals from the Fund above the Estimated Sustainable Income (ESI) have become a constant since 2009 at the same time as petroleum revenues continue on a steep downward trajectory. The expected long-term nominal return on the Petroleum Fund investment portfolio was recently revised downward to 2.5%, according to Table 14 in Book 1.

Petroleum wealth is estimated to reach \$18.5 billion by early 2022, reflecting an increase of \$206.8 million in the projections presented by the Government for the 2021 State Budget, an increase derived from higher than expected results. This increase in estimated petroleum wealth, according to the Government, was the basis of the recalculation of the ESI by an additional \$27.5 million for next year.

Figure 10 in Book 1 confirms the sharp decline in production from the Bayu-Undan well field as early as the year 2022, even though the estimated life of its exploitation has recently been extended for some time, given the drilling of 3 wells negotiated by the Government in early 2021 with the Australian petroleum company Santos.

IV. PLAN AND PRIORITIES FOR 2022

For 2022, in addition to the process of fully integrating almost all the entities of the budgetary perimeter into the Budget by Program model, the Government's intention is also to continue with the execution of the Economic Recovery Package (PRE) and to increase investment in the Promotion of Gender Equality and Social Inclusion.

The Executive has once again elected six priority areas for action in the coming year, namely: Social Capital, covering Education, Vocational Training and Health; Housing and Social Inclusion; Productive Sector, covering Agriculture and Tourism, Environment and Connectivity; Private Sector Development, Rural and Cooperative Development, and Governance. On pages 60 to 63 of Book 1 the Government translates those six priority areas into concrete measures and the burdens they represent for the State, but it does so in a rather superficial way. Looking at Book 1 of the 2021 and 2022 State Budgets, it is possible to identify the costs estimated by the Government with the execution of the selected priority areas for 2021 and 2022. They are as follows:

Table 1: Government priorities proposed for 2022 and comparison with those approved for 2021 (millions of US dollars)

Prioridades do Governo para 2021 (em dólares americanos)		Prioridades do Governo para 2022 (em milhões de dólares americanos)		
Áreas prioritárias	Alocação orçamental para 2021 (antes de Retificativo)	Áreas prioritárias	Alocação orçamental para 2022	Peso relativo no OGE 2022 (%)
1. Desenvolvimento de Capital Social	541,0	1. Capital Social (Educação, Formação Profissional e Saúde)	226,5	13,5%
2. Desenvolvimento de Infraestruturas Básicas	475,0	2. Habitação e Inclusão Social	387,3	23,1%
3. Desenvolvimento e Proteção do Ambiente (*)	Informação em falta no Livro I	3. Setor Produtivo, Ambiente e Conectividade (Agricultura e Turismo)	345,9	20,7%
4. Desenvolvimento Económico	338,0	4. Desenvolvimento do Setor Privado	78,6	4,7%
5. Consolidação do Quadro Institucional	470,0	5. Desenvolvimento Rural e Cooperativo	72,2	4,3%
6. Reforma de pilares essenciais (*)	Informação em falta no Livro I	6. Governação	116,3	6,9%
	incompleta no Livro I OGE 2021	Outras	448,3	26,8%
Total global		Total global OGE 2022	1 675,0	100,0%

Fonte: MF - livros I OGE 2021 e OGE 2022

In the area of Development of Social Capital (Education, Training and Health), the Government aims to create opportunities for education to meet the needs of the economy; to prepare the health sector with quality service delivery that can meet the needs of public and private organizations, especially in preparation for the response to the Covid-19 pandemic and the continuity of the vaccination program, and finally to develop in the area of education and health.

In the area of Housing and Social Inclusion, the Government intends to improve the population's access to drinking water, continue to invest in basic sanitation, ensure access to electricity in the sucos, and finally, continue public investment in housing programs. This is the priority with the largest budget volume.

In Productive, Environmental and Connectivity Sectors, the Executive intends to contribute to the sustainable diversification of the economy and the increase of its growth rate, increase agricultural productivity and food security, create new infrastructure for its distribution and storage mechanizations, and provide support to the hospitality industry and its development.

Under Private Sector Development, the Government intends to recover the economy after the recession caused by the impacts of the Covid-19 pandemic and the confinement from 2020 to 2021, facilitate investment in the private sector with the priority of medium and small businesses, create options to increase national productivity and opportunities.

Regarding Rural Development, the Executive intends to continue the decentralization agenda in order to boost local development, promoting national identity and territorial cohesion, establishing strong institutions and excellent capacity at all levels of government to ensure the delivery of quality public services in order to improve efficiency, accountability, and transparency.

With regard to Good Governance, the Government aims to accelerate the introduction of medium-term planning in all public institutions and develop their key performance indicators, as part of the continued push for Public Finance Management Reform and Tax Reform. Investments in Good Governance are materialized in a wide range of thematic and transversal reforms, with special emphasis on the reform of planning and budgeting by programs. Program Budgeting, at its genesis, aims to:

- Enable effective and efficient management of public services and bodies;
- Streamline decision making, taking into account a global vision within the program;
- Enhance the transparency and accountability of those who have to manage public money.

In budgetary terms, these six priorities represent 73.2% of the total of the 2022 State Budget Bill.

In addition to the priorities mentioned, there is a range of other measures and activities to be funded by the 2022 GSB through the programs and sub-programs of the different entities and services of the Public Administrative Sector, making up 26.8% of the GSB's expenditure, and together representing an expenditure of \$448.3 million.

The attempt to provide a comparison between the priority areas defined for the year 2022 and those of the previous year was relatively frustrated, as can be seen in the previous table, because in Book 1 of the 2021 State Budget, only four of the six priorities were duly quantified by the Ministry of Finance (page 25 in the Portuguese version). The qualitative and quantitative results achieved in 2021 by each of these six priorities will have to be ascertained with the Government so that the Deputies can consider the reasonableness of the allocations proposed for next year.

V. EXECUTION OF THE 2021 GSB AND PROPOSAL FOR THE 2022 GSB

a) Central Government

The State General Budget for 2021 was approved by Law 14/2020, of December 29, and months later was amended by Law 8/2021, of May 3, to address situations that required an urgent response from the Government, including the worsening of the country's economic situation as a result of the pandemic's extension, the need to increase the capacity to prevent and combat COVID-19, and also to address the population affected throughout the country by the floods caused by Cyclone Seroja in early April.

The 2021 Rectifying GSB raised the Administrative Public Sector expenditure ceiling for the year 2021 from \$1.895 billion to \$2.030 billion, with the Social Security expenditure budget remaining unchanged at \$308.9 million, or \$177.6 million when discounting inter-scheme transfers.

As for revenues, the GSB law for 2021 estimates them at \$1,886.0 million for all Central Government bodies and services, at \$127.0 million for the RAEOA, if inter-scheme transfers are discounted, and at \$177.6 million for Social Security, discounting inter-scheme transfers.

Revenue Execution

In terms of budget execution, as of October 15, 2021 total revenue collected by the Government amounted to \$919.2 million, as shown in Table 2 below produced from the information recorded in the Budget Transparency Portal:

Table 2 - Revenue collected by the Public Administrative Sector, excluding Social Security, as of October 15, 2021 (US dollars)

Descrição	Orçamento	Receitas	Saldo	Execução %
Receitas Fiscais	125 088 123	86 552 211	38 535 912	69,2%
Receitas Não Fiscais	55 991 902	21 848 686	34 143 216	39,0%
Instituições Autônomas	6 229 785	12 898 199	-6 668 414	207,0%
Fundo Petrolífero	0	797 873 000	-797 873 000	0%
Total	187 309 810	919 172 096	-731 862 286	490,7%

Fonte: Portal da Transparência do Orçamento

The revenues collected by the State, including petroleum and tax and non-tax revenues, those collected by the autonomous institutions and withdrawals from the Petroleum Fund reflected on October 15 a negative balance of \$732.0 million, due to the fact that withdrawals from the Petroleum Fund made during the year 2021 were not originally entered as a budgetary allocation in the SIGF system, giving rise to such a significant difference between the budgeted value and the total value of revenues. In addition to the withdrawals from the Petroleum Fund, the Donations, income and the management balance entered in the revenue tables of the Central Government and the RAEOA were not included.

The ministerial line that contributed most to the volume of revenue was the Ministry of Finance, followed by the Ministry of Public Works. Also noteworthy are the National Communications Authority

and the Ministry of Justice, both with revenue figures much higher than estimated in the Budget for the entire year.

Also appearing on the list of ministerial lines are six agencies that have not made a revenue forecast for this year and have so far collected revenues totaling \$41,954. Table 3 reflects the revenues collected by each Ministerial Line in the current year, in descending order of accumulated value.

Table 3 - Revenues collected in 2021 by public entity

Descrição	Orçamento	Receitas	Saldo	Execução %
Ministério das Finanças	\$134 301 214,00	\$886 652 034,99	-\$752 350 820,99	660,20%
Ministério das Obras Públicas	\$218 004,00	\$11 701 606,19	-\$11 483 602,19	5367,60%
Centro de Logístico Nacional	\$448 092,00	\$4 844 791,70	-\$4 396 699,70	1081,20%
ANC Serviço e Fundo Autônomo	\$1 520 927,00	\$4 150 834,93	-\$2 629 907,93	272,90%
APORTIL Serviço e Fundo Autônomo	\$3 583 764,00	\$2 837 541,96	\$746 222,04	79,20%
Ministério da Justiça	\$1 304 302,00	\$2 693 275,80	-\$1 388 973,80	206,50%
Ministério dos Transportes Comunicações	\$3 579 653,00	\$1 715 434,40	\$1 864 218,60	47,90%
Ministério do Petróleo e Minerais	\$2 332 889,00	\$1 317 388,05	\$1 015 500,95	56,50%
UNTL	\$1 524 678,00	\$877 062,29	\$647 615,71	57,50%
Ministério do Interior	\$1 985 278,00	\$869 722,76	\$1 115 555,24	43,80%
Ministério Turismo, Comércio e Indústria	\$1 070 865,00	\$638 985,28	\$431 879,72	59,70%
Tribunais	\$446 753,00	\$222 126,13	\$224 626,87	49,70%
Secretaria Estado Política da Formação Profissional Emprego	\$260 189,00	\$119 452,50	\$140 736,50	45,90%
Ministério da Administração Estatal	\$223 945,00	\$111 355,86	\$112 589,14	49,70%
HNGV Serviço e Fundo Autônomo	\$325 204,00	\$105 429,95	\$219 774,05	32,40%
Ministério da Agricultura e Pescas	\$95 741,00	\$80 660,30	\$15 080,70	84,20%
IGE Serviço e Fundo Autônomo	\$416 766,00	\$59 429,08	\$357 336,92	14,30%
Ministério da Saúde	\$71 971,00	\$51 947,50	\$20 023,50	72,20%
Ministro Estado Presidência Conselho Ministros	\$150 761,00	\$37 651,50	\$113 109,50	25,00%
Ministério do Ensino Superior, Ciência e Cultura	\$,00	\$37 019,00	-\$37 019,00	0,00%
SERVE Serviço e Fundo Autônomo	\$68 383,00	\$24 090,35	\$44 292,65	35,20%
Atividade Económica, Sanitária e Alimentar	\$89 188,00	\$19 000,00	\$70 188,00	21,30%
Comissão Nacional de Eleições	\$,00	\$2 140,00	-\$2 140,00	0,00%
Parlamento Nacional	\$,00	\$1 280,00	-\$1 280,00	0,00%
Administração Municipal de Liquiçá	\$,00	\$700,00	-\$700,00	0,00%
Instituto Nacional da Saúde	\$,00	\$690,00	-\$690,00	0,00%
Arquivo Museu da Resistência Timorense	\$3 687,00	\$320,50	\$3 366,50	8,70%
Inspeção Geral do Trabalho	\$,00	\$125,00	-\$125,00	0,00%
Instituto Apoio Desenvolvimento Empresarial	\$3 092,00	\$,00	\$3 092,00	0,00%
Instituto de Pesquisa, Desenvolvimento, Formação e Promoção do Bambu	\$51 647,00	\$,00	\$51 647,00	0,00%
Centro de Formação SENAI	\$2 023,00	\$,00	\$2 023,00	0,00%
SAMES Serviço e Fundo Autônomo	\$34 378,00	\$,00	\$34 378,00	0,00%
Instituto Politécnico Betano	\$67 275,00	\$,00	\$67 275,00	0,00%
Autoridade Nacional Eletricidade, IP	\$33 129 141,00	\$,00	\$33 129 141,00	0,00%
Total	\$187 309 810,00	\$919 172 096,02	-\$731 862 286,02	490,70%

Fonte: Portal da Transparência do Orçamento

Revenues for the year 2021 were over \$200 million in March, July and September, with April having a revenue of \$162.4 million. All other months obtained revenues, but not as significant as Table 4 shows about revenues obtained per month until October 15, 2021.

Table 4: Monthly revenues in 2021 until October 15 2021

Mês	Orçamento Anual	Recebimentos	Execução %
janeiro	\$187 309 810,00	\$323 587,08	
fevereiro	\$,00	\$23 036 403,16	
março	\$,00	\$211 516 229,49	
abril	\$,00	\$162 392 849,14	
maio	\$,00	\$12 896 925,97	
junho	\$,00	\$16 744 741,26	
julho	\$,00	\$207 011 352,00	
agosto	\$,00	\$10 343 283,22	
setembro	\$,00	\$270 851 869,09	
outubro	\$,00	\$4 054 855,61	
Total	\$187 309 810,00	\$919 172 096,02	490,70%

Fonte: Portal da Transparência do Orçamento

The revenues of the Special Administrative Region of Oe-cussi Ambeno will be analyzed further in the specific Chapter dedicated to the RAEOA.

Expenditure

The overall expenditure allocation approved for the year 2021 by law no. 14/2020, was subsequently modified with the approval of the first amendment to the law, operated by law no. 8/2021. The change introduced in each of the 5 economic categories of expenditure is shown in Table 5:

Table 5: Variation between GSB 2021 and Rectifying GSB 2021

Categorias	OGE 2021 aprovado Lei N.º 14/2020	OGE Retificativo 2021 aprovado Lei n.º 8/ 2021	Variação entre OGE 2021 e OGE Retificativo 2021
Salários e Vencimentos	\$ 240 739 646,00	\$ 240 739 646,00	\$ -
Bens e Serviços	\$ 448 740 797,59	\$ 638 382 314,76	\$ 189 641 517,17
Capital Menor	\$ 58 048 264,85	\$ 59 201 367,19	\$ 1 153 102,34
Capital Desenvolvimento	\$ 475 780 972,00	\$ 396 362 243,47	\$ -79 418 728,53
Transferências Públicas	\$ 671 690 319,56	\$ 695 614 428,56	\$ 23 924 109,00
Total	\$1 895 000 000,00	\$2 030 299 999,98	\$ 135 299 999,98

This additional \$135.3 million was justified by the Government with the need to fund the new measures designed to respond quickly and effectively to the costs and socio-economic implications of COVID-19 at the personal, family and business levels. These measures focused on employment support, creation of credit moratoria, tuition waivers, food procurement, support for front-line professionals, and COVID-19 prevention and mitigation measures.

In terms of Budget execution taking as reference the data obtained on October 15, 2021, with 288 days of the year already elapsed, equivalent in relative terms to 78.9%, the Government has already managed to execute in terms of payments made, \$979.7 million, or 48.25% of the total Budget.

The table below shows the budget figures approved by Law No. 8/2021 of May 3, which, however, as of October 15 are already changed again. The table also includes the execution rates, adding the payments and obligations assumed by the Government.

Table 6: State Budget Execution as of October 15th 2021

Categorias	Orçamento Retificativo	Orçamento em 15 outubro 2021	Pagamentos em 15 outubro 2021	Execução (Pagamentos) em 15 outubro 2021	Obrigações em 15 outubro 2021	Pagamentos e Obrigações em 15 outubro 2021	Execução (Pagam. e Obrig.) em 15 outubro 2021
Salários e Vencimentos	\$ 240 739 646,00	\$241 807 230,26	\$157 347 034,20	65,07%	\$126 648,85	\$157 473 683,70	65,12%
Bens e Serviços	\$ 638 382 314,76	\$617 983 583,24	\$229 768 833,81	37,18%	\$57 484 658,34	\$287 253 492,52	46,48%
Capital Menor	\$ 59 201 367,19	\$66 629 206,43	\$10 719 807,33	16,09%	\$14 596 022,31	\$25 315 829,80	38,00%
Capital Desenvolvimento	\$ 396 362 243,47	\$396 418 589,47	\$45 089 716,09	11,37%	\$20 527 759,12	\$65 617 475,32	16,55%
Transferências Públicas	\$ 695 614 428,56	\$704 074 289,16	\$536 720 672,63	76,23%	\$9 291 693,69	\$546 012 367,08	77,55%
Despesas Contingências		\$3 387 101,44	\$56 268,00	1,66%	\$3 147 239,00	\$3 203 507,02	94,58%
Total	\$2 030 299 999,98	\$2 030 300 000,00	\$979 702 332,06	48,25%	\$105 174 021,31	\$1 084 876 355,45	53,43%

Fonte: Portal da Transparência do Orçamento

As can be seen, the values for each category on October 15 are slightly altered when compared to the values approved in the Mid-Year Budget Review, as a result of the budget changes that have been taking place in various ministerial lines.

In terms of results, on this date of October 15 we must highlight the results obtained in terms of execution of payments made in the category of Capital Development with a result of 11.37%, adding the obligations the execution reaches 16.55%.

This result is heavily penalized by the execution of the Infrastructure Fund, which is the entity with the largest budget in this category and that on this date its execution is \$37.6 million, or 13.44% of its budget analyzing only the payments made. Adding the obligations to the payments, the execution reaches \$46,536,933, in this case the percentage increases to 16.63%. The execution of the Infrastructure Fund will be discussed in detail in another chapter.

Table 7 presents the entities that are part of the Capital Development Category, reflecting the execution of each of them.

Table 7: Execution of the Capital Development Budget as of October 15, 2021 (USD)

Entidade	Orçamento	Compromissos	Obrigações	Pago	Saldo	Execução %
Comissão de Administração do Fundo Infraestrutura - FI	\$279 820 121,00	\$4 261 547,70	\$8 941 332,37	\$37 595 601,11	\$229 021 639,82	16,60%
Região Administrativa Especial Oecusse Ambeno - RAEOA	\$56 262 790,00	\$,00	\$759 087,12	\$1 192 965,99	\$54 310 736,89	3,50%
Ministério das Obras Públicas	\$18 405 016,00	\$7 533 813,75	\$4 448 685,89	\$2 179 412,10	\$4 243 104,26	36,00%
Gestão da Pandemia do COVID-19	\$8 150 955,00	\$2 083 756,46	\$2 488 223,15	\$1 451 002,72	\$2 127 972,67	48,30%
Ministry of Planning and Territorial Ordering	\$7 243 065,00	\$801 303,01	\$,00	\$1 956 075,25	\$4 485 686,74	27,00%
Ministério da Educação, Juventude e Desporto	\$2 806 380,40	\$2 395 864,49	\$,00	\$,00	\$410 515,91	0,00%
Ministério da Saúde	\$2 760 103,95	\$1 120 965,96	\$1 161 164,57	\$4 990,00	\$472 983,42	42,30%
UNTL Serviço e Fundo Autónomo com Receita Própria	\$2 394 366,04	\$,00	\$,00	\$510 228,36	\$1 884 137,68	21,30%
Ministério da Solidariedade Social e da Inclusão	\$2 016 000,00	\$1 863 548,77	\$,00	\$,00	\$152 451,23	0,00%
Ministério de Defesa	\$1 800 000,00	\$1 710 000,00	\$3 829,77	\$34 620,62	\$51 549,61	2,10%
Ministério Assuntos Combatentes Libertação Nac.	\$1 687 000,00	\$1 587 000,00	\$,00	\$,00	\$100 000,00	0,00%
Ministério dos Transportes e Comunicações	\$1 667 499,67	\$1 166 354,66	\$386 456,87	\$,00	\$114 688,14	23,20%
Ministério da Agricultura e Pescas	\$1 661 100,00	\$135 789,60	\$1 477 736,08	\$,00	\$47 574,32	89,00%
Ministro dos Assuntos Parlamentares	\$1 000 000,00	\$,00	\$,00	\$,00	\$1 000 000,00	0,00%
Tribunais	\$882 000,00	\$,00	\$,00	\$,00	\$882 000,00	0,00%
Centro Nacional Chega	\$758 003,00	\$55 800,00	\$134 670,96	\$,00	\$567 532,04	17,80%
Hospital Nacional Guido Valadares	\$750 000,00	\$142 912,75	\$,00	\$,00	\$607 087,25	0,00%

Unofficial rough translation by La'o Hamutuk. More information on the 2020 State Budget is at <http://www.laohamutuk.org/econ/OGE22/21OGE22.htm>

Procuradoria-Geral República	\$649 943,00	\$,00	\$509 900,94	\$140 042,06	\$,00	100,00 %
Ministério da Justiça	\$550 500,00	\$388 313,22	\$118 778,49	\$2 334,00	\$41 074,29	22,00%
Parlamento Nacional	\$500 000,00	\$,00	\$,00	\$,00	\$500 000,00	0,00%
Ministério das Finanças	\$445 815,88	\$151 783,26	\$294 032,62	\$,00	\$,00	66,00%
Ministério Administração Estatal	\$376 346,00	\$376 346,00	\$,00	\$,00	\$,00	0,00%
Secretaria de Estado da Juventude e Desportos	\$365 986,53	\$309 698,69	\$,00	\$,00	\$56 287,84	0,00%
Administração Municipal de Viqueque	\$332 454,00	\$248 080,00	\$,00	\$,00	\$84 374,00	0,00%
Primeiro-Ministro	\$315 000,00	\$315 000,00	\$,00	\$,00	\$,00	0,00%
Autoridade Municipal de Ermera	\$277 704,00	\$,00	\$,00	\$,00	\$277 704,00	0,00%
Autoridade Municipal de Baucau	\$261 939,00	\$132 010,25	\$63 201,45	\$,00	\$66 727,30	24,10%
Autoridade Municipal de Dili	\$260 984,00	\$95 441,07	\$,00	\$,00	\$165 542,93	0,00%
Administração Municipal de Aileu	\$238 734,00	\$141 325,34	\$,00	\$,00	\$97 408,66	0,00%
Presidência da República	\$220 000,00	\$19 300,00	\$,00	\$,00	\$200 700,00	0,00%
Autoridade Municipal de Bobonaro	\$219 450,00	\$,00	\$,00	\$,00	\$219 450,00	0,00%
Administração Municipal de Liquiçá	\$180 120,00	\$164 028,17	\$,00	\$,00	\$16 091,83	0,00%
Administração Municipal de Covalima	\$176 803,00	\$65 944,76	\$,00	\$,00	\$110 858,24	0,00%
Administração Municipal de Ainaro	\$176 412,00	\$,00	\$150 953,67	\$25 458,33	\$,00	100,00 %
Administração Municipal de Lautém	\$172 363,00	\$,00	\$92 536,36	\$79 463,64	\$363,00	99,80%
Administração Municipal de Manufahi	\$161 834,00	\$161 834,00	\$,00	\$,00	\$,00	0,00%
Administração Municipal de Manatuto	\$153 084,00	\$,00	\$,00	\$,00	\$153 084,00	0,00%
Serviço Autónomo de Medicamentos e Equipamentos Médicos	\$150 000,00	\$150 000,00	\$,00	\$,00	\$,00	0,00%
Ministério do Interior	\$95 380,00	\$95 380,00	\$,00	\$,00	\$,00	0,00%
Instituto de Pesquisa, Desenv., Formação Promoção do Bambu	\$73 337,00	\$43 916,30	\$,00	\$,00	\$29 420,70	0,00%
Total	\$396 418 589,47	\$28 052 366,49	\$20 527 759,12	\$45 089 716,09	\$302 748 747,77	16,60 %

Source: Budget Transparency Portal

This category is composed of 40 entities and only 12 made any type of payments. Of the remaining 28 entities no payments of any kind have been made and only 5 have assumed obligations.

Although the Infrastructure Fund is the entity with the greatest weight in this category of Capital Development, representing 70.58%, the execution in terms of payments of the remaining 39 entities reached only \$7.6 million of the \$116.6 million of the budget that are not part of the Infrastructure Fund. In relative terms this means 6.5% execution.

Other categories to be highlighted negatively in terms of their execution are the categories of Goods and Services and Minor Capital, with payments made in the order of 37.2% for the former and 16.1% for the latter, although in this case the execution rises to 38.0% when adding up the obligations.

In relation to the Goods and Services Category it is worth pointing out 12 entities, all of them with a budget allocated of more than one million dollars and with an execution summing up payments and obligations assumed of less than 50%, as shown in Table 8.

Table 8: Execution of the Goods and Services Budget as of October 15, 2021 - 12 Entities (dollars)

Entidades	Orçamento	Compromissos	Obrigações	Pago	Saldo	Execução %	Execução Pagamentos
Total Categoria Bens e Serviços	\$617 983 583,24	\$42 402 391,07	\$57 484 658,34	\$229 768 833,81	\$288 327 800,02	46,50%	37,18%
Gestão da Pandemia do COVID-19	\$197 663 160,00	\$13 454 050,74	\$10 859 531,80	\$75 148 331,94	\$98 201 245,52	43,50%	38,02%
Autoridade Regional Administrativa Especial Oecusse Ambeno - RAEOA	\$23 027 664,00	\$186 831,26	\$1 781 481,42	\$6 472 327,47	\$14 587 023,85	35,80%	28,11%
Ministério do Interior	\$22 286 437,44	\$386 803,23	\$2 546 502,51	\$14 168 398,59	\$5 184 733,11	75,00%	63,57%
Ministério de Defesa	\$21 758 888,00	\$3 257 057,18	\$2 154 852,21	\$10 666 786,10	\$5 680 192,51	58,90%	49,02%
Ministério das Finanças	\$21 046 654,00	\$2 542 612,40	\$4 142 631,27	\$8 251 674,26	\$6 109 736,07	58,90%	39,21%
Ministério das Obras Públicas	\$18 752 089,00	\$491 694,68	\$4 757 601,79	\$6 563 325,20	\$6 939 467,33	60,40%	35,00%
Ministério da Saúde	\$17 377 075,25	\$2 893 557,00	\$2 027 999,89	\$3 736 989,66	\$8 718 528,70	33,20%	21,51%
Ministério da Educação, Juventude e Desporto Incluindo SEJD	\$15 465 834,00	\$589 012,17	\$2 966 583,56	\$6 879 603,81	\$5 030 634,46	63,70%	44,48%
Ministério da Agricultura e Pescas	\$14 222 085,00	\$1 221 965,69	\$2 803 410,26	\$6 124 443,15	\$4 072 365,90	62,80%	43,06%
Comissão de Admin. Fundo Desenvolvimento Capital Humano - FDCH	\$12 995 000,00	\$392 678,87	\$869 438,28	\$5 069 632,00	\$6 663 250,85	45,70%	39,01%
Ministério da Administração Estatal	\$10 341 042,75	\$2 602 519,67	\$1 735 768,87	\$3 709 787,72	\$2 292 966,49	52,70%	35,87%
Ministério dos Negócios Estrangeiros e Cooperação	\$9 671 474,00	\$178 030,27	\$906 544,14	\$4 925 948,51	\$3 660 951,08	60,30%	50,93%

Fonte: Portal da Transparência do Orçamento

The Pandemic Management entity of COVID-19 represents about 32% of the total Goods and Services category with an allocated budget of over \$197.0 million. The execution so far has been for the transfer to the INSS of funds for employment support measures, for the credit moratorium program, for the purchase of local products from the Basic Food Basket program, for payment of the tuition subsidy to the Universities, transfer to the RAEOA related to the mitigation and prevention of COVID-19, supply of medical equipment related to the COVID-19 emergency situation, etc.

The Minor Capital category has a budget of \$66.6 million and shows as of October 15, 2021 an execution rate of 38%, adding payments and obligations. The available balance is \$10.1 million as shown in Table 9:

Table 9: Execution of the 2021 Budget Minor Capital Category (US dollars)

Categoria	Orçamento	Compromissos	Obrigações	Pago	Saldo	Execução %
Capital Menor	\$66 629 206,43	\$31 237 445,77	\$14 596 022,31	\$10 719 807,33	\$10 075 931,02	38,00%

Fonte: Portal da Transparência do Orçamento

There are 83 entities in total that benefit from this category for this year, however, to date, 17 entities have zero execution, with no payments and no obligations, as shown in Table 10.

Table 10: Minor Capital Budget Execution: 17 Entities with zero execution (dollars)

Entidades	Orçamento	Compromissos	Obrigações	Pago	Saldo	Execução %
Secretaria de Estado Igualdade Inclusão	\$167 200,00	\$108 200,00	\$,00	\$,00	\$59 000,00	0,00%
Ministério da Justiça	\$753 900,00	\$700 500,00	\$,00	\$,00	\$53 400,00	0,00%
Ministério do Petróleo e Recursos Minerais	\$412 210,00	\$412 210,00	\$,00	\$,00	\$,00	0,00%
Trade Invest Timor-Leste	\$30 015,00	\$,00	\$,00	\$,00	\$30 015,00	0,00%
Laboratório Nacional	\$4 000,00	\$,00	\$,00	\$,00	\$4 000,00	0,00%
Instituto de Gestão de Equipamentos	\$2 000 000,00	\$2 000 000,00	\$,00	\$,00	\$,00	0,00%
Centro de Logístico Nacional	\$240 000,00	\$,00	\$,00	\$,00	\$240 000,00	0,00%
Centro Nacional de Emprego e Formação Profissional - Tíbar	\$320 000,00	\$295 000,00	\$,00	\$,00	\$25 000,00	0,00%
Instituto Nacional do Desenvolvimento de Mão-de-Obra	\$49 403,80	\$49 364,80	\$,00	\$,00	\$39,00	0,00%
Autoridade Municipal de Bobonaro	\$538 390,00	\$131 150,00	\$,00	\$,00	\$407 240,00	0,00%
Administração Municipal de Aileu	\$195 800,00	\$89 680,00	\$,00	\$,00	\$106 120,00	0,00%
Administração Municipal de Covalima	\$443 915,00	\$429 150,00	\$,00	\$,00	\$14 765,00	0,00%
Administração Municipal de Liquiçá	\$150 355,00	\$52 550,00	\$,00	\$,00	\$97 805,00	0,00%
Instituto Nacional da Administração Pública	\$151 200,00	\$,00	\$,00	\$,00	\$151 200,00	0,00%
Comissão Nacional de Eleições	\$245 000,00	\$240 500,00	\$,00	\$,00	\$4 500,00	0,00%
Instituto Politécnico Betano	\$131 455,00	\$131 455,00	\$,00	\$,00	\$,00	0,00%
Instituto para a Qualidade de Timor-Leste, IQTL, I.P. *	\$7 000,00	\$7 000,00	\$,00	\$,00	\$,00	0,00%
Total 17 Entidades	\$5 839 843,80	\$4 646 759,80	\$,00	\$,00	\$1 193 084,00	\$,00

Fonte: Portal da Transparência do Orçamento

The sum of the budgets of these 17 entities in this category amounts to \$5.8 million, and the number of entities that have not yet reached 50% execution (payments and obligations) is 44. The percentage of payments already executed is 16.1%, equivalent to \$10.8 million.

Data extracted from the Transparency Portal on November 8, 2021 show an improvement in the execution of the Budget.

Table 11: Budget Execution by Categories as of November 8th 2021

Categoria	Orçamento	Compromissos	Obrigações	Pago	Saldo	Execução %
Salários Vencimentos	\$241 868 825,24	\$17 110,00	\$131 893,87	\$174 420 219,30	\$67 299 602,07	72,2%
Bens e Serviços	\$617 343 232,86	\$39 997 679,95	\$58 599 685,96	\$262 006 537,64	\$256 739 329,31	51,9%
Capital Menor	\$67 412 966,81	\$26 546 677,09	\$17 033 427,06	\$13 214 566,58	\$10 618 296,08	44,9%
Capital Desenvolvimento	\$396 418 589,47	\$24 625 377,13	\$26 342 473,06	\$47 042 894,96	\$298 407 844,32	18,5%
Transferências Públicas	\$703 869 284,16	\$18 871 468,21	\$2 632 596,06	\$567 569 773,72	\$114 795 446,17	81,0%
Despesas Contingencias	\$3 387 101,44	\$,00	\$3 147 239,00	\$56 268,00	\$183 594,44	94,6%
Total	\$2 030 299 999,98	\$110 058 312,38	\$107 887 315,01	\$1 064 310 260,20	\$748 044 112,39	57,7%

Fonte: Portal da Transparência do Orçamento

With less than two months to go until the end of the year, the overall execution stands at 57.7%, due to the poor execution of the categories Capital Development (18.5%), Minor Capital (44.9%) and Goods and Services (51.9%). All these figures include expenses paid and obligations assumed.

Economic Recovery Plan

When the COVID-19 outbreak began in 2020, the VIII Constitutional Government defined a set of measures aimed at mitigating the negative impact of the pandemic on families and companies.

The prolongation of the pandemic situation led to the worsening of the social consequences and the economic crisis in the country, requiring the Government to apply economic intervention measures in order to quickly and sustainably overcome the crisis and boost the recovery of the national economy, by creating an intervention plan, as explained by the Government on page 13 of Budget Book 2 of the 2022 State Budget. In the same book the Government also indicates that in 2021, 25 public entities were made responsible for the execution of the new Economic Recovery Plan (PRE), benefiting for this purpose from a budget reinforcement that was intended to prepare the bases, physical and material resources necessary to begin execution of the measures contained in the Economic Recovery Plan (PRE) in 2022.

However, in the course of a needs assessment, the government assumed that most of the measures, with budgeted expenditures of \$194.0 million, had already been included in the annual plans of the 24 implementing entities.

It was Committee C, which, as part of its activity of monitoring and supervising budget execution, was able to detect the situation as early as March/April of this year and draw the government's attention to the fact that the regular activities of the implementing entities had been double-counted as if they were PRE, but nothing more could be found out about the possibility of double-counting of funds by the Executive. The 25 public implementing entities, whose allocation of funds to finance the execution of the measures provided for in the PRE for the year 2021 is indicated Annex 3 of Book 2, pp. 594 ff. are:

A7: Secretary of State for Vocational Training and Employment (SEFOPE)

A8: Secretary of State for Cooperatives (SECOOP)

A9: Secretary of State of Environment (SEA)

B5: Ministry of Justice (MJ)

B6: Ministry of State Administration (MAE)

B7: Ministry of Health (MS)

B8: Ministry of Education, Youth and Sports excluding (SEJD)

C5: Ministry of Public Works (MOP)

C6: Ministry of Transport and Communications (MTC)

C7: Ministry of Tourism, Commerce and Industry (MTCI)

C8: Ministry of Agriculture and Fisheries (MAP)

D7: Civil Service Commission

E9: National Hospital Guido Valadares

G1: National Institute of Health

G4: National Center for Employment and Professional Training - Tibar

12 Municipalities

The Government has not provided Committee C with any information to the National Parliament on the execution of the PRE measures since the approval of the Amending GSB 2021 in May of this year, either in the budget books or in an autonomous report, but it is recommended that this be done as soon as possible, since the Committee has detected discrepancies of \$70.0 million between the overall allocation of the PRE that the Government indicates on page 15 of Book 1 of the Amending GSB 2021 (\$124.0 million) and the amount indicated in Book 2 of the GSB 2022 for the year 2021 (\$194.0 million). 15 of Book 1 of the Amending GSB 2021 (\$124.0 million) and the value indicated in Book 2 of the GSB for 2022 for the year 2021 (\$194.0 million).

In the absence of the information that should have been provided to the National Parliament by the Government and in the absence of markers in the activities of the implementing entities that could identify and provide clues as to the location of the monies allocated to the 25 PRE implementing entities, which apparently were also mixed with the monies intended to finance economic recovery measures through the COVID-19 Fund, it is important for the PN to urgently order the Chamber of Accounts to audit the COVID-19 Fund and PRE accounts to clarify the current confusing situation.

Book 1 of the 2022 GSB, dedicates pages 62 and 63 to the Economic Recovery Package (PRE) and also Book 2 contains some information related to this plan, on pages 13 and 14.

It is drawn from both budget books that next year it intends to continue the execution of the Economic Recovery Plan (PRE), by which it is identified in Book 2, or Economic Recovery Package (PRE) as it is called in Book 1, assigning to it again next year the same allocation of \$194.0 million, to be divided among the 5 main measures identified below:

- ✓ Electricity supply to the entire territory: \$90.0 million;
- ✓ Sucos Development Program: \$22.4 million;
- ✓ Complete package of basic services to various primary care facilities: \$20.0 million;
- ✓ Drinking water supply and drainage: \$17.0 million;
- ✓ Hospitalization of patients, including associated medical services: \$10.4 million.
- ✓ Other unspecified measures: \$34.2 million.

It was not possible to discern from Book 1 or Book 2 what other measures the government is allocating the unspecified \$34.2 million to. With such a substantial amount of money at stake, the question will have to be put to the government in the ensuing budget debate.

To what extent does it make sense to associate a package of measures aimed specifically at the recovery of the economy, with the development and execution of activities that are usually already included in the range of regular annual duties of public entities and their strategic plans, as is the case with the MS, the MAE, the EDTL, E.P. and the BEE TL, E.P., is something that it will be up to the honorable Members of Parliament to seek clarification from the Government, if they so wish, before making a decision on the matter when voting on the PPL for the 2022 State Budget.

Next year two other public entities will also receive funds for the execution of measures within the scope of the PRE, the Coordinating Minister for Economic Affairs (page 53 of Book 2) and the Ministry of Planning and Urban Development (page 552 of the same Book 2).

In the projections it provides for future years, the Government foresees that the financing needs of the PRE to be considered by the next GSB should reach, in accumulated values, \$ 1.7 billion, including contributions from Development Partners. As the fiscal sustainability of this very ambitious package of measures is unknown, as is the period of time to which the Government alludes when it refers to “average funding requirements of the next GSBs”, it is important that those most responsible for the execution of the Plan clarify this before the National Parliament.

It is recommended that the Executive take into consideration the recent reports published by the World Bank and the United Nations, respectively on the sustainability of public spending and the gravity of the socio-economic situation experienced by the formal and informal sector of the economy, to be able to adjust more effectively the measures of the PRE to the actual needs of the population, in order to really boost economic recovery in the medium term, desirably based on investments that can generate a

return for the State and diversify the national economy and less based on subsidies and one-off measures not monitored and evaluated as to their results.

COVID-19 Fund

Timor-Leste registered its first case of COVID-19 on March 21, 2020, and soon after the confirmation of the first positive case, a state of emergency was declared, initially lasting one month, but then extended successively for equal periods until November 28 this year.

Through Law No. 2/2020 of April 6, the National Parliament established the COVID-19 Fund, which aims to finance the expenses related to the prevention and combat of the disease COVID-19, administering, in particular, a portion of the extraordinary transfer of the Petroleum Fund authorized by the National Parliament through the same law.

In the current year, by November 9 had been spent around \$130.0 million under the respective sub-programs, without having reported to the PN the concrete application of this amount, the results achieved and what remains to be done. It is therefore with disappointment that this Committee notes that until the completion of this report and opinion the Government continued not to make available to Parliament data on budget execution and performance of the Covid-19 Fund, beyond the Report on Budget Execution of the 1st Quarter of 2021 delivered in April this year in the context of consideration of the proposal for the Amending GSB 2021.

In the meantime, the second and third quarters have passed without the National Parliament obtaining the information it considers the minimum required to be able to exercise its monitoring and political oversight powers over the execution of the Covid-19 Fund, in addition to the Budget Transparency Portal, or even knowledge about the internal budget amendments (virements) introduced during the period in question, so that it can now judge, as it should, the relevance of the Government's budget proposal for next year. This is a very substantial budget allocation of \$288.0 million, so that the use of an annual allocation with such a significant budgetary weight, justifies even more a constant monitoring of spending of the Fund in its sub-programs. The lack of transparency regarding the execution of the COVID-19 Fund is worrying.

In the absence of reliable data provided by the Government, the Committee had to resort to the information published on the Budget Transparency Portal, for an analysis of the budgetary performance of the COVID-19 Fund that falls far short of what was desired. The following table was constructed with reference to the data on the Portal:

Table 12 - Execution of the COVID- 19 Fund in 2021

Categoria de despesa	Dotação final 2021	Compromissos	Obrigações	Pago	Execução (Pagamentos + obrigações (%))
Bens e Serviços	197 663 160	11 665 386	13 254 574	90 123 423	52,3%
Capital Menor	5 543 832	1 687 258	1 000 470	1 169 773	39,1%
Capital de Desenvolvimento	8 150 955	1 891 256	2 555 343	1 576 383	50,7%
Transferências	76 283 846	-	-	31 897 363	41,8%
Gestão da Pandemia COVID-19	287 641 793	15 243 901	16 810 387	124 766 942	49,2%

Fonte: Portal de Transparência do Orçamento, em 09.11.2021

From table 12 it is possible to conclude that the annual appropriation allocated to the COVID-19 Fund for 2021 in the amount of \$288.0 million, the execution up to November 9 still did not even reach 50% (including payments and obligations). If only payments (the actual execution) are counted, the executed expenditure drops to 43.4%. With the financial year fast approaching its end, it is reasonable for the C-Committee to anticipate that the overall execution of the COVID-19 Fund will also fall significantly short of plan this year.

It is recalled that article 19 of the State Budget law 2021 - "Carryover of the operating balance of the COVID-19 Fund", has already anticipated an authorization for the Government to carry over the operating balance accumulated by the Fund until the end of this year and automatically integrate it into the 2022 budget year to finance new expenses. It is unknown why the Government has not broken down, by funds, the amount of the Treasury's management balance presented in Table II of the Annex to the PPL of the 2022 State Budget, as it did in previous years. The budget execution of the COVID-19 Fund, which is expected to be modest in 2021, will result in an increase in the amount of the fund's balance to be carried over to 2022 and added to the \$37.6 million budget allocation for next year, possibly more than doubling it.

As there is no information available on the budget execution of the COVID-19 Fund, it was also not possible to gather information on the results achieved so far with the execution of the measures inscribed in the Fund for each subprogram, nor on observed deviations from the expected targets. Since it does not have access to the DBFTL system nor to the quarterly reports from the Government, which are compulsory under the terms of the LOGF, Committee C once again had to resort to the Budget Transparency Portal to obtain this information:

Table 13 - Execution of COVID- 19 Fund, by subprograms, as of November 11, 2021

				Unid: dólares
Suprogramas do Fundo COVID-19	Dotação final	Obrigações	Pago	Execução %
Garantir quarentena adequada	21 407 082	3 203 709	5 805 294	42,1%
Identificar casos de COVID-19 e detetar os contactos contact tracing	3 929 332	559 950	1 954 831	64,0%
Isolar e tratar os casos de Covid19	26 609 021	4 435 783	5 421 738	37,0%
Reforçar as medidas de distanciamento social, higiene e proteção pessoal, na comunidade	937 699	27 313	116 626	15,4%
Apoio social e resgate economico a população afetada pelas atividades de prevenção e combate à doença COVID-19	143 854 329	5 442 951	94 237 746	69,3%
Apoio as operações de prevenção e mitigação da COVID-19	71 562 212	3 449 918	14 562 257	25,2%
Plano de Contingência para a COVID-19	8 950 652	-	-	,0%
Vacinação para Prevenção COVID-19	10 391 467	-	3 139 821	30,2%
Aumento sustentável da produção e produtividade das culturas alimentares e hortícolas.	-	-	(80)	,0%
Total Fundo COVID-19	287 641 793	17 119 624	125 238 232	49,5%

Fonte: Portal de Transparência do Orçamento, em 11.11.2021

As the Budget Transparency Portal does not disaggregate the data to the level of activities, it is impossible to follow the costs of execution of each one and the success of the same, such as the Distribution of the Basic Food Basket, an activity launched on October 27, 2020 or the credit defaults supported also by funds allocated to this Fund, as well as the effects of the employment supports created, the impact of the support measures for the payment of school fees on school dropouts, etc., etc. It is known, however, that the technical assistance contracted by the Coordinating Ministry for Economic Affairs to support the execution of the "Cesta Básica" program has been paid for from the COVID-19 Fund budget; however the execution of this budget line or the possibility of extending the contracts beyond the end of the activity is not known.

A study conducted by the United Nations and the Coordinating Minister for Economic Affairs was released a few days ago, which assesses the socio-economic impact of COVID-19 in the country, especially significant in business and the informal economic sector, as was already known, as a direct consequence of the restrictions imposed on the country, including the establishment of the state of emergency, which extraordinarily affected the supply chain, the demand for goods and services, employment supply and the price of these goods and services, leading to the closure of 16% of micro, small and medium enterprises (MSME). The study also reveals that the financial support from the Government did not reach everyone, or came too late. In addition to the pandemic COVID-19, the

passage of Cyclone Seroja also left very deep scars on the population, businesses, and basic infrastructure of the country, contributing to further worsen the socio-economic conditions of the already chronically vulnerable population. And although today there are still countless families to be rehoused, in the budget books, the Government unfortunately ignores the profound effect that both these calamities had on the population, minimizing the situation and failing to provide concrete clues for the concrete resolution of the serious problems that remain in the coming year.

Another study, this one conducted by the World Bank, was released almost simultaneously with the first. It reveals that public spending has grown substantially and that these large increases in public spending have resulted in across-the-board increases in most appropriations in the various expenditure categories, that there has been a change in the composition of public spending with public transfers increasing in importance in the GBS, that capital expenditures have been quite volatile over time, and that the credibility of the budget has been increasingly undermined, reflecting inadequate planning, budgeting and execution. Poor budget execution leads to sub-optimal results in terms of efficiency and effectiveness of public spending, with the World Bank study suggesting that the allocative efficiency of public spending needs to be improved to better reflect stated priorities and existing challenges. The conclusions of that study apply not only, but also, to the execution of the COVID-19 Fund.

Without counting the amount of the accumulated management balance in the Fund by the end of this year which will be automatically carried over to 2022 and can be used for expenditure as approved in the GSB 2021 law, but for which the PN does not know the amount, the budget for the COVID-19 Fund for next year is reduced from the current \$287.6 million to \$37.6 million.

If article 16 of the GSB 2022 PPL is also approved by the Plenary of the National Parliament in its original wording, then the management balances of the COVID-19 Fund at the end of 2022 will automatically be transferred to this Fund in 2023, without further authorization of the GSB law.

In the absence of a budget book dedicated solely to the Covid-19 Fund, which its nature and financial dimension would justify, not to mention transparency criteria and better allocation of responsibility to the institutional actors involved in its execution, Book 1 - "Budget Overview", on page 78 of the Portuguese version, devotes only a brief paragraph of 4 lines to it in addition to the table we have chosen to transcribe here:

Table 14 - Budget of the COVID-19 Fund between 2020 and 2026 (millions of US dollars)

2020	2021	2022	2023	2024	2025	2026	Acumulado 2021-2026
194,3	287,6	37,6	28,2	21,2	15,9	11,9	596,8

Fonte: Livro orçamental n.º 1 – OGE 2022

Book 2 - "Annual Action Plans", dedicates pages 547 to 550 to the programs of the COVID-19 Fund, and announces that in the next budget year the Fund will include a single program with 6 sub-programs and 23 activities. This is Program "980 - Health", which will bring together the budgets of all government agencies related to the health sub-sector, such as the Ministry of Health, the HNGV, SAMES, etc. The extreme budgetary flexibility that the draft law of the GSB 2021 grants the government in terms of budgetary changes raises some doubts about the future of the program. The amounts distributed to each of the five expenditure categories inscribed in the COVID-19 Fund for the coming year are

Table 15 - COVID-19 Fund Budget for 2022, by expenditure categories (US dollars)

Unid: dólares						
Entidade/Programa: "Gestão da Pandemia do COVID-19"	SV	BS	CM	CD	TP	Total
Programa: 805 - Saúde		31 950 198	2 265 000	2 300 000	1 110 000	37 625 198

The planned expenditures for 2022 for each of the 6 subprograms of the COVID-19 Fund are intended to fund the major measures for the coming year and include the provision of quarantine facilities (\$13.1

million), COVID-19 case management (\$9.8 million), contact tracing (\$5.1 million) and vaccination for COVID-19 prevention (\$1.8 million). The sub-programs, as shown in Book 2, are distributed as follows:

Table 16 - COVID-19 Fund Budget for 2022, by subprograms

Unid: dólares	
Programa do Orçamento Covid-19: 980 - Saúde	Dotação 2022
Subprograma 80510: Garantir quarentena adequada	13 054 786
Subprograma 80511: Identificar casos de COVID-19 e detetar os contactos (contact tracing)	5 125 000
Subprograma 80512: Isolar e tratar os casos de Covid19	9 810 000
Subprograma 80513: Reforçar as medidas de distanciamento social, higiene e proteção pessoal, na comunidade	485 000
Subprograma 80516: Plano de Contingência para COVID-19	7 045 412
Subprograma 80518: Vacinação para Prevenção COVID-19	1 800 000
Total	37 320 198

It is feared and emphasized above that with the entry into force of the GSB law for 2022 and the approval of its article 11, the appropriation for the Covid-19 Fund may be altered by the Government for more or less during the year (with the exception of Capital Development and given that the Fund does not include an appropriation in the Salaries and Wages category), without the imposition of 20% limits that the LOGF imposes on all budgetary alterations under the competence of the Government, which today are limited to services that do not have administrative and financial autonomy, because, since the law is from 2009, this framework law for the GSB does not provide rules to be applied to budgetary programs.

Infrastructure Fund

The Infrastructure Fund (IF) is an autonomous fund to finance strategic investment programs and projects related to the acquisition, construction, development, maintenance and rehabilitation of road infrastructure, including roads, bridges, ports and airports, social infrastructure including hospitals, schools and universities, flood and landslide protection infrastructure, water treatment and sanitation facilities, power generators and distribution lines, telecommunications, logistics facilities including storage infrastructure, government buildings and public facilities, as well as, other infrastructure that promotes strategic development (Articles 2 and 4 of Decree-Law no. No. 13/2016, of May 18).

Created in 2011, as a Special Fund under article 32 of Law no. 13/2009, of October 2 on Budget and Financial Management in the 2011 State Budget (Article 9 of Law no. 1/II, of February 14, 2011), the Infrastructure Fund is currently an autonomous fund, endowed with legal personality and administrative, financial and patrimonial autonomy, with its own revenues (Articles 4 and 9 of Decree Law no. 13/2016, of May 18).

The Board of Directors of the Infrastructure Fund (CAFI) is the entity responsible for the operations of the Infrastructure Fund, composed of Ministry of Public Works, which presides, MTC, transport and communications, and the MF (Articles 4 and 9 of Decree-Law No. 13/2016, of May 18).

According to GSB 2022 Book 3-A the cumulative budget allocation of the Infrastructure Fund since 2011 amounts to \$5.1 billion and the overall cumulative execution reaches \$3.2 billion, or 62%. As a result of its execution, 1,065 projects were completed and 68,561 jobs created in the period.

Unofficial rough translation by La'o Hamutuk. More information on the 2020 State Budget is at <http://www.laohamutuk.org/econ/OG22/21OG22.htm>

In 2021, the IF portfolio includes 1,886 projects, including 1,065 completed projects, 330 ongoing projects, 236 new projects, 242 projects yet to start, and 13 pending. For the year 2022, the total number of IF programs amounts to 26, and the IF portfolio has been restructured and now consists of 70 sub-programs. The IF budget for 2022 is \$332.5 million.

Budget execution data for the 2021 financial year, as of November 20, is also provided for the category of revenues, expenditures and programs in place:

Table 17 - FI: Budget execution expenditure by economic categories as of November 20 2021

Categorias	Orçamento	Compromissos	Obrigações	Pago	Saldo	Execução %
Salários Vencimentos	\$31 695,00	\$,00	\$,00	\$25 816,00	\$5 879,00	81,5%
Bens Serviços	\$1 035 738,00	\$599,95	\$172 421,47	\$716 358,19	\$146 358,39	85,8%
Capital Menor	\$4 000,00	\$,00	\$1 500,00	\$2 500,00	\$,00	100,0%
Capital Desenvolvimento	\$279 820 121,00	\$8 207 673,73	\$11 752 491,89	\$39 710 077,01	\$220 149 878,37	18,4%
Aquisição de edificios	\$45 719 297,00	\$,00	\$883 835,84	\$1 434 939,24	\$43 400 521,92	5,1%
Infrastructure Assets	\$234 100 824,00	\$8 207 673,73	\$10 868 656,05	\$38 275 137,77	\$176 749 356,45	21,0%
C A Fundo Infraestrutura	\$280 891 554,00	\$8 208 273,68	\$11 926 413,36	\$40 454 751,20	\$220 302 115,76	18,6%

Fonte: Portal de Transparência do Orçamento, em 20 de novembro 2021

According to the above information, the IF presents so far a budget execution rate of only 18.6%, a percentage that is considered far short of the desired, and the reason for this low execution is related to the Capital Development category, which represents more than 99% of this title, whose execution rate reaches 18.6%, already counting obligations.

Table 18 - IF: Expenditure Budget Execution by Program through November 20, 2021

Programas e subprogramas	Orçamento	Compromissos	Obrigações	Pago	Saldo	Execução %
Gestão institucional	\$60 096,00	\$,00	\$6 034,27	\$44 041,22	\$10 020,51	83,30%
Irrigação	\$2 398 000,00	\$770,62	\$239 005,84	\$930 170,18	\$1 228 053,36	48,80%
Plano mestre	\$3 148 460,00	\$50,08	\$,00	\$778 140,92	\$2 370 269,00	24,70%
Desenvolvimento Urbano e Rural	\$5 439 902,00	\$400 000,00	\$,00	\$300 863,35	\$4 739 038,65	5,50%
Edifício Pública	\$4 693 195,00	\$,00	\$846 570,53	\$1 294 166,47	\$2 552 458,00	45,60%
Escolas	\$1 343 480,00	\$,00	\$,00	\$,00	\$1 343 480,00	0,00%
Universidades	\$1 141 908,00	\$1 044 891,15	\$,00	\$,00	\$97 016,85	0,00%
Energia Eléctrica	\$13 820 600,00	\$2 648 879,74	\$,00	\$390 525,88	\$10 781 194,38	2,80%
Equipamento Informatika	\$4 195 962,00	\$,00	\$,00	\$,00	\$4 195 962,00	0,00%
Hospital / Clínica	\$1 843 780,00	\$,00	\$,00	\$,00	\$1 843 780,00	0,00%
Sub Programa Segurança	\$6 210 000,00	\$250 100,00	\$180 801,11	\$197 236,97	\$5 581 861,92	6,10%
Sub Programa Defesa	\$2 173 668,00	\$,00	\$,00	\$,00	\$2 173 668,00	0,00%
Monumentos	\$800 000,00	\$86 300,00	\$,00	\$,00	\$713 700,00	0,00%
Estradas e Pontes	\$2 250 000,00	\$,00	\$,00	\$,00	\$2 250 000,00	0,00%
Petrolio e Gas	\$750 000,00	\$228 713,34	\$,00	\$287 710,01	\$233 576,65	38,40%
Aeroportos	\$8 542 556,00	\$,00	\$232 687,44	\$267 913,01	\$8 041 955,55	5,90%
Roads	\$14 413 407,00	\$1 593,33	\$4 642 157,99	\$2 269 561,30	\$7 500 094,38	48,00%
Pontes	\$3 278 901,00	\$,00	\$,00	\$1 139 032,59	\$2 139 868,41	34,70%
Preparação Desenhos e Supervisão Novos Projetos	\$2 724 390,00	\$450 000,00	\$59 074,36	\$285 947,64	\$1 929 368,00	12,70%
Programa para Estradas	\$60 301 433,00	\$3 096 372,24	\$4 597 734,68	\$12 296 630,72	\$40 310 695,36	28,00%
Programa para Pontes	\$617 539,00	\$,00	\$,00	\$231 181,05	\$386 357,95	37,40%
Portos	\$1 114 000,00	\$,00	\$172 484,40	\$261 515,60	\$680 000,00	39,00%
Sub-Programa do Sector Turismo	\$552 000,00	\$,00	\$,00	\$,00	\$552 000,00	0,00%
Sub-Programa de Empréstimos	\$15 303 299,00	\$,00	\$,00	\$397 675,08	\$14 905 623,92	2,60%
Programa de Empréstimos ADB	\$53 896 701,00	\$,00	\$,00	\$14 632 479,54	\$39 264 221,46	27,10%
Programa de Empréstimos JICA	\$1 500 000,00	\$,00	\$,00	\$187 875,80	\$1 312 124,20	12,50%
Programa Sector das Finanças	\$3 121 940,00	\$,00	\$781 082,77	\$2 123 817,23	\$217 040,00	93,00%
Juventude e Desporto	\$1 034 100,00	\$,00	\$,00	\$,00	\$1 034 100,00	0,00%
Comissão de Administração do F	\$1 011 337,00	\$599,95	\$167 887,20	\$700 632,97	\$142 216,88	85,90%
Programa de Manutenção e Rehab	\$162 001,00	\$3,23	\$,00	\$134 005,77	\$27 992,00	82,70%
Manutenção de Estradas	\$56 497,00	\$,00	\$,00	\$,00	\$56 497,00	0,00%
Rural Road	\$4 705 300,00	\$,00	\$892,77	\$1 303 627,90	\$3 400 779,33	27,70%
Edifício e habitação	\$38 287 102,00	\$,00	\$,00	\$,00	\$38 287 102,00	0,00%
Estrada	\$6 000 000,00	\$,00	\$,00	\$,00	\$6 000 000,00	0,00%
Ponte e controle de inundação	\$6 000 000,00	\$,00	\$,00	\$,00	\$6 000 000,00	0,00%
Água potável e saneamento	\$4 000 000,00	\$,00	\$,00	\$,00	\$4 000 000,00	0,00%
Eletricidade	\$4 000 000,00	\$,00	\$,00	\$,00	\$4 000 000,00	0,00%
C A Fundo Infraestrutura	\$280 891 554,00	\$8 208 273,68	\$11 926 413,36	\$40 454 751,20	\$220 302 115,76	18,60%

Fonte: Portal de Transparência do Orçamento, em 20 de novembro 2021

On the negative side, the Building and Housing program with a budget of over \$38.0 million presents a 0% execution rate, as do other programs such as the Education Program, the Health Program, the Roads Program, the Bridges Program, the Youth and Sports Program and the Information Technology Program, which also present a 0% budget execution rate.

The IF presents the following priorities and objectives for the 2022 financial year, namely:

- ✓ Proceed with the provision of financial resources for the financing of strategic programs and projects;
- ✓ Procure, construct, develop, maintain and rehabilitate road infrastructure, social infrastructure, flood and landslide protection infrastructure, wastewater treatment and sanitation facilities, power generators and distribution lines, telecommunications, logistics facilities, government buildings, public facilities and other infrastructure to promote strategic development;
- ✓ Promote good governance and institutional management, strengthening human resource capacity.

The proposed budget for the Infrastructure Fund for the financial year 2022 is \$332.45 million, including \$50.8 million from external funding sources (loans). The following table presents the Fund's budget for 2022, appropriately distributed by economic categories and the 26 programs that compose it.

Table 19 - IF: Programs and Economic Categories GBS 2022 (thousands of USD)

Programa	Categoria Económica					Total
	S&V	B&S	T.P.	C.M.	C.D.	
Programa 023: Gestão das Finanças Públicas	-	-	-	-	3.030	3.030
Programa 024: Cultura e Património	-	-	-	-	950	950
Programa 026: Estradas e Pontes	-	-	-	-	164.495	164.495
Programa 028: Desenvolvimento Rural e Urbano	-	-	-	-	11.989	11.989
Programa 171: Aproximar serviços Tribunais População	-	-	-	-	4.408	4.408
Programa 252: Telecomunicações	-	-	-	-	16.815	16.815
Programa 366: Segurança Nacional	-	-	-	-	6.100	6.100
Programa 388: Defesa Nacional	-	-	-	-	4.078	4.078
Programa 392: Acesso à Justiça	-	-	-	-	50	50
Programa 401: Gestão de Recursos Petrolíferos e Minerais	-	-	-	-	2.150	2.150
Programa 439: Garantir liberdade expressão acesso informação	-	-	-	-	450	450

As of financial year 2022, the IF program portfolio is transformed into a new structure consisting of 26 programs, 70 sub-programs and activities, in order to accommodate the Government's needs for its budget. The following is a list of the existing or only reformulated programs in the IF portfolio;

- Agriculture Program
- Water and Sanitation Program
- Urban and Rural Development Program
- Electricity Program
- Ports Program
- Airports Program
- Education and Training Program
- Health Program
- Tourism Program
- National Security Program
- National Defense Program
- Roads and Bridges Program
- Petroleum and Mineral Resources Management Program
- Public Finance Management Program
- Maintenance, Rehabilitation and Response to Disaster Damaged Structures Program
- Gender Equality and Social Inclusion Program
- Telecommunications Program
- Good Governance and Institutional Management Program

Due to the reorganization of the programs operated by the Government, it is also important to mention the designation of the eight new programs created to integrate the new structure of the IF portfolio in 2022

- Environmental Protection and Conservation Program
- Program for Guaranteeing Freedom of Expression and Access to Information
- Culture and Heritage Program

Bringing Court Services closer to the People Program
Investment and Economic Diversification Program
Transport Program
Access to Justice Program
Land Use Planning Program

The External Loans Program and the Design Preparation and Supervision Program are eliminated and all their projects will be transferred to other relevant programs and sub-programs in the new IF portfolio.

A comparative table of expenditure by economic classifier between the amounts allocated in the GSB 2021 and GSB 2022, as well as the respective quantitative and percentage variation, is presented.

Table 20 - IF: Expenditure by economic classifier - GSB 2021 vs. GSB 2022 (in thousands of dollars)

Categoria económica	OGE 2021	OGE 2022	Variação \$	Variação %
Salários e Vencimentos	32	35	3	9,40%
Bens e Serviços	1.040	941	-99	-9,50%
Transferências Públicas	-	-	-	-
Capital Menor	-	32	32	100%
Capital de Desenvolvimento	279.820	331.445	51.625	18,40%
Total	280.892	332.453	51.561	18,40%

Fonte: Comissão E

The IF presents a budget proposal for the 2022 financial year which represents an increase of \$51.6 million (18.4%), when compared to the allocation in the State Budget for 2021. Notwithstanding the reduction in the economic category "Goods and Services", amounting to \$99.0 thousand, the economic categories "Minor Capital" and "Capital Development" contribute decisively to this budget increase, with an increased allocation of \$32.0 thousand (100%), and \$51.6 million (18.4%), respectively.

Note that the economic category "Salaries and Wages" allocates \$35.0 thousand, an amount that represents an increase of 9.4% compared to the appropriation allocated in the State Budget for 2021.

The following is an illustration of the budget proposal for the 2022 financial year, distributed by the Programs to be implemented, duly compared to the 2021 State Budget, as well as an indication of the respective quantitative and percentage variations:

Table 21 - FI: Expenditure by Programs GSB 2021 VS. GSB 2022 (US \$'000)

Programas	OGE 2021	OGE 2022	Variação \$	Variação %
Programa 023: Gestão das Finanças Públicas	-	3.030	3.030	100%
Programa 024: Cultura e Património	-	950	950	100%
Programa 026: Estradas e Pontes	-	164.495	164.495	100%

Programa 028: Desenvolvimento Rural e Urbano	-	11.989	11.989	100%
Programa 171: Aproximar os serviços dos Tribunais da População	-	4.408	4.408	100%
Programa 252: Telecomunicações	-	16.815	16.815	100%
Programa 366: Segurança Nacional	-	6.100	6.100	100%
Programa 388: Defesa Nacional	-	4.078	4.078	100%
Programa 392: Acesso à Justiça	-	50	50	100%
Programa 401: Gestão de Recursos Petrolíferos e Minerais	-	2.150	2.150	100%
Programa 439: Garantir liberdade expressão acesso à informação	-	450	450	100%
Programa 502: Transportes	-	400	400	100%
Programa 510: Boa Governação e Gestão Institucional	60	11.054	10.994	18,323%
Programa 797: Agricultura	2.398	5.775	3.377	140,80%
Programa 798: Água e Saneamento	3.149	9.150	6.001	190,60%
Programa 799: Desenvolvimento Urbano e Rural	5.440	-	(5.440)	-100%
Programa 800: Edifícios Públicos	4.693	-	(4.693)	-100%
Programa 801: Edifícios Educação	2.043	-	(2.043)	-100%
Programa 802: Eletricidade	13.821	11.420	(2.401)	-17,40%
Programa 803: Equipamento Informático	4.638	-	(4.638)	-100%
Programa 805: Saúde	1.844	2.777	933	50,60%
Programa 806: Segurança e Defesa	8.384	-	(8.384)	-100%
Programa 807: Solidariedade Social	800	-	-800	-100%
Programa 808: Tasi Mane	3.000	-	(3.000)	-100%
Programa 809: Aeroporto	8.543	40.141	31.598	369,90%
Programa 871: Preparação Desenhos Supervisão Novos Projetos	2.941	-	(2.941)	-100%
Programa 872: Estradas	74.715	-	(74.715)	-100%
Programa 873: Pontes	3.896	-	(3.896)	-100%
Programa 874: Portos	1.114	2.958	1.844	165,50%
Programa 912: Setor Turismo	552	-	-552	-100%
Programa 913: Empréstimos	70.700	-	(70.700)	-100%
Programa 914: Setor Finanças	2.905	-	(2.905)	-100%
Programa 915: Secretariado Estado Juventude e Desporto	1.034	-	(1.034)	-100%
Programa 976: CAFI – FI	1.011	-	(1.011)	-100%
Programa 977: Manutenção e Reabilitação	63.211	17.529	(45.682)	-72,30%
Programa 979: Educação e Formação	-	7.749	7.749	100%
Programa 980: Igualdade de Género e Inclusão Social	-	5.126	5.126	100%
Programa 981: Proteção e Conservação do Ambiente	-	100	100	100%
Programa 982: Turismo	-	1.033	1.033	100%
Programa 983: Investimento e Diversificação Económica	-	2.576	2.576	100%
Programa 984: Ordenamento do Território	-	150	150	100%
Total	280.892	332.453	51.561	18,40%

Source: Committee E

With the largest allocation in the 2022 State Budget, the Roads and Bridges Program, the Airports Program and the Maintenance, Rehabilitation and Disaster Damaged Structures Response Program stand out, with \$64.5 million, \$40.1 million and \$17.5 million, respectively.

The budget allocated to the IF in 2022 will be distributed among 26 programs, 70 sub-programs and 1886 activity-level projects to accommodate the Government's specific needs, with a total allocation of \$332.4 million, an increase from the 2021 State Budget of \$51.56 million (18.4%).

According to the text of Book 3A, the subprograms will be structured to follow the execution phases of each project cycle and will be further extended to the level of activities. There are some key points concerning the arrangement of the IF portfolio in 2022.

First, each IF program will be supported by study and preparation subprogram. This arrangement will help ministries to allocate project preparation budget to cover study and design. This new program-based approach is expected to maximize project readiness before the major investment cost is approved in the state budget for capital development projects. To date the main challenges and weaknesses of project execution in terms of cost, time and quality are the lack of project concept and feasibility study, and poor preparation of project documents.

Second, the largest programs will be divided into several industry sub-programs to accommodate different projects of the same type at the same time. Programs can be divided into several subprograms to cover each subcomponent.

The Loan Program that has been in place since 2012 autonomously in the IF, with a cumulative budget of \$675.8 million, will from 2022 be transferred to the Roads and Bridges Program and other relevant programs and subprograms. The execution rate of this Loan Program during the ten years in activity is 35% on average, ranging from 0% (in 2012) to 64% (2018), as shown in the following table:

Table 22: Execution of the IF Loan Program: 2012-2021 (USD)

Ano	Orçamento	Execução	Execução %
2012	43.100.000	-	0,0%
2013	43.588.000	6.284.672	14,4%
2014	31.050.500	15.753.913	50,7%
2015	70.000.000	24.194.103	34,6%
2016	107.002.522	30.646.185	28,6%
2017	101.825.751	30.309.956	29,8%
2018	61.607.143	39.158.459	63,6%
2019	87.000.000	49.746.805	57,2%
2020	60.000.000	30.102.026	50,2%
Até 3T21	70.700.000	12.182.314	17,2%
Total	675.873.916	238.378.433	35,3%

Fonte: Livro 3-A OGE 2022

The year 2021 is the year in which the portfolio of Projects financed by Infrastructure Fund loans has more Projects, when compared with previous years, comprising 34 Projects, of which three are already complete, 21 are in the execution phase and 10 have not yet started. In addition to the Loan Program, another change will arise in 2022 associated with the New Project Design Preparation and Supervision program, which will be eliminated, and all projects for design preparation and supervision will be allocated among the relevant sub-programs of the new IF Portfolio.

Human Capital Development Fund

The Special Fund for Human Capital Development (FDCH) is part of the Public Administrative Sector, and within it, the Central State Administration. All relevant budgetary information about the FDCH is detailed by the Government in Budget Book no. 6. It was created by law in 2010 and its main objective is to finance the training and development of human resources in priority strategic areas for the country, in line with the objectives of the Strategic Plan for National Development 2011-2030 (PEDN). Its management is the responsibility of the Board of Directors of the FDCH, which comprises the Minister of Higher Education, Science and Culture (who chairs) and the Ministers of Finance, Justice,

Petroleum and Minerals and the Secretary of State for Vocational Training and Employment and, in performing its duties, is supported by a Technical Secretariat. For the year 2021 the Government has once again elected as one of its priorities, the development of Human Resources. Since it was established, the FDCH has financed on average four multi-year programs, namely:

- ✓ Vocational Training;
- ✓ Technical Training
- ✓ Scholarships
- ✓ Other types of Training

Recent regulations of the Fund have identified as priority areas to be funded through scholarships, Legal Sciences, Education Sciences, Medical Sciences, and Engineering, giving preference to the CPLP countries for sending scholarship recipients. The group of potential scholarship recipients includes the general public and civil servants, teachers from accredited public and private universities, veterans and the children of veterans, students without means, among others. The appropriation allocated to scholarship funding for the year 2021, of about \$8.0 million, far exceeds the amounts allocated to the three other FDCH programs.

As for the professional and technical training program, it is aimed primarily at developing skills in auditing, financial management, advocacy, judicial services, customs management, information technology, hotel services and professional courses, training in the field of gender equality, among others.

The historical data of execution of each of the 4 programs of the Fund, are reported in the Budget Book 6, until 2020, and then the book analyzes, very superficially, the execution from January to July 2021. It is unfortunate that the Government devotes so little attention to budget execution and analysis of the results achieved by the FDCH this year, does not analyze the deviations or propose readjustments. It is on pages 16 and 17 of Book 6 (in the Portuguese edition) that the meager qualitative information is given on the programs financed by this fund, for the first seven months of this year and on the budget execution achieved in the same period, which is reproduced below:

Table 23 - Execution of the FDCH until the end of July 2021

Execução do FDCH entre janeiro e julho de 2021 (em milhões de dólares)			
Programas	Orçamento final 2021	Execução (em valor)	Execução (%)
Formação Profissional	1,078	0,478	44,3%
Formação Técnica	3,146	0,923	29,3%
Bolsas de Estudo	7,764	1,71	22,0%
Outros tipos de Formação	1,006	0,828	82,3%
Total	12,995	3,939	30,3%

Fonte: Portal da Transparência do Orçamento

With an allocation of \$12.995 million to be distributed among 19 state institutions in 2021, the FDCH's budget execution at the end of July of this year was still 30.3%. A few months later, on October 15, execution remained quite modest, with payments of \$5.1 million and recorded obligations of \$870,000. The execution in percentage terms accumulated in that period, 45.7% (payments and obligations), according to the data recorded in the Budget Transparency Portal. With execution levels still so low in the two and a half months remaining until the end of the year, it is foreseeable that the annual execution for 2021 will fall well short of the goals programmed for this year.

Tables 2 and 3 allow us to reflect on the relative importance that the Government has attributed to the FDCH over time, in terms of funding its programs. Having reached a peak of \$41.1 million in 2015, the funds allocated to it for this year total \$13.0 million, in an obvious attitude of disinvestment that is confirmed in 2022, as will be analyzed later in this report and opinion. In terms of results achieved by the Fund in the period between January and June 2021, Book 6 states the following:

- ✓ Scholarship Program - A total of 8 state institutions requested the attribution of scholarships, with 546 scholarship holders benefiting from this program, 186 female and 360 male, most of them studying in East Timor (149 scholarship holders), followed by Indonesia and then Brazil and Portugal. The Ministry of Higher Education, Science and Culture leads the table, with 261 grantees this year.
- ✓ Technical, Professional and Other Training Programs - A total of 7 state institutions benefited from training programs during the current year. Among the FDCH's 3 training programs, Vocational Training stands out with respect to the number of grantees, absorbing 1,504 of their 3,153 between January and July 2021 (671 female and 2,482 male).

In all four programs, the participation of females remains at a clear disadvantage and this information should be taken into account in the planning of next years' fund. Also, the measurement of the technical quality of the human resources funded annually by the FDCH before and after training, the analysis of the success rate in relation to grantees and the absorption rate recorded, should be done by independent evaluators and made public as soon as possible, so that better choices can be considered by the Government in the future. It also results from the reading of Book 6 that there is no visible articulation between the FDCH and INAP nor a direct correlation between the training that is provided by the FDCH and the needs and absorption capacity of the market. It is recommended that the FDCH Board of Directors take these concerns of Committee C into consideration.

The Budget allocated annually to the FDCH continues to decrease each year, as highlighted above, leading to a reduction in the number of accredited institutions benefiting from the Fund, which in 2019 peaked at 52 institutions. By 2022 the fund will benefit only 19 institutions, which are listed on page 5 of Book #6 (in the Portuguese edition).

Under the four programs proposed for 2022, each of the 19 beneficiaries will spread its allocation over sub-programs and a total of 62 activities. All the programs, sub-programs and activities contemplated for the next fiscal year can be found on pages 22 to 44 of Budget Book #6. The overall budget allocated for next year will be \$12.0 million, only \$100.0 thousand more than in 2021. The allocation will break down to:

- ✓ Scholarships - \$6.53 million, corresponding to 54% of the overall allocation.
- ✓ Vocational Training - 1.03 million, or 9% of the overall budget.
- ✓ Technical Training - \$3.57 million, corresponding to 30% of the global allocation
- ✓ Other Types of Training - \$0.872 million, or 7% of the overall FDCH allocation.

Municipalities

The legal figures Municipal Authority and Municipal Administration were created by Decree-Law No. 3/2016, March 16, approving the Statute of Municipal Administrations and the Interministerial Technical Group for Administrative Decentralization, later amended by Decree-Law No. 9/2018, April 9.

The General State Budget for 2021 allocated an overall allocation of \$57.9 million for the twelve Municipalities. This amount was readjusted in the first amendment to the GSB 2021. The Municipalities, overall, suffered a reduction of \$3.6 million, or -6.2%, on average, extending the reduction to all Municipalities, albeit with different weight, as shown in the Table below:

Table 24 - Budget Appropriation GSB 2021 for Municipalities (in US dollars)

MUNICÍPIO	LEI N.º 14/2020 OGE 2021 (A)	LEI N.º 8/2021 OGE 2021 Retificativo (B)	Diferença entre (B) e (A)	Diferença entre (B) e (A) %
Autoridade Municipal de Baucau	5 702 031	5 309 123	- 392 908	-6,89%
Autoridade Municipal de Bobonaro	5 331 750	5 002 575	- 329 175	-6,17%
Autoridade Municipal de Dili	9 058 596	8 667 122	- 391 474	-4,32%
Autoridade Municipal de Ermera	5 021 993	4 605 438	- 416 555	-8,29%
Administração Municipal de Aileu	3 373 446	3 015 344	- 358 102	-10,62%
Administração Municipal de Ainaro	3 672 443	3 407 826	- 264 617	-7,21%
Administração Municipal de Covalima	4 679 487	4 414 282	- 265 205	-5,67%
Administração Municipal de Lautém	4 415 566	4 157 022	- 258 544	-5,86%
Administração Municipal de Liquiçá	3 599 999	3 329 831	- 270 168	-7,50%
Administração Municipal de Manufahi	4 009 603	3 766 851	- 242 752	-6,05%
Administração Municipal de Manatuto	4 567 845	4 338 238	- 229 607	-5,03%
Administração Municipal de Viqueque	4 506 514	4 337 502	- 169 012	-3,75%
Total	57 939 273	54 351 154	- 3 588 119	-6,19%

Fonte: Portal da Transparência do Orçamento

Taking as reference the State Budget allocation approved for 2021, in the amount of \$54.35 million, on November 8, 2021 the Municipalities reached an overall execution level of 58.9% in value of payments made, and 66.8% when adding up payments and obligations. The execution rate per municipality ranged between 59.9% and 81.5% as can be seen in the next table:

Table 25 - Execution of Municipalities' budgets, as of November 8, 2021

Município	Orçamento	Compromissos	Obrigações	Pago	Saldo	Actual %	Actual + Obl %
Autoridade Municipal de Baucau	5 309 123	116 492	539 924	3 037 876	1 614 830	57,2%	67,4%
Autoridade Municipal de Bobonaro	5 002 575	305 218	406 262	2 833 220	1 457 876	56,6%	64,8%
Autoridade Municipal de Dili	8 667 122	707 573	733 626	4 453 856	2 772 067	51,4%	59,9%
Autoridade Municipal de Ermera	4 605 438	67 698	433 685	2 681 858	1 422 197	58,2%	67,6%
Administração Municipal de Aileu	3 015 344	194 704	271 453	1 693 750	855 437	56,2%	65,2%
Administração Municipal de Ainaro	3 407 826	145 571	271 806	2 160 017	830 432	63,4%	71,4%
Administração Municipal de Covalima	4 414 282	392 033	272 066	2 837 610	912 574	64,3%	70,4%
Administração Municipal de Lautém	4 157 022	33 898	426 087	2 960 544	736 493	71,2%	81,5%
Administração Municipal de Liquiçá	3 329 831	176 316	178 503	1 888 137	1 086 875	56,7%	62,1%
Administração Municipal de Manufahi	3 766 851	209 381	82 466	2 411 967	1 063 037	64,0%	66,2%
Administração Municipal de Manatuto	4 338 238	253 201	149 286	2 703 163	1 232 588	62,3%	65,8%
Administração Municipal de Viqueque	4 337 502	145 220	527 210	2 364 164	1 300 907	54,5%	66,7%
Total	54 351 154	2 747 306	4 292 373	32 026 162	15 285 312	58,9%	66,8%

Fonte: Portal da Transparência do Orçamento

As of 2021 the 12 municipalities began to execute their budgets by programs and within the framework of the General State Budget, still only continuing to implement activities derived from the program structure of the sectoral ministries.

Both Book 2 on pages 380 to 493 and Book 3B look at the new budget proposal for 2022 and the resources that the Government intends to allocate for local government development and action plans and programs for each municipality next year. Also, Book 3B provides specific information on the expenditures that are expected to contribute directly to the development of municipalities down to the suco level next year, and also makes reference to the activities to be implemented by ministries and agencies at the national level, but which are also intended to contribute to local government development, in addition to the financial support to be allocated by Development Partners to Ministries and Agencies, aimed at promoting local development.

As of next year the number of Municipalities increases to 13, as a result of the legal constitution of the Municipality of Ataúro. The new Municipality has a proposed budget for 2022 of \$2.5 million, not counting the proposed provision for its new Ataúro Special Development Fund (FEDA) intended to be transitorily managed by the Ministry of Public Works, entered under Appropriations for the whole Government, in the table of Central Administration Expenditures in the draft law of GSB 2022.

It is in Article 15 of the Draft State Budget Law for 2022 that the Government proposes the creation of a new fund, the Ataúro Special Development Fund, with the purpose of financing programs and projects in the areas of communications infrastructure, telecommunications infrastructure, etc. in the newly created Ataúro municipality. In the scope of the budget programs, a new activity has even been created for the year 2022, under the title Government-wide Appropriations, category Public Transfers, Program 28: Rural and Urban Development, Subprogram 02806: Rural and Urban Development, Activity 0280602: Investment Fund for the Municipality of Ataúro, with a budgeted amount of \$13 million.

Table 26 - Budget allocation for the Municipalities proposed for 2022 (USD)

Municípios	Proposta orçamental 2022
Autoridade Municipal de Baucau	4 538 264
Autoridade Municipal de Bobonaro	4 426 163
Autoridade Municipal de Díli	7 684 680
Autoridade Municipal de Ermera	4 287 418
Autoridade Municipal de Aileu	2 811 963
Autoridade Municipal de Ainaro	3 051 446
Autoridade Municipal de Covalima	3 766 640
Autoridade Municipal de Lautém	3 821 889
Autoridade Municipal de Liquiçá	2 988 710
Autoridade Municipal de Manufahi	3 453 388
Autoridade Municipal de Manatuto	3 628 011
Autoridade Municipal de Viqueque	3 697 785
Município de Ataúro	2 508 100
Total	50 664 457

Fonte: Portal da Transparência do Orçamento

The budget allocations shown in the table above are distributed across the categories of Salaries and Wages, Goods and Services, Public Transfers, Minor Capital and Capital Development.

In terms of the Annual Plans described in Book 2 of the GSB 2022, the budget allocation assigned to each municipality is intended to finance on average 11 programs, considered necessary to ensure the administrative functions of the Municipalities and Administrative Posts in the hierarchical and organic dependence of the Government member responsible for State Administration. Not all Municipalities foresee this number of programs, with a variation between 7 and 11 for the next year, as the next table shows. Book 2 does not foresee any programs for the new Municipality of Ataúro, despite the fact that an appropriation of \$2.5 million has been entered in the table of Central Administration expenditures in the draft law of GSB 2022, which is intended for it.

Table 27 - Programs funded by OGE2022 in each of the 12 Municipalities

Programas/Municípios	Baucau	Bobonaro	Dili	Ermera	Alfau	Ainaro	Covalima	Lautém	Liquiçá	Manufahi	Manatuto	Viqueque	Ataúro
026: Estradas e Pontes	v	v	v	v	v	v	v	v	v	v	v	v	?
028: Desenvolvimento Rural e Urbano	v	v	v	v	v	v	v	v	v	-	v	v	?
366: Segurança Nacional	v	v	v	v	-	v	v	-	-	-	-	v	?
392: Acesso à Justiça	v	v	v	v	v	-	v	v	v	-	v	v	?
510: Boa Governação Gestão Institucional	v	v	v	v	v	v	v	v	v	v	v	v	?
797: Agricultura	v	v	v	v	v	v	v	v	v	v	v	v	?
798: Água e Saneamento	v	v	v	v	v	v	v	v	v	v	v	v	?
805: Saúde	v	v	v	v	v	v	v	v	v	v	v	v	?
979: Educação e Formação	v	v	v	v	v	v	v	v	v	v	v	v	?
980: Igualdade de Género e Incl. Social	v	v	v	v	v	v	v	v	v	v	v	v	?
982: Turismo	v	v	v	v	v	-	v	v	v	-	v	v	?
Total Programas	11	11	11	11	10	9	11	10	10	7	10	11	?

Fonte: Livro 3-B OGE 2022

In addition to the funds allocated in the GSB 2022 to each municipality, there are other sources of funding related to national level programs that directly benefit each municipality, according to the Government's program of priorities. There are four such national programs to be implemented in 2022, the Municipal Integrated Development Program (PDIM), the National Sucos Development Program (PNDS), the Uma Kb'it Laek (UKL) Program and the Hakk'it Village Movement Program (PMOHA). The total proposed budget for each Municipality is shown in Table 28:

Table 28: Budget by Municipalities, including national level programs for the year 2022 (US dollars)

Municípios	Linhas Ministeriais	PDIM	PNDS	UKL	PMOHA	Total
Autoridade Municipal de Aileu	2 811 963	473 469	532 032	848 000	-	4 665 464
Autoridade Municipal de Ainaro	3 051 446	534 606	388 239	636 000	25 000	4 635 291
Município de Ataúro	2 508 100		1 040 916	1 802 000	-	5 351 016
Autoridade Municipal de Baucau	4 426 163	408 870	748 249	1 696 000	25 000	7 304 282
Autoridade Municipal de Bobonaro	4 538 264	571 216	460 082	954 000	25 000	6 548 562
Autoridade Municipal de Covalima	3 766 640	424 437	808 044	106 000	-	5 105 121
Autoridade Municipal de Dili	7 684 680	654 049	984 643	1 994 000	-	11 317 372
Autoridade Municipal de Ermera	4 287 418	787 328	786 231	742 000	25 000	6 627 977
Autoridade Municipal de Lautém	3 821 889	427 441	457 855	583 000	25 000	5 315 185
Autoridade Municipal de Liquiçá	2 988 710	319 610	376 877	1 060 000	-	4 745 197
Autoridade Municipal de Manatuto	3 628 011	677 018	490 332	954 000	-	5 749 361
Autoridade Municipal de Manufahi	3 453 388	642 228	295 630	1 166 000	-	5 557 246
Autoridade Municipal de Viqueque	3 697 785	360 413	270 000	265 870	-	4 594 068
Total	50 664 457	6 280 685	7 639 130	12 806 870	125 000	77 516 142

Fonte: Livro 3-B OGE 2022

These funding sources also provide for the reappropriation of construction projects, in the case of the PDIM. In relative terms, municipalities' financing through the Central Government Budget represents 65% of municipal financing needs, followed by UKL with 16%, PNDS with 11%, PDIM with 8%, and finally PMOHA with 0.2%.

Development Partners and Direct Budget Support

The Development Partners provide external assistance to Timor-Leste in order to contribute to the development of the country with the Strategic Development Plan 2011-2030 as the general framework with which all future programs and projects should be aligned. For the year 2021, the expected

disbursements of the Development Partners, not counting the loans granted to the country and the \$9.4 million donated by the European Union and channeled directly to the Treasury account under the Direct Budget Support component, amount to \$155.1 million, approximately. The five largest donors to Timor-Leste and their expected disbursements in 2021 are, the Government of Australia, with \$54.2 million (35.0% of the total); Portugal, with \$18.2 million (11.8%); the European Union, with \$13.7 million (8.9%); the United Nations, with \$12.9 million (8.3%); and the United States of America, with \$11.1 million (7.2%). A table detailing disbursements by donors and executing agencies is contained in Part 5 of Book 5 of the State Budget 2022.

In comparative terms, the estimate of donor funding in 2020 was \$184.0 million, with a 15.7 percent reduction the following year, to \$155.1 million.

As of the date of approval of this Report and Opinion, Committee C has not yet received from the Government any report with information on disbursements made in 2021 by Development Partners to each Government Agency and to which projects they were allocated, which is regrettable.

For 2022, Development Partners are willing to contribute \$176.2 million in assistance, in the form of grants.

The Government of Timor-Leste adopted Agenda 2030 and the Sustainable Development Goals (SDGs) two days before they were formally adopted by the United Nations at the General Assembly on September 25, 2015, and is one of the biggest advocates globally, of the SDGs. The Government of Timor-Leste has been working with the member states of the g7+ Group to achieve Goal 16 on peace, justice and effective institutions.

Within this framework of international assistance, development partners are committed to disburse \$167.5 million in 2022, showing an increase of \$12.4 million over the disbursements planned for 2021.

In addition, the EU's Direct Budget Support (DBS) is estimated at \$8.96 million for 2022, specifically for

- \$2.2 million for the Ministry of Health, to the "Malnutrition" program;
- \$2.8 million to the Ministry of State Administration, for the execution of the Decentralization plan;
- \$3.9 million for the Ministry of Finance, specifically for the public finance management program.

For 2022, the five largest donor groups are expected to make the following disbursements: the Government of Australia, with \$54.6 million (31% of the total); the United Nations, with \$25.9 million (14.7% of the total); Portugal, with \$18 million (10.2% of the total); Japan, with \$13.1 million (7.5% of the total) and the World Bank, with \$13 million (7.4% of the total).

Budget Lines included in the scope of Committee C – Ministry of Finance and Whole of Government

- Ministry of Finance

In terms of Program Budgeting, for FY 2021 the Ministry of Finance has a budget allocation in the amount of US \$31.8 million to fund eight programs, 20 sub-programs and 40 activities. The table below reflects the execution of the Ministry of Finance's Programs up to November 28;

Table 29 - Execution of MF Programs (in US Dollars)

Programas	Dotação OGE 2021 USD	Pago USD	Obrigações USD	Execução Pagamentos e Obrigações USD	Execução Pagamentos USD
Programa 346: Estatística e Políticas Económicas	646 330	292 553	280 546	88,7%	95,9%
Programa 348: Orçamento e gestão de despesas	168 600	104 099	-	61,7%	0,0%
Programa 349: Gestão de Arrecadação de Receitas	14 002 870	4 207 346	7 380 605	82,8%	175,4%
Programa 350: Mobilização e gestão de recursos externos	106 030	77 329	-	72,9%	0,0%
Programa 352: Gestão Financeira e de Ativos	252 406	113 761	66 224	71,3%	58,2%
Programa 353: Reforma da Gestão das Finanças Públicas	484 434	240 284	80 000	66,1%	33,3%
Programa 354: Descentralização da Gestão Finanças Pública (GFP) em todo o Governo	143 082	100 014	-	69,9%	0,0%
Programa 510: Boa Governação e Gestão Institucional	16 028 238	7 608 245	2 974 939	66,0%	39,1%
Total Ministério das Finanças	31 831 990	12 743 630	10 782 314	73,9%	84,6%

Fonte: Portal da Transparência

In terms of economic categories, the Ministry of Finance has allocated for the year 2021 the budget allocation of \$31.8 million, distributed by four categories, with Goods and Services being the one with the largest share among all other categories, accounting for \$21.0 million.

Table 30 - Budget execution of the Ministry of Finance in 2021 (U.S. dollars)

Categoria despesa	Dotação OGE 2021	Dotação OGE 2021 Retificativo	Compromisso	Obrigações	Pago	Execução (obrigações + pagamento)	Execução real (pago) %
Salários e Vencimentos	3 372 689	3 372 689	-	-	2 635 689	78,1%	78,1%
Bens e Serviços	21 056 654	21 046 654	1 842 359	4 247 933	9 919 231	67,3%	47,1%
Capital Menor	9 054 115	6 966 831	273 000	6 222 770	196 714	92,1%	2,8%
Capital de Desenvolvimento	649 896	445 816	129 005	311 612	-	69,9%	0,0%
Total Ministério das Finanças	34 133 354	31 831 990	2 244 365	10 782 314	12 751 634	73,9%	40,1%

Fonte: Portal da Transparência

The Ministry of Finance suffered a reduction from its original 2021 budget in the Capital Development category (-\$204,080) and later made internal transfers in the categories of Goods and Services (-\$10,000) and Minor Capital (-\$2,087,284).

The category of Salaries and Wages is with a good execution rate of 78.1%, at a time of the year when it will have to make the payment of the salary for the month of December, the extraordinary payment of an additional month's salary to employees and the supplementary payment to employees and agents assigned to the process of preparing the General State Budget for 2022 and the closing of the General State Account for 2021.

The Goods and Services Category has an execution rate of 47.1% in terms of payments made and an execution rate of 67.3% added to the obligations assumed. The item with the largest budget allocated is Professional Services, with an allocated amount of \$11.4 million. This item encompasses payments for the Asycuda system, Sigtas, security, and technical advisory services, and in the latter, the amount obligated for 2021 totals more than \$4.0 million. The technical advisory staff in this Ministry is composed of about 87 national and international advisors, with varied salary values, in which in the case of the international advisors, they vary annually between \$85.0 and \$219.0 thousand.

The Minor Capital Category presents an execution rate of 2.8% in terms of payments made and a rate of 92.1% if we add up the value of the obligations taken on. The payments made refer to purchased IT equipment and the amount that is under obligations relates to the purchase and X-Ray scanner machines for the borders, amounting to \$5.1 million and the rest is distributed among miscellaneous IT equipment such as printers, computers, UPS, CCTV circuit, etc.

The Capital Development category, with an allocated budget of \$445.8 thousand as of November 28 shows an execution rate of 0% in terms of payments and a rate of 69.9% when adding up the obligations.

In terms of the Economic Recovery Plan, one of the measures that was proposed to be carried out in this year 2021 was the preparation and approval of a Chart of Accounts for the private sector and for the public sector, an Official Chart of Accounts and Economic Classifier (MF and INSS).

In 2022 the budget allocated to the Ministry of Finance will be reduced to \$29.9 million to fund a programmatic structure that will be reduced to only 2 programs, 8 sub-programs and 39 activities.

Table 31: 2022 Budget Allocation by Programs - Ministry of Finance

Programas	Dotação OGE 2022
Programa 023: Gestão das Finanças Públicas	19 078 937
Programa 510: Boa Governação e Gestão Institucional	10 790 352
Total Ministério das Finanças	29 869 289

Regarding economic categories, the Ministry of Finance maintains the same number of categories, however the amount of the budget for 2022 is 6.17% less when compared to the approved budget in 2021, as a result of the reduction of the budget in the categories of Goods and Services and Minor Capital. On the other hand, the categories of Salaries and Wages and Capital Development suffer significant increases, as can be seen in the comparison between the appropriations per category of the GSB 2021 and the GSB 2022 as described in the table below:

Table 32 - Comparison of GSB 2021 Appropriation and GSB 2022 Proposal Ministry of Finance (dollars)

Categoria despesa	Dotação OGE 2021	Proposta OGE 2022	Variação 2021-2022
Salários e Vencimentos	3 372 689	4 019 189	19,17%
Bens e Serviços	21 046 654	20 022 443	-4,87%
Capital Menor	6 966 831	5 000 000	-28,23%
Capital de Desenvolvimento	445 816	827 657	85,65%
Total Ministério das Finanças	31 831 990	29 869 289	-6,17%

Fonte: Portal da Transparência e Livro 2 OGE 2022

Book 2 of the GSB 2022, in the Ministry of Finance Title chapter, no longer has any reference to activities related to the Economic Recovery Plan measures.

- Whole of Government Appropriations

The Whole-of-Government Appropriations Title is the service of the Treasury Department responsible for the payment of public expenditures and Treasury operations, as well as the management and execution of the Whole-of-Government Appropriations, the management of which is the responsibility of the Ministry of Finance.

For Fiscal Year 2021, the Whole of Government Appropriations has a Budget of \$202.143 million, spread across 11 programs as shown in the table below:

Table 33 - Execution of the Title Appropriations for the Whole of Government in 2021 (US dollars)

Programas	Dotação OGE 2021 USD	Pago USD	Obrigações USD	Execução Pagamentos e Obrigações USD	Execução Pagamentos USD
021 Contribuição de Estado para a Segurança Social	15 000 000	7 138 712	0	47,6%	0,0%
022 Transferência para o Orçamento da Segurança Social	42 753 553	42 389 148	0	99,1%	0,0%
148 Contingência	53 165 749	1 093 599	2 822 490	7,4%	258,1%
328 Apoio à Sociedade Civil	15 005 000	15 005 000	0	100,0%	0,0%
346 Statistics and Economic Policies	3 100 000	0	245 000	7,9%	0,0%
350 Mobilização e gestão de recursos externos	12 649 076	8 414 549	0	66,5%	5,0%
352 Financial and Assets Management	991 360	176 724	453 331	63,6%	256,5%
400 Política Externa de RDTL	500 000	0	0	0,0%	0,0%
510 Boa governação e gestão institucional	29 710 515	14 509 821	124 442	49,3%	0,9%
511 Organização urbana	24 740	0	0	0,0%	0,0%
999 Transferência para o Orçamento da RAE OA	29 243 312	21 932 484	0	75,0%	0,0%
Total Dotações para todo o Governo	202 143 305	110 660 037	3 645 263	56,5%	3,3%

Fonte: Portal da Transparência

With regard to the allocation of the Budget for Fiscal Year 2021 by economic categories, the title Appropriations for the Whole of Government has an allocation in the amount of \$202.1 million, distributed across five categories.

Table 34 - Budget Execution of the Appropriations for Whole of Government line

Categoria despesa	Dotação OGE 2021	Dotação OGE 2021 28 Novembro	Compromissos	Obrigações	Pago	Execução (obrigações + pagamentos) %	Execução real (pago) %
Salários e Vencimentos	600 000	600 000	-	-	-	0,0%	0,0%
Bens e Serviços	47 312 143	75 357 525	363 174	1 080 283	11 071 285	16,1%	14,7%
Capital Menor	176 890	176 890	65 600	64 980	1 000	37,3%	0,6%
Transferências Públicas	177 896 865	125 896 865	15 172 116	2 500 000	99 532 485	81,0%	79,1%
Despesas Contingências		112 025	-	-	61 268	54,7%	54,7%
Total Ministério das Finanças	225 985 898	202 143 305	15 600 890	3 645 263	110 604 769	56,5%	54,7%

The Whole of Government Appropriations saw its original budget have some changes in its categories and this is the current scenario as of November 28, where it shows an execution rate of 56.5%, payments and obligations included.

The category of Goods and Services has increased its budget a lot, the categories of Salaries and Wages and Minor Capital have maintained their original allocations and Public Transfers have reduced a lot. The Contingency Expenses category comes in with budget at this stage of the year.

In terms of execution, the Public Transfers category has an execution rate of 81% with payment and obligations assumed, mainly to the Social Security Institution, INSS, RAE OA, the East Timorese Bishops' Conference, the Asian Development Bank, the World Bank, etc.

The Goods and Services category, with an execution rate of 16.1%, includes payments for various services such as professional services, shipyard, travel tickets and per diem for official trips abroad, vehicle maintenance, etc.

The Minor Capital category has an execution rate of 0.6% in payments and an execution rate of 37.3% adding payments and obligations.

Contingency Expenses have an execution rate of 54.7% and relate to foreign travel allowances and donations.

The Draft Bill for the 2022 GSB allocates for the Title Whole of Government Appropriations, a budget of \$260.0 million to fund a programmatic structure that will be reduced to eight programs, 17 sub-programs and 27 activities.

Table 35: 2022 Budget Allocation by Programs - Whole of Government Appropriations

Programa	Valor USD
148: Contingência	29 500 000,00
023: Gestão das Finanças Públicas	23 888 321,00
028: Desenvolvimento Rural e Urbano	13 130 000,00
400: Política Externa de Timor-Leste	500 000,00
510: Boa Governação e Gestão Institucional	41 689 256,00
797: Agricultura	25 000 000,00
980: Igualdade de Género e Inclusão Social	73 000 000,00
983: Investimento e Diversificação Económica	54 133 543,00
Total	260 841 120,00

Fonte: Livro 2 OGE 2022

In terms of the economic categories, the Whole of Government Appropriations maintain the same categories as the previous year, however the 2022 budget amount has an increase in the amount of 15.4% when compared to the approved 2021 budget, the Goods and Services category almost doubles the previous year's budget and the Minor Capital category also has a slight increase. In contrast, the categories of Salaries and Wages and Public Transfers are reduced, as shown in the Table below:

Table 36: Comparison of GSB 2021 Appropriation and GSB 2022 Proposal Whole of Government Appropriation

Categoria despesa	Dotação OGE 2021	Dotação OGE 2022	Variação 2021-2022
Salários e Vencimentos	600 000	500 000	-16,67%
Bens e Serviços	47 312 143	89 570 720	89,32%
Capital Menor	176 890	336 600	90,29%
Transferências Públicas	177 896 865	170 433 800	-4,20%
Total Dotações para Todo o Governo	225 985 898	260 841 120	15,42%

Fonte: Portal da Transparência e Livro 2 OGE 2022

b) RAEOA and ZEESM

The Special Administrative Region of Oé-Cusse Ambeno (RAEOA) is a public law territorial legal entity with administrative, financial and patrimonial autonomy. Both the Special Administrative Region of Oé-Cusse Ambeno (RAEOA) and the Special Market Economy Zone of Oé-Cusse and Ataúro (ZEESM) were created in 2014 in compliance with Article 17 of the Constitution on the administrative organization of the country. Its resident population, consisting of 71,487 inhabitants, according to the 2015 Census, is distributed over four Administrative Posts. Of 16,203 dwellings counted in the Region, 25.2% of them still do not have access to potable water.

The RAE OA and ZEESM employs 2,500 employees, who are distributed among the Office of the President of the Authority (309 employees) and Offices of the seven Regional Secretaries (2,191 employees). The profile of these employees is shown on pages 170 to 172 of the RAE OA Activities and Accountability Report - Q3 2021, with 1,033 permanent employees and 1,133 temporary employees. The number of employees hired by political appointment is 10 as indicated on page 173 of the same document submitted by RAE OA.

As part of a package of social support, it has been provided to the population, in the RAE OA:

- ✓ The Bolsa da Mãe (Mother's Grant), covering 4,437 individuals;
- ✓ The subsidy to Elderly and Disabled Individuals, covering 6,485 and 105 people, respectively;
- ✓ The pensions to Combatants and National Liberation Veterans, covering 363 people, and
- ✓ The pensions granted to the Beneficiaries of the National Liberation Martyrs, covering 223 individuals.

During 2021, as planned, the RAE OA joined the Integrated Financial Management System of the Ministry of Finance (SIGF), commonly known as Free Balance, and also the Planning, Monitoring and

Evaluation System called Dalan ba Futuru Timor-Leste, allowing the Parliament and the citizens in general to know and follow in real time the budget execution of its revenue and expenditure, as well as the results achieved by the Region in each quarter.

The Expenditure Budget allocated to it by the GSB law for the current year was \$127.0 million. After the approval of the GSB, the National Parliament approved a Rectifying GSB, but that did not affect the Budget of the RAEOA and ZEESM TL for 2021. The aforementioned \$127.0 million was allocated to two programs, as shown in the next table:

Table 37 - Budget by RAEOA Programs in the year 2021 (million dollars)

PROGRAMAS	Dotação despesas da RAEOA para 2021
Boa Governação e Gestão Institucional	41,5
Zona Especial de Economia Social de Mercado	85,5
TOTAL Orçamento de Despesas da RAEOA 2021	127,0

The financing of the expenditure of the RAEOA for the current year is ensured by transfers from the Central Administration Budget, by a part of the accumulated management balance in the Region until the end of 2020 and, very residually, by the proceeds of the fees collected by the Region in the year. The next table, summarizes the Table IV of the Annex to the Law of the State Budget 2021, about the RAEOA Revenues:

Table 38 - RAEOA Sources of Financing in 2021:

Financiamento do Orçamento da RAEOA em 2021	Dotação 2021 (milhões de dólares)	Peso no Orçamento de Receita da RAEOA (%)
Transferências provenientes do Orçamento da Administração Central do Estado	29,2	23,0%
Afetação de uma parte do saldo de gerência da RAEOA de 2020	97,0	76,4%
Taxas a cobrar em 2021	0,8	0,6%
TOTAL de Receitas destinadas a financiar as despesas da RAEOA em 2021	127,0	100,0%

The amount of \$29.243 million, corresponding to the funding budget portion to be borne by the Central Government Budget and transferred by the Ministry of Finance (MF) from “Whole of Government Appropriations” to the Region’s account, had not yet transferred in full to it as of November 10, according to the Budget Transparency Portal. By that date the MF had transferred to the RAEOA around \$22.0 million. As of the middle of the penultimate month of the year, \$7.3 million belonging to the RAEOA is still held in the Treasury account. Because the budgets of the Central Government and the RAEOA are separate and independent according to the law, and in order to comply with the law of the GSB 2021, this amount must be transferred to the Region as soon as possible.

Despite the fact that the budget allocation of expenditure for the RAEOA approved for this year is \$127.0 million, the Budget Transparency Portal shows as the value of the overall allocation of the RAEOA for 2021 only \$97.757 million. The difference between the first and second value corresponds exactly to the amount of expenses that under the law should be supported by transfers of \$29.2 million from the Central Government Budget, as shown in the table above. It is therefore concluded that the Budget Transparency Portal does not faithfully reproduce the real execution of the RAEOA and the Government is invited to urgently correct the situation in the system, ideally by the date of conclusion of the general debate on the draft law of the State Budget for 2022. In addition to not allowing a correct reading of the financial and budgetary situation of the subsystems, the non-recording of the full allocation for the RAEOA in the State’s integrated financial management system would even lead to the

assumption that certain revenues have been earmarked for certain expenses, a fallacy in the case of the Region.

With reference only to the execution data recorded in the Budget Transparency Portal, which are quite inaccurate in the opinion of the Committee C, one can conclude that as of November 6, the Region's payments did not even reach 20% between payments and obligations, and therefore this substantial deviation from what was expected should have been adequately justified by the RAEOA Authority.

The next table was also produced by Committee C from the Transparency Portal records. It provides the execution of RAEOA expenditure by category as of November 6, 2021:

Table 39 - Budget execution of RAEOA and ZEESM by expenditure categories, as of 6 Nov. 2021 (dollars)

Categoria de Despesas	Dotação final 2021	Obrigações	Pago	Saldo	Execução %
Salários e Vencimentos	11 072 049	-	5 975 834	5 096 215	54,0%
Bens e Serviços	23 027 664	1 708 523	7 188 784	13 516 580	38,6%
Capital Menor	3 516 475	2 200	222 150	3 286 799	6,4%
Capital de Desenvolvimento	56 262 790	603 211	1 348 842	54 236 510	3,5%
Transferências	3 877 710	119 290	1 242 782	2 467 721	35,1%
Total	97 756 688	2 433 224	15 978 392	78 603 824	18,8%

Fonte: Portal de Transparência do Orçamento em 6/11/2021

It is noted that the situation in the RAEOA is worrisome and, in the absence of adequate justification from the Authority, one can conclude that budget planning has been misaligned with reality and that the Authority's management capacity has substantially worsened.

The table that follows, also prepared from the Budget Transparency Portal, is intended to reproduce the execution of the RAEOA Revenue as of November 6:

Table 40 - Revenue collected by the RAEOA as of November 6, 2021 (dollars).

Receitas da RAEOA (em dólares)				
Receitas	Dotação de Receitas 2021 (*)	Receita arrecadada	Saldo	Execução %
Imposto sobre o rendimento	-	84 289	(84 289)	,0%
Total Receitas Fiscais	-	84 289	(84 289)	,0%
(*) Portal de Transparência do Orçamento em 6/11/2021				

It can be seen that as of November 6, the RAEOA has collected revenue in the nature of income tax of \$84.3 thousand. Committee C recalls that the RAEOA can only collect taxes on behalf of the State, and the entire revenue collected must be transferred to the Treasury account (Central Government account). Additionally the table reveals that the Region has not yet managed to collect any of its own revenue from the collection of fees (non-tax revenue) which it estimated in the 2021 State Budget to be \$800.0 thousand. The reasons for such a deviation are unknown.

The National Parliament received on November 4 the Activity Report and Accountability on the budget execution of the Region until the end of the 3rd quarter of 2021, sent by the President of the Authority of the RAEOA and ZEESM, and the document was sent to Committee C on November 9. From it, the most pertinent information was extracted for the production of the report and opinion of Committee C, which is summarized herein.

Page 126 of the above-mentioned Report makes available, in a table titled "Table Progress in the Collection of Other RAEOA Revenue", reports that as of September 30, the RAEOA had collected \$304.0 thousand in non-tax revenue. That table is transcribed below:

Table 41 - RAEOA collected revenues as of September 30, 2021

Receitas arrecadadas pela RAEOA até 30 de setembro de 2021 (dólares)		
Receitas arrecadadas pela RAEOA	Estimativa original inscrita no OGE Retificativo 2021	Receita efetiva cobrada e arrecadada
Juros de Depósitos a prazo no BNU	0	129 139
Receitas do avião	0	121 683
Receitas da Agricultura e Pescas	0	11 888
Receitas da Agricultura e Pescas e outros	0	150
Outras receitas no Banco	0	11 738
Reposições de Salários	0	18 886
Receitas do Fundo Especial de Desenvolvimento (arrendamento)	0	22 377
Total de Receita cobrada pela RAEOA até 30.09.2021	0	315 861

Fonte: Relatório de Execução RAEOA - III Trimestre 2021

For some reason, the sum of the portions calculated by Committee C (\$315.861 thousand), does not match the data presented in the RAEOA Report (\$301.952 thousand).

On pages 127 to 129 of the RAEOA Report the table "Statement of Consolidated Expenditures III Quarter 2021" describes the status of budget execution by RAEOA bodies and by category, including budget changes introduced since the beginning of the year (virements), partially captured by the Free Balance system and partially still manual. The table attests to an expenditure execution of \$ 15.1 million (payments + obligations), which Committee C decided to break down in its own table:

Table 42 - RAEOA expenditure to September 30, as per RAEOA Execution Report - Q3 2021

Despesas da RAEOA a 30 de setembro de 2021 (em milhões de dólares)					
Categoria de Despesas	Dotação 2021	Alterações orçamentais (Virements)	Dotação final 2021	Despesas (obrigações + pagamentos)	Execução %
Salários e Vencimentos	11,1	-	11,1	5,3	47,7%
Bens e Serviços	23,8	-	23,8	4,9	20,6%
Capital Menor	2,4	(0,7)	3,1	0,0	0,2%
Capital de	85,5	1,2	84,3	4,7	5,6%
Transferências	4,3	(0,4)	4,7	0,1	2,6%
Fundo Especial de Desenvolvimento (FED)	-	-	-	-	
Fundo de Contingência	-	-	-	0,1	
Total	127,0	0,0	127,0	15,1	11,9%

Fonte: Relatório de Execução da RAEOA - III Trimestre 2021

On pages 131 to 134 of the same Report, the RAEOA presents the same information on budget execution, but now by categories and expenditure items. The consolidated data in both tables are not coincident, and since the data thus obtained is not reliable and consistent, Committee C refuses to make any analysis of it.

Pages 177 to 185 of the latest quarterly report submitted by the RAEOA detail the many infrastructure projects underway in the Region (for the period January to September 2021). Further on, on pages 186 and 188 of the same report, the RAEOA reports the net position of its Special Development Fund, which accumulated \$35.9 million as of September 30. Page 189 shows the execution of expenses with COVID-19/Basic Basket, totaling \$4.4 million of the \$4.6 million foreseen.

The Cash position (demand and term deposits), Assets and Liabilities as of September 30, or Consolidated Statement of the financial position of the RAEOA is shown on pages 190 to 198. The

Report submitted by the RAEOA Authority received by Committee C on November 9 is too vast to be analyzed in any detail in this context, and should merit a separate detailed analysis if the National Parliament so wishes.

In addition to the draft 2022 GSB itself, budget books 2 and 3C bring together all the information provided by the RAEOA-ZEESM Authority to justify next year's proposed budget allocation of \$84.4 million, which it intends to distribute across its new 15 programs, 95 sub-programs and 265 activities. However, Book 3-C contains, in the view of Committee C, avoidable errors and omissions.

In the Annex to the Draft State Budget Law for 2022 (PPL), Tables IV and V correspond respectively to the proposed Budget for Revenue and Budget for Expenditure for the next year (by title, programs and categories, in the case of Table V).

Some of the articles of this proposed law (PPL) deserve a prominent place in this report and opinion, specifically Articles 2, 6 and 11, which relate more directly to the RAEOA:

Article 2 of the PPL highlights the RAEOA's own financial regime. Further on, Article 6.2 authorizes the RAEOA to collect the taxes and fees provided by law, but omits the fact that it can only do so on behalf of the State when it comes to taxes, as well as the obligation to transfer the proceeds of such revenue to the Treasury immediately after collection. Also, paragraphs 4, 5 and 11 of article 8 of the PPL directly concern the RAEOA; in the specific case of paragraphs 4 and 5, the PPL for the 2022 State Budget grants the Region exclusive powers to authorize certain budget amendments. In effect, in 2022 it will be allowed by the State Budget law to make any and all changes within and between all budget programs, provided they are not aimed at reducing the overall allocation for the categories of Salaries and Wages and Capital Development, without the other limits imposed by the Budget and Financial Management law applying to it.

Also according to paragraph 8 of Article 11 of the PPL, if its current wording will be voted in favor by the National Parliament in the vote on the State Budget 2022, it will become the sole responsibility of the RAEOA and not the National Parliament, to approve budget amendments that involve the increase of its budget, when it is a matter of integrating balances of the previous year or to incorporate the increase of the proceeds of its own revenues for the year 2022. Such provision of the draft law may conflict with the provisions of Article 95.3(d) of the Constitution of the Democratic Republic of Timor-Leste.

The next table aims to summarize the table on page 516 of the Budget Book 2 (in the Portuguese edition), identifying the 15 programs to be inscribed by the RAEOA Authority for the year 2022 (identified in the system with the code I9) and also the budgetary allocations for each one:

Table 43 - RAE OA and ZEESM- TL (entity I9) programs for the year 2022 (\$ million)

Proposta orçamental da entidade I9 - RAE OA, para 2022 - Por programas (milhares de dólares)	
Programa	Total
024: Cultura e Património	2,9
028: Desenvolvimento Rural e Urbano	390,7
029: Reformas do Estado	375,4
366: Segurança Nacional	50,6
392: Acesso à Justiça	1 155,8
510: Boa Governação e Gestão Institucional	23 774,3
797: Agricultura	441,7
798: Água e Saneamento	3,0
805: Saúde	739,3
867: Desenvolvimento e Reforço de Zonas com Tratamento Administrativo e Económico Especial	55 324,9
979: Educação e Formação	1 473,4
980: Igualdade de Género e Inclusão Social.	192,1
981: Proteção e Conservação do Ambiente	5,7
982: Turismo	74,4
983: Investimento e Diversificação Económica	432,7
TOTAL Orçamento da RAE OA proposto para 2022	84 436,8

The overall budget allocation for the RAE OA, amounting to \$84.4 million, will be broken down into five categories of expenditure, namely, Salaries and Wages, Goods and Services, Transfers, Minor Capital and Capital Development, as follows:

Table 44 - Comparison of the 2021 RAE OA Expenditure Budget and the proposed 2022 allocation (\$ million).

Comparação entre o orçamento da RAE OA aprovado para 2021 e proposto para 2022				
Categoria de Despesas	Dotação da RAE OA aprovada para 2021	Dotação da RAE OA proposta para 2022	Tx de crescimento (%)	
Salários e Vencimentos	11,072	11,087	0,1%	
Bens e Serviços	23,776	21,361	-10,2%	
Transferências	4,286	4,322	0,8%	
Capital Menor	2,360	0,607	-74,3%	
Capital de Desenvolvimento	85,506	47,059	-45,0%	
Orçamento Total	127,000	84,436	-33,5%	

The budget allocation proposed by the RAE OA Authority for 2022 shows a “cut” of 33.5% compared to that approved for 2021 (table above). Expenditures in the Capital Development category will absorb almost 50% of its overall allocation, and expenditures for the acquisition of goods and services will represent, in round numbers, 25% of the total. The justification provided in Book 3-C for the proposed expenditures for each of the 5 categories is:

- The Salaries and Wages category appropriation, with estimated expenditures of \$11.0 million, is intended to ensure the payment of salaries for the Region’s 2,500 employees (see breakdown in the table on p. 30 of Book 3C).
- Much of the proposed expenditure allocation for the Goods and Services category, on the order of \$21.4 million, is for the Authority’s Office of the Chairman (71%). On this category the Authority presents a disaggregated table on p. 31 of Book 3C. The largest expenditures for Goods and Services relate, in order of magnitude, to Operational Services (cleaning of the city and

buildings, Security service to public buildings, etc.), Fuel for Generators (SAKATO Power Station), Other Miscellaneous Services and the provision of Technical Assistance.

- For the category of Transfers, it is proposed to allocate \$4.3 million for the payment of public grants to cooperative associations, Non-Governmental Organizations (NGOs) and the United Nations Development Program (UNDP), as well as for the payment of grants to the Sucos Councils for the execution of their annual action plans and their response to natural disasters, and also to fund the School Meals Program and School Concessions.
- Under the Minor Capital category, we highlight the expenditures for the purchase of vehicles for the Office of the Chairman of the Authority and the Office of the Regional Secretary of Finance estimated at \$161.5 thousand dollars, computer equipment also for both these Offices (\$156.0 thousand) and other equipment and furniture, as illustrated by the table on page 32 of Book 3C.
- Finally, under the Capital Development category, with estimated expenditures of \$47.0 million roughly, the RAEOA highlights for next year the re-appropriation of \$29.0 million for infrastructure and road assets and another \$5.7 million for new infrastructure projects.

Also mentioned in Book 3C is the proposal for a “Capital Injection” to capitalize the RAEOA Contingency Fund by \$2.4 million, to contemplate the transfer of funds withheld in RAEOA that are destined for infrastructure projects in the newly created Municipality of Ataúro in the amount of \$7.0 million, the conclusion of the construction process of the Ro Haksolok, the passageways destined for the ports of Oé-Cusse and Ataúro and its transport from Portugal with an estimated cost of \$2.0 million. Finally a “Capital Injection” of \$1.0 million is for the Maintenance and Rehabilitation of the damage caused to the Ambeno Hotel, with its conversion to a Covid-19 Quarantine Center. Committee C is absolutely unaware of what the Region’s Authority understands by “Capital Injection” in the proposed 2022 GSB.

Nothing is said by the RAEOA about the situation of the Special Development Fund (FED) regarding the application of its funds and profitability obtained and the infrastructure investments for which it has been used. The only reference that is made in Book 3-C to the FED, appears in the first table, unnumbered and unidentified, on page 29 (in the Tetum version) and dates back to the year 2018. The Region’s budget proposal for 2022 does not provide for capitalization reinforcements of this Fund or investment expenditures to be financed by it.

Looking now at the side of the RAEOA Revenue Budget for the next financial year, attention is drawn to the next table which condenses Table IV of the Annex to the GSB PPL for 2022:

Table 45 - Proposed Revenue Budget of the RAEOA for 2022 (US dollars).

Categoria e Rubrica de Receita	Valor (milhões de dólares)
1. Transferências	
1.1. Transferências do Orçamento da Administração Central	433 800
2. Receitas Tributárias	
2.1 Impostos diretos	
2.2 Impostos indiretos	
2.3 Taxas	180 000
3. Doações, heranças e legados	-
4. Rendimentos	-
4.1 Dividendos	
4.2 Juros	
4.3 Rendas	
5. Utilização do Saldo de Gerência de 2021	84 436 784
Total da Receita da RAEOA para 2022	85 050 584

The revenue budget allocation of the Region for 2022 is \$42.0 million less than the current year, which is very strange, because after a long and tortuous period of economic stagnation resulting from the pandemic caused by COVID-19, it would be skewed that the next year would be a year in which the State, in this case the RAEOA, would seek by all means to revitalize the economy through public investment and support to PMEs and the productive sector.

The table also allows us to conclude that the Revenue Budget of \$85.1 million is \$614.0 thousand higher than the Expenditure Budget, whose ceiling is set at \$84,436,784.

The previous table also allows us to draw other conclusions: that the accumulated management balance in the Region is sufficient to finance all of its expenses over the next year; that the revenue from a transfer of \$433.8 thousand from the Central Administration Budget does not have a plausible justification, or at least the justification has not yet been disclosed to the National Parliament; that the RAEOA has under-budgeted the amount of the proceeds of the fees it plans to collect in 2022; that the RAEOA does not identify the estimated revenue from the collection of direct and indirect taxes that it expects to collect on behalf of the State, nor does it budget for them for the coming year; that the Region does not wish to allocate to its 2022 budget revenue resulting from dividends, interest or rents receivable, all of this important information being unduly omitted from the information it provides to the National Parliament and the country.

c) Social Security

The budgetary and physical execution of Social Security follows a program budgeting logic similar to that used by the other subsectors that make up the GSB. In 2021, the OSS is composed of four programs. They are:

- Program 1 - Contributory Regime;
- Program 2 - Non-contributory regime;
- Program 3 - Social Security Administration - management and execution
- Program 4 - Contributory Capitalization Scheme (FRSS)

The Social Security budget book identified as Book 3D reports the physical results achieved by the end of August 2021, as well as the budgetary execution of the OSS, for each of the four programs that constitute the SS System. On pages 61 and 62 of the book, summary maps of the budgetary execution of revenue and expenditure for the period January to August 2021 are presented (Exhibit 4.2) which is reproduced below:

The budgetary and physical execution of Social Security for the period from January to August 2021 is reported by the Government in Annexes 3 and 4 of Budget Book No. 3-D, pages 49 to 62, of the Portuguese language edition. On pages 61 and 62, Annex 4.2, provides the overall summary of the execution of expenditures and revenues of SS, which is summarized in the table below:

Table 46 - Social Security Revenue and Expenditure Execution - January to August 2021 (million USD)

Execução do OSS em 2021 - Janeiro a Agosto (em milhões de dólares)							
Receitas do OSS	OSS corrigido (Receita)	Execução da Receita Janeiro a Agosto	Execução da Receita Janeiro a Agosto (%)	Despesas do OSS	OSS corrigido (Despesa)	Execução da Despesa Janeiro a Agosto	Execução da Despesa Janeiro a Agosto (%)
Saldo do ano anterior	95,300	0	0%				
Receitas Correntes	82,279	72,053	87,6%	Despesas Correntes	47,701	23,805	49,9%
Contribuições e Cotizações	39,175	50,856	129,8%	Despesas com Pessoal	0,963	0,348	36,1%
Sanções e Penalidades	0	0		Aquisição de bens e serviços	0,303	0,053	17,5%
Rendimentos	0,350	0,002	0,6%	Juros e outros encargos	0,250	0,008	3,2%
Transferências Correntes	42,754	21,195	49,6%	Transferências Correntes	44,525	23,395	52,5%
Outras receitas correntes	0	0		Outras despesas correntes	1,660	0,001	0,1%
Receitas de Capital	131,297	0	0%	Despesas de Capital	258,814	0,152	0,1%
				Aquisição de Bens de Capital	0,640	0,152	23,8%
Transferências de Capital	131,297	0	0%	Transferências de Capital	128,937	0	0,0%
Ativos Financeiros	0	0		Ativos Financeiros	129,237	0	0,0%
Passivos Financeiros	0	0		Passivos Financeiros	0	0	
Outras Receitas de Capital	0	0		Outras Despesas de Capital	0	0	
Total OSS Receitas	308,876	72,053	23,3%	Total OSS Despesas	306,515	23,957	7,8%
Total OSS Receitas Consolidado	177,579	72,053	40,6%	Total OSS Despesas Consolidado	177,579	21,957	12,4%

Fonte: Livro 3-D OGE 2022

The left side of the table summarizes the budget execution of SS revenues and the right side the budget execution of its expenses until August 2021. Both for revenue and expenditure, the execution of the SS is overall quite modest, but in the case of expenditure, eight months after the beginning of the year, the execution was exceptionally low, with a rate of only 12.4%. Can the pandemic caused by COVID-19 alone justify the colossal deviation from the programming made by SS for 2021? The problem is not so much with the execution of current expenditures, but more with capital expenditures, where only \$152.0 thousand of an approved annual appropriation of \$259.0 million has been spent.

Provisional calculations from the INSS indicate that at the end of the current year the execution of revenues will fall short of the previous year's, as a result of the increase in the contributory debt to social security due to the economic crisis aggravated by the COVID-19 pandemic. On the expenditure side, execution should increase, as usual, more significantly in the last quarter of the year with the acquisition of a computer server and the payment of the second phase of the Support Subsidy for the Elderly and Invalids (SAII) between November and December of this year. If these payments are made, the budget execution of expenditure should approach that of 2020 (+91%).

Besides the execution of the Social Security Budget until August 2021, the Social Security Budget (OSS), Budget Book 3-D also provides the necessary information for the appreciation of the OSS proposal for the next fiscal year, namely its plan and budget proposal of revenues and expenses for 2022, as well as a comprehensive set of other information related to the sustainability of the system, no less necessary for the consideration of the proposal submitted by the Government to the National Parliament.

In the context of the State Budget, the OSS is an autonomous and unitary budget, covering all revenues and expenditures of the Social Security Sector, including the budget of the National Institute of Social Security (INSS) and the budget of the Social Security Reserve Fund.

Social Security currently integrates all social security systems, consisting of two systems, non-contributory social security (consisting of the Support Subsidy for the Elderly and Invalids - SAI, in force since 2008) and contributory, pay-as-you-go and capitalization social security in force since 2017, the former being fully funded by transfers from the Central Government Budget and aimed at ensuring minimum subsistence pensions to the entire population and combating poverty (through the Support Subsidy for the Elderly and Invalids), while contributory social security is self-financed by mandatory

social contributions borne by workers and employers, and aims to provide workers in all sectors of activity (public and private) with more comprehensive protection (such as maternity support).

Book 3-D states that the Social Security system is a public, contributory, mandatory and unique regime, based on the principles of intra and inter-generational solidarity, self-financed and managed on a pay-as-you-go basis (simple and capitalization). SS contributes to Sustainable Development Goals 1-5 and 8, 10 and 16.

For the capitalization component of Social Security, the Social Security Reserve Fund (FRSS) was created and regulated in 2020, which accumulates and returns the surplus contributions (the difference between the value of contributions received and the value of benefits paid each year), through the diversification of assets accumulated therein and based on criteria of prudence, security, profitability and liquidity, to ensure the financial stabilization and sustainability of the social security contributory scheme, and these monies may not be used for purposes other than social security.

The Social Security sector is composed of two institutions, both of which have the nature of a legal person under public law: the National Institute of Social Security (INSS) managed by an executive director responsible for the management and execution of the entire social security system (with the exception of the FRSS) and the Social Security Reserve Fund (FRSS), which is also managed by an executive director (the position is also held by the executive director of the INSS). Both Social Security institutions are interrelated in practice, and the INSS is responsible for the preparation and consolidation of the OSS and the Social Security Account.

To date the INSS has not established deconcentrated services nor any representation at the level of municipalities. In 2020 and 2021, besides the regular functions related to the operation of the social security schemes, the INSS has received from the Government the responsibility to implement the extraordinary measures to support employment and the economy (workers and companies).

As for the FRSS, its exclusive mission is the financial stabilization and sustainability of the SS contributory regime and the management of the Fund's asset portfolio and patrimony. The BCTL is expected to take over the operational management of the FRSS as is the case with the Petroleum Fund, and the proposed Management Agreement has been prepared with a view to its conclusion by the end of 2021, so that the funds accumulated in the FRSS may finally begin to be invested and monetized. For the FRSS to be complete, the Single Auditor and the Investment Committee have yet to be appointed.

The OSS is composed of 10 expenditure categories and 10 revenue categories (page 21 of Book 3-D). Most of the SS revenues are earmarked for its expenses and the annual surpluses from the pay-as-you-go scheme are transferred to the FRSS under the law to be invested in financial investments. The income of the Fund cannot at present be used to finance expenses of other schemes of the system.

Given that in the legal system of Timor-Leste there is not yet its own legislation framing the Budget of the SS as provided in Law No. 12/2016 of November 14, the draft law of the GSB 2022 includes a set of standards relating to the organization, principles and basic rules applicable to the OSS, in the words of the Government (p.23 of Book 3-D, Portuguese edition).

The SS Financial Information System (SIFSS) started to be designed in 2020 with the support of the government of Portugal, but from reading Book 3-D it can be deduced that it is not yet up and running. If true, all SS calculations continue to this day to be done in a rudimentary way, which naturally provides greater margins of error. With significant accumulated funds in the custody of the INSS, the pandemic caused by COVID-19 can hardly be used as a justification for the delay in completing and delivering the software adapted from the Portuguese model. By the end of the year 2021 the INSS should be able to acquire a computer server (hardware).

On page 28 of Book 3-D, Table 2 quantifies the number of SS beneficiaries, segregating the information by: non-contributory regime (Support Subsidy for the Elderly and Invalids), pensioners covered by the transitory regime (disability, old age and survival pensions) and the general contributory regime (subsidies and pensions). Between 2017 and August 2021, the number of registered beneficiaries of the

non-contributory regime saw a gradual reduction from 95,299 to 94,969, justified by the fact that people reaching retirement age are now covered by the general regime, while in the same period the number of beneficiaries of the contributory regime who now have access to social protection, expanded from 0 to 1,070, although by the year 2020 the number will have reduced substantially, as a result of some workers having lost their jobs, one of the undesirable effects of the pandemic.

As for the number of workers currently assigned to the INSS and FRSS Staff, according to the Table in Appendix 2 to Book 3-D, p. 46 to 48, they total 75 and are distributed as follows:

- ✓ Civil servants - 53
- ✓ Political appointments - 9
- ✓ Temporary/Cabinet Staff - 6
- ✓ National Advisors - 2
- ✓ International Advisors - 2
- ✓ Interns - 3

The accumulated balance in the FRSS has been increasing since 2017, rising from the initial \$16.3 million to \$120.0 million at the end of 2021 (provisional data). Another fact to note at the end of 2021, also based on provisional data, is the execution of SS revenue, which, reaching only 41.0%, is lower than in previous years, due to the increase in the contribution debt to SS as a result of the economic crisis caused by COVID-19. On the expenditure side, the payment of the second phase of the Support Subsidy for the Elderly and Disabled, which normally occurs in the months of November and December, in addition to the purchase of a computer server, should boost the execution of expenditure, which in August 2021 was still at 47.0%, to values very close to 2020 (88%).

As in 2021, the SS Plan for 2022 enrolls four programs, the first three of which are the responsibility of the INSS and the last one the responsibility of the FRSS. They are:

- ✓ Program 1 - Contributory Regime;
- ✓ Program 2 - Non Contributory Regime;
- ✓ Program 3 - Social Security Administration - management and execution
- ✓ Program 4 - Contributory Scheme of Capitalization (FRSS)

In addition to developing its regular activity (Programs 1 to 3), in 2022 the SS intends to:

- ✓ Draw up the SS Strategic Plan for the next 5 years;
- ✓ Appoint the INSS Advisory Board;
- ✓ Operationalize the FRSS Investment Committee;
- ✓ Create the Incapacity Verification Service, in order to improve the execution of disability protection and begin to ensure protection in the event of illness (in line with the PRE);
- ✓ Create deconcentrated services of the INSS in 7 municipalities;
- ✓ Preparation of studies and technical proposals aimed at improving the System and the necessary legislation for the creation of the minimum pension, protection in illness and the revision of the SAIL.
- ✓ Conclusion of the ongoing actuarial study;
- ✓ Negotiation of an international SS Convention;
- ✓ Extension of the coverage of the SS System;
- ✓ Nationwide socialization actions on the contributory regime and its advantages;

The Plan also includes:

- ✓ The start of full operation of the Technical Analysis Department and the FRSS Investment Committee;
- ✓ Elaboration of the FRSS Investment Policy, having as a reference an annual return rate of 2% on the Fund's investment

The proposed OSS (consolidated) of income and expenditure for 2022, amounts to \$205.8 million. The unconsolidated OSS, i.e., before eliminating the effect of transfers between SS system regimes, amounts to \$364.5 million. Table 4 on page 39 of Book 3D breaks down the OSS by the 10 different

categories of SS revenues and the 10 different categories of SS expenditures. A synthetic version of it is reproduced in the table below:

Table 47 - Social Security Budget for 2022:

Orçamento da Segurança Social para 2022 (em milhões de dólares)			
Receitas do OSS		Despesas do OSS	
Saldo de Gerência	120,000		
Receitas Correntes	85,765	Despesas Correntes	46,553
Contribuições Sociais	42,015	Despesas com Pessoal	1,327
Sanções e Penalidades	0	Aquisição de bens e serviços	0,458
Rendimentos	0,550	Juros e outros encargos	0,277
Transferências Correntes	43,200	Transferências Correntes	42,515
Outras receitas correntes	0	Outras despesas correntes	1,976
Receitas de Capital	158,714	Despesas de Capital	317,926
Transferências de Capital	158,713	Transferências de Capital	158,713
Ativos Financeiros	0	Ativos Financeiros	159,213
Passivos Financeiros	0	Passivos Financeiros	0
Outras Receitas de Capital	0	Outras Despesas de Capital	0
Total OSS Receitas	364,480	Total OSS Despesas	364,479
Total OSS Receitas Consolidado	205,765	Total OSS Despesas Consolidado	205,765
Saldo global anual previsto para o FRSS	38,713		
Saldo global a reverter para o FRSS	158,713		

Fonte: Livro 3-D OGE 2022

Committee C takes this opportunity to clarify to the INSS that financial assets and liabilities are designations that in a Cash Budget like the current one are not applicable to revenue or expenditure. Return or profitability of financial assets (collection of rents from land or other real estate or interest from bank deposits, for example) and expenses related to charges associated with its financial liabilities (payment of interest due to the bank or a beneficiary of the system, for example) are the most appropriate designations, urging their correction.

On the other hand, Committee C commends the INSS for the effort it has put in providing increasingly clear and quality information about the OSS. We would just like to draw attention to the inexistence of a summary table with the historical data of the budget execution of the OSS for more than a year and a projection of revenues and expenses of the SS for the next two years, to which article 22.3 of the Budget and Financial Management Law makes reference (applicable to the OSS until the creation of its own financial regime), when it lists the documents that must accompany the bill of the GSB. The INSS is therefore requested, in compliance with that law, to supply the missing information by the end of the general debate on the proposal for the 2022 State Budget, since Committee C considers this information relevant to a better understanding of the trend in the behavior of the OSS over time.

SOURCES OF FUNDING

1. Transfers from the Petroleum Fund

Article 7 of the draft 2022 GSB authorizes the Government to make withdrawals from the Petroleum Fund to finance the GSB, up to the amount of \$1,042.5 million, of which \$554.1 million corresponds to the Estimated Sustainable Income (ESI). In all, the Petroleum Fund is expected to fund 86% of the proposed budget expenditure allocations for the year 2022. The Government is required by law to notify the National Parliament prior to the transfer of each tranche from the Petroleum Fund, in accordance with the provisions of no. 8 of Law no. 9/2005 Petroleum Fund Law, of August 3.

The ESI corresponds to 3% of the country's net petroleum wealth, and is considered the reference rate for all Petroleum Fund sustainability calculations. On the other hand, since the Bayu-Undan petroleum

field is the only operational one, all government calculations of future petroleum production are based solely on the product of its exploitation.

The Fund's investment strategy today includes a liquidity portfolio in addition to the growth and profitability portfolio, after the Petroleum Fund Segmentation was ordered by the Government in the middle of this year on the recommendation of the Minister of Finance. The expected long-term nominal returns on the Fund's future investments were, as a result of this government decision, revised downward to 2.5%, falling short of 3% of the ESI.

Since its inception, the Petroleum Fund (PF) has received \$23.4 billion in petroleum revenues and \$8.4 billion in returns on its investments. \$13.3 billion has already been withdrawn from the PF to pay for state expenses, bringing the estimated value of the Fund to \$18.5 billion at the end of September 2021.

The total wealth of the Petroleum Fund was revalued by an additional \$206.8 million on January 1, 2022, a revaluation that resulted from the actual return of the Fund this year having exceeded projections, this operation also resulted in a positive revaluation of the value of the ESI for 2022, readjusting it to an additional \$27.5 million, an adjustment that also implied the recalculation of the value of the ESI for subsequent years.

The State Budget law authorized the Government to transfer from the Petroleum Fund to the State Budget up to \$1,377.6 million in 2021. As of November 20 withdrawals have been made at four different times, totaling 797.9 million. The following table indicates the months in which each withdrawal took place.

Table 48 - Withdrawals from the Petroleum Fund made in 2021 (millions of dollars)

Levantamentos por meses	Dotação 2021	Transferências efetuadas
Janeiro	-	-
Fevereiro	-	-
Março	-	200,0
Abril	-	150,0
Maio	-	-
Junho	-	-
Julho	-	197,9
Agosto	-	-
Setembro	-	250,0
Outubro	-	-
Novembro	-	-
Dezembro	-	-
LEVANTAMENTOS DO FP EM 2021	-	797,9

Fonte: Portal da Transparência do Orçamento, em 20.11.2021

In table 40 extracted from the Budget Transparency Portal, it is observed that the Government once again failed to record this year, in the SIGF system, the forecast of annual withdrawals from the Petroleum Fund approved by the law of the GSB. It is unknown why this is still done, but given the distortion it causes, it is suggested that in future the Government should record this information in its automatic financial management system.

Book 1 of the State Budget 2022 makes available in table 2 on page 14 (Portuguese version) the Government's projections for withdrawals from the Petroleum Fund up to and including the year 2026, withdrawals which at first glance, appear to be unaffordable for the country. These data are transcribed in the following table:

Table 49 - Contribution of the Petroleum Fund to the funding of the GSBs from 2020 to 2026

Dotação	2020 levantamentos do FP efetuados	2021 levantamentos aprovados (OGE Retificativo)	OGE 2022 levantamentos (proposto)	OGE 20223 levantamentos (proposto)	OGE 2024 levantamentos (proposto)	OGE 2025 levantamentos (proposto)	OGE 2026 levantamentos (proposto)
RSE	544,4	547,9	544,1	536,3	475,0	414,7	369,4
Levantamos acima do RSE	342,0	829,7	488,4	1 923,1	1 900,3	1 417,4	1 168,0
Total de levantamentos do FP	886,4	1 377,6	1 032,5	2 459,4	2 375,3	1 832,1	1537,4

The proposed withdrawals for the year 2022 make up the significant amount of \$1,032.5 million, but looking at the evolution of the following four years, the picture becomes even more worrisome. In just four years, from 2022 to 2026, the government intends to extract from the Petroleum Fund up to \$9.2 billion, to finance the budget deficit.

Returning to the analysis of Budget Book 1, Table 15 reproduced below, contemplates the government projections for the growth of the Petroleum Fund's wealth until the year 2026, taking into account its current forecast of revenue withdrawals to be collected by the Fund until that year.

Table 50 - Petroleum Fund Cash Flow to 2026 (millions of dollars)

Cash Flow do Fundo Petrolífero	2020 Proj.	2021	2022	2023	2024 (*)	2025	2026
Saldo inicial do FP em cada ano	17 691,8	18 289,3	18 323,8	17 772,5	15 832,5	13 823,3	12 313,9
Levantamentos do Fundo Petrolífero	886,3	1 377,6	1 042,5	2 459,3	2 375,3	1 832,1	1 537,4
Entradas no Fundo Petrolífero (receitas)	1 523,8	1 412,1	491,2	519,1	366,1	322,7	288,6
Contabilização das perdas atribuídas às imparidades imputadas ao empréstimo à Timor GAP	40,0						
Saldo do Fundo Petrolífero no final do ano (projeção)	18 289,3	18 323,8	17 772,5	15 832,3	13 823,3	12 313,9	11 065,1

(*) O Governo prevê o esgotamento da exploração petrolífera do país a partir de 2024 inclusive

The above government projections, which do not account for inflation or other macroeconomic variables, indicate that by the end of 2026, the accumulated wealth balance of the Petroleum Fund will be reduced to \$11.1 million, as a result of the exhaustion of revenues from petroleum exploration from 2024 onwards, and the excessive withdrawals in previous years, which have always far exceeded receipts.

Based on its fiscal sustainability analysis, the government estimates that the decline in PF wealth will worsen in subsequent years until it is completely exhausted between 2034 and 2039, if no new petroleum revenues arise in the meantime and fiscal policy remains unchanged.

The initial balance of the Petroleum Fund in 2021 that is indicated on page 39 and then 49 of book 1 (in the Portuguese edition) deviates by \$145.5 million, not adding much to the reliability of the calculations presented by the Executive.

The Government shows in the same table 15 the downward adjustment it made to the value of the Petroleum Fund in 2020 amounting to -\$40.0 million, justifying it with the devaluation of the loan made to the public company Timor Gap E.P. It happens that the loan to Timor Gap in 2019 was \$700.0 million and not \$40.0 million, so it can hardly be considered valid the calculations presented.

On page 40 of the same book the Government refers again to the adjustment made to the final balance of the Fund in 2020 to include the potential devaluation of the loan made to Timor GAP E.P., which also that public company, 100% owned by the Timorese State, had already decided, unilaterally, to do, depreciating to zero in its 2020 accounts the participation held in the Greater Sunrise project and even

recording this loss as impairment, without the proper justification and without making public this act of management. As for the government, without questioning the company's calculations, it also assumed the uncertainty of the loan's return and set it to zero in the CSR estimate it prepared for 2022.

This issue is not at all consensual and has not yet been properly clarified by the Government to Committee C. In recent statements to a media outlet, the Minister of Finance justified that the decision to write down the loan in the accounts of the public company was not a Government decision, but the Committee C is of the opinion that the explanation is unfounded, given that the State is the sole shareholder of the company, has a seat on its Board of Directors and 100% of the responsibility in any decision that is taken by the management of Timor Gap E.P.

About the total depreciation of the loan, also *La'o Hamutuk* expressed to the National Parliament similar concerns to those of Committee C, that NGO defending that the members of Parliament and the public should be able to obtain accurate and complete information prior to making decisions on behalf of the State, in this case the Ministry of Finance and the company Timor GAP, about the negative revaluation that they did of the investment of the Petroleum Fund in Greater Sunrise, changing it from \$700.0 million to zero. The NGO also recommends that government projections of petroleum revenues be taken more seriously, and suggests that the National Parliament urge the government to consider the currently very weak financial and economic situation of the country before deciding the direction for future development, since Timor-Leste's oil and gas reserves have already been almost entirely converted into cash, and invested in international financial markets, whose fluctuations are beyond their control.

In addition to the reference made in table 15 and on page 40 of Book 1 to the State's accounting for losses on the Fund's loan to Timor GAP E.P., the Government warns that further contingent liabilities of the State may lead to further losses, in the future.

Timor-Leste is currently holding a bidding round to attract companies to explore in its onshore and offshore territory. Although the round has been promised for over a decade, lack of interest has caused the opening of the bids to be delayed until 2019 and bids to be accepted until March 2022.

2. Tax and Customs Revenue

Tax revenues are divided into direct and indirect taxes and include taxes collected by the Central Government and the RAEOA on behalf of the state, consistently constituting the largest source of non-petroleum domestic revenues in the country. They accounted for 63% of total domestic revenues in 2020. The Government estimates that their relative weight in the domestic revenue mix will increase substantially in the coming years, in light of the significant drop in the proceeds of Fees and Payments associated with the transfer of revenues collected by EDTL and BEE TL from the Treasury account to the accounts of these two public companies. For 2021, the Government estimates a reduction in tax collections compared to 2020, mainly due to the negative impact of the COVID-19 pandemic, the mandatory confinement periods and the sanitary fences to prevent the spread of the virus in the country. In the period between 2019 and 2021 tax revenues dropped 6% and the Executive predicts that overall tax revenues will fall by 8% between 2019 (of pre-pandemic) and 2022.

Indirect taxes levied on goods and services, are expected to be mostly affected in 2021, with an expected drop of 6%. Consumption tax collections, the largest contributor to domestic revenues, are expected to fall by 7% this year compared to the figure recorded in 2020, while sales tax is expected to shrink by 11%. At the end of September this year tax revenues collected accounted for 74% of estimated annual revenues.

For the year 2022 the Government foresees a significant increase in the collection of tax revenues, with a projected increase of 8% compared to the forecast for the year 2021. The tax revenue projection for 2022 is \$121.7 million, excluding RAEOA-ZEESM.

3. Other Tax and Non-Tax Revenue

Domestic revenue includes other tax revenue consisting of fees collected as well as non-tax revenue (payments), including revenue from the exploitation of natural resources other than petroleum. Historically, fees and payments have accounted for about 30% of total non-petroleum domestic revenue; however, in 2021 they are expected to account for only 9%, due to a drop in collections of almost 80%, as revenues collected by EDTL E.P. and BEE TL, E.P. are no longer deposited in the Treasury account, but in the accounts of public companies. Forecasts for 2022 point to a significant growth in collections, with the growth rate reaching 40%, compared to 2021. The increasing decentralization of collections has also resulted in the introduction of non-tax instruments in municipalities, which allow them to raise non-tax revenues through advertising fees and parking services provided.

It is also planned that contributions from fees and payments from transport, property leasing, dividends and social gaming will return to a steady growth path. As Table 9 in Budget Book 1 illustrates, the proceeds from fees and payments that the state anticipates collecting in 2022 are \$16.8 million, \$4.8 million less than in 2021.

4. Donations from Development Partners - Direct Budget Support

As already indicated in the chapter on Development Partners, the European Union (EU) and the Government of Australia (DFAT) will contribute next year, with donations to the State of Timor-Leste in the form of direct budget support amounting to \$9.0 million and \$6.6 million, respectively. While the money to be funded by the EU will be used directly by the beneficiary ministries of the program for public finance management, the Ministry of Finance, Malnutrition, the Ministry of Health, and Decentralization, the Ministry of State Administration, in the case of Australia the funding is linked to the National Sucos Development Program (PNDS) and the expansion of the social assistance program Bolsa Mãe (Mother's Purse), which is now extended to pregnant women and children in their first years of life (Bolsa da Mãe Jerasaun Foun).

5. Loans

The Ministry of Finance presents in Book 1 of the State Budget 2022, a table dated June 2021, about external loans, provided mainly by multilateral banks such as the Asian Development Bank and the World Bank, also mentioning a bilateral loan from JICA. The cumulative amount of the approved concessional external loans now amounts to \$514.58 million, and the debt service in the year 2022 will reach \$19.3 million, which is equivalent to 2.9% of the country's GDP.

All loans underwritten by the state offer an interest rate below the Petroleum Fund rate of return, however the completion dates of these loans vary between the years 2042 and 2060, greatly burdening the next generation.

The government proposes for 2022 to subscribe to additional external debt amounting to \$318.6 million, according to Book 1, which represents a 13.3% increase compared to 2021, a figure that is equivalent to 21.4% of GDP, and has more than tripled since 2017. The percentage increase in external debt continues to be higher than GDP growth. The maximum amount of new debt to be issued in 2022 that is stated in Article 8.1 of the draft GSB 2022 of \$410.0 million to be amortized over a maximum of 40 years, which does not match the amount that is announced in Book 1 of \$318.6 million. It is an error for Committee C calls the attention of the Government.

6. Public-Private Partnerships

Public-Private Partnerships (PPP) have been used as a mode of project execution since 2013.

Based on the information gathered from Book 1 of the GSB 2022, there are currently several PPP projects underway, one in the Execution and Operation Phase, the Tibar Bay Port PPP, one in the Procurement and Negotiation Phase, in the area of Medical Diagnostics and others in the Feasibility Phase for the construction of Affordable Housing, a tourism project in Cristo Rei, the redevelopment of the Port of Dili and the Presidente Nicolau Lobato International Airport. It should be noted that the

modernization project for the Nicolau Lobato International Airport is in the procurement phase for phase 1 of the runway extension.

There are also new initiatives for the Tourism area, with the joint participation of the Ministry of Tourism, Trade and Industry and Development Partners, and the Government announces that it will continue to explore projects in the PPP modality, in other sectors, seeking to maintain a continued collaboration with the International Finance Corporation (IFC), USAID's Tourism for All program, the ADB and the World Bank, in order to develop projects in the sectors of education and technical and vocational training, transportation, agriculture, and others.

7. Management Balances

For 2022, the Government intends to fund up to \$415.1 million of the proposed public expenditure with part of the cash balances accumulated by the Treasury and the RAEOA by year-end. The Treasury account balance to be integrated in next year's budget amounts to \$330.7 million with origin in the Consolidated Fund Timor-Leste (\$274.8 million), the COVID-19 Fund (\$40.2 million), the Infrastructure Fund (\$15.3 million) and the Human Capital Development Fund (\$400.0 thousand). In the case of the RAEOA, the 2021 management balance to be used next year is \$84.4 million, allowing it to fund all of its annual expenditures, and bring transfers from the Central Government Budget to zero in 2022.

8. Interest

Interest constitutes a tiny portion in the financing of the 2022 GSB, of only \$595.0 thousand. They consist of the remuneration given by commercial banks to bank deposits held by the State. The greater the cash balances accumulated in the bank accounts, the greater the remuneration offered by the Bank.

VI. CONCLUSIONS

1. The Government has met the legal deadline for submitting the draft GSB to the National Parliament, October 15, and all the relevant entities summoned appeared before the Permanent Specialized Committee on Public Finance (Committee C).
2. The draft law for the State Budget for 2022 includes the forecast of all expenses of the organs and services of the Public Administrative Sector, including the Central Administration, the Autonomous Region of Oe-Cusse Ambeno (RAEOA) and the sub-sector of Social Security for the period between January 1 and December 31, 2022, as well as, the estimated revenues to be collected by the State in the same period, to finance the former;
3. The estimate of consolidated state revenues is higher than the estimate of consolidated expenditures, which makes no sense, given the size of the public deficit that has to be covered by additional withdrawals from the Petroleum Fund above the ESI.
4. The information that the Government provides to the National Parliament in the budget books that it delivered along with the budget proposal, on the COVID-19 Fund is almost non-existent, the same with the provision of information on the package of short, medium and long-term economic recovery measures approved by the Council of Ministers, the PRE.
5. The financing needs of the PRE, to be considered by the next GSB, should reach, in accumulated values, \$ 1.7 billion, including the contributions of the Development Partners. The fiscal sustainability of such an ambitious package of measures and the period to which the Government alludes when it refers to "average financing needs of the next GSB" is unknown, and it is important that those most responsible for the execution of the Plan clarify this with the National Parliament.
6. The budget books relating to the approved rectifying GSB 2021 have never been published by the Ministry of Finance and the quarterly budget execution and performance reports have not yet been presented by the Government to the National Parliament.

7. Despite the successive recommendations of Committee C for the integration of all entities of the State's indirect administration in the expenditure tables of Annex I of the proposed GSB, the National Petroleum and Minerals Authority, I.P. (ANPM, I.P.) will still continue in 2022 outside the integrated financial management system and the 2021 GSB law, being granted again in the law one more year in a transitional regime. The year 2021 was the first financial year in which all ministries and practically all autonomous agencies except ANPM, I.P. prepared their budgets by programs, including the RAEOA with a size and complexity manifestly larger than that of ANPM, I.P.
8. Starting in 2022, public finances in Timor-Leste will begin the process of adopting the integrated medium-term planning model, to be applied, progressively, to all public entities covered in the GSB.
9. The responsibility for planning and preparing the annual budget proposal was transferred during 2021, from the Prime Minister's Office/UPMA to the Ministry of Finance in accordance with the latter's organic structure, covering the entire preparation of the draft law for the GSB 2022.
10. For next year the Government proposes to reduce public spending from the current \$2,030 billion to \$1,675 million, and to abruptly reduce the number of government programs from 145 to 45. If article 11 of the GSB 2022 draft law is approved by the Plenary of the National Parliament, public expenditure could greatly exceed this figure due to the automatic authorizations for the integration of management balances and non-entered revenues that the new budget law allows in the budgets of the three subsectors of the GSB.
11. The Government has elected an ambitious range of six national priorities for the year 2022: Social Capital, covering Education, Professional Training and Health; Housing and Social Inclusion; Productive Sector, covering Agriculture and Tourism, Environment and Connectivity; Private Sector Development, Rural and Cooperative Development, and Governance. However, the funds allocated to them by the Government may jeopardize their execution, especially in the case of Private Sector Development and Rural and Cooperative Development, to which the State Budget allocates only 4.7% and 4.3% of the overall budget allocation.
12. The much-needed economic recovery of the country that is announced in the Budget Book 1 for next year is contradicted by the evidence of the values of tax and non-tax revenue to be collected by the sub-sectors of Central Government and the RAEOA in the coming year that the Government includes in Tables II and IV of the Annex to the draft GSB law.
13. The budget proposal for next year promotes increased budget opacity and increased off-budget spending, goes backwards in terms of transparency of public accounts, aims to limit the legislative and oversight powers of the National Parliament while strengthening the powers of the Ministry of Finance, and Articles 9, 11, 14 and 15 prove it.
14. In 2022 the Government will proceed to operationalize the newly created Ataúro Municipality, and to establish a new special fund, the Ataúro Special Development Fund (FEDA), to finance future investment projects in the new municipality, with an initial allocation of \$13 million originally allocated to the Whole of Government Appropriations, managed by the Ministry of Finance. Until the installation of the representative bodies of the Local Power in the Municipality of Ataúro, the presidency of the Board of Directors of the new special fund will be assumed by the Minister of Planning and Zoning.
15. Presidential elections will be held next year, suggesting a slowdown in government activity and budget execution in the first half of the year.
16. The government is proposing a substantial reduction in the budget for the COVID-19 Fund for next year, but if the balances at the end of 2021 are greater than those declared in the 2022 State Budget, its appropriation may be substantially increased on the margin of a rectification budget, and the same may happen with the Infrastructure Fund.

17. An increasing number of Development Partners are agreeing to provide financial support to the country in the form of direct budget support. Following the European Union, which pioneered this funding model, next year the Government of Australia also intends to do so.
18. The management of the OSS continues to be done without an automated computer system, using Excel sheets, after several years of insistence by Committee C, which is unacceptable, since it does not promote transparency in the accounts of the SS and substantially prejudicing the monitoring and supervision of its execution by the higher institutions of control, including the National Parliament and the Chamber of Auditors.
19. The Social Security Budget has its own financial regime, but until today it remains unregulated. Similarly, the Legal Regime of Public Debt has been waiting for years for its regulation.
20. The results achieved in 2021 by each of the six Government priorities are not yet known.
21. In Book 6, the Government pays little attention to the budget execution and the analysis of the results achieved by the FDCH in 2021; it neither analyzes deviations nor proposes readjustments to the programs.
22. The Budget Transparency Portal does not faithfully reproduce the real execution of the RAEOA and the Government is invited to rapidly correct the situation in the system, desirably before the date of conclusion of the debate on the draft law on the State Budget for 2022. Taking as a reference the execution data recorded in the Budget Transparency Portal, we conclude that until November 6 the Region's payments did not even reach the 20% threshold. Such a huge slippage from what was planned for 2021 requires better justification on the part of the RAEOA Authority.
23. According to Article 11.8 of the PPL, if its current wording is approved by the National Parliament, it will become the exclusive competence of the RAEOA and no longer of the National Parliament, to approve budget amendments involving the increase of its budget, when it is a matter of integrating balances of the previous year or of incorporating the increase of the product of its own revenues of the year. Such a provision of the draft law seems likely to conflict with the provisions of Article 95.3(d) of the Constitution of the Democratic Republic of Timor-Leste.
24. As of November 11, the Government has withdrawn \$797 million from the Petroleum Fund, out of a total amount of \$1,377.6 million that the 2021 GSB law authorized it to withdraw.
25. A budget book for the COVID-19 Fund has not been submitted by the Government. To date only a summary of the rate of its execution has been delivered, at the Budget Panorama Seminar for 2022 and an extract on the execution of the Fund dated November 17, 2021.

VII. RECOMMENDATIONS

To the National Parliament:

1. That Table III be amended in order to adjust the amount of estimated actual global revenues of the Direct State Administration for 2022.
2. That the reference to the budgetary perimeter in the text of the law be eliminated, since the law does not define it (Article 12);
3. Clarify the rules for budget amendments throughout the Administration, including by the autonomous entities and the RAEOA, limiting the prerogatives of budget amendments by the executive to a reasonable minimum;
4. That the information on assets should include, in the future, the assets of the state and the information on liabilities the guarantees given to third parties and non-financial debt, in compliance with article 22.1(c) of the LOGF, the forecast cost of previous revenue not collected as a result of tax or customs benefits and the forecast of revenue not collected as a result of tax

exemptions and due to non-financial benefits, in compliance with article 23.3 paragraphs m), n) and o) LOGF;

5. To eliminate article 15.7 and to provide the necessary budgetary allocation for the development of infrastructures in the new Ataúro municipality in the Infrastructure Fund, since the Government was unable to justify the advantages of this option in relation to the inclusion of a new investment program for the development of Ataúro, in the Infrastructure Fund. The creation of yet another special fund contributes to the duplication of administrative expenses with the installation of yet another dedicated Technical Secretariat, when the Infrastructure Fund already has its own experienced and fully functioning administrative and technical structure in the area of infrastructure project management can perfectly accommodate the investments of the new Ataúro municipality.
6. That it determines the Minister of Finance and the President of the RAEOA Authority, the urgent delivery of the cash flow maps (mapas fluxos caixa) of all sub-accounts of the Treasury, including those of the accounts of the funds and the accounts of the Region and the Special Development Fund of the RAEOA, with the record of the cash movements that have occurred since January 1, 2021, no later than the end of the first day of the debate in generality of the PPL n. 35/V(4^a).
7. That it remove Articles 9.2 (Appropriations), 11 (Budget amendments), 13 (Government-wide Appropriations), 16 (Carryover of the management balance of the COVID-19 Fund and Infrastructure Fund), 17 (Transitional Regime) and Article 20.9 (Execution) of PPL n. 35/V/4^a, as they contribute to reducing the transparency of public accounts, contradict the Constitution and the Budget and Financial Management Law in force.
8. Exemptions or increases in certain excise tax rates which are repeated annually, assuming a “permanent” character, if in fact they are permanent, should be integrated in the Tax Law and not in the GSB law. Such integration should ideally be done through the urgent revision of the tax law.
9. In the absence of reliable information, it is recommended that the PN request the Chamber of Accounts to audit the accounts of the COVID-19 Fund and the PRE, to clarify the current situation.

To the Government:

1. That in the OSS in the future include the tables referring to the expenditures of the two public institutes, the National Institute of Social Security INSS and the Social Security Reserve Fund FRSS, especially now that this fund has been constituted and in order to bring the level of information and detail regarding these institutes on par with the other public entities in the budgetary perimeter;
2. The information on assets should include, in the future, the state’s assets and the information on liabilities should include guarantees given to third parties and non-financial debt, in compliance with Article 22.1(c) of the Stability and Growth Programme, the forecast cost of revenue foregone as a result of tax or customs benefits and the forecast of revenue foregone as a result of tax exemptions and due to non-financial benefits, in compliance with Article 23.3 items m), n) and o) of the Stability and Growth Programme.
3. Supply all budgetary information concerning the National Petroleum and Minerals Authority, I.P.
4. That it budgets all its own revenue. It is also a recommendation of this Committee that the government is guided by greater transparency regarding the budget information of the RAEOA and that the National Parliament determines the exact values that should be introduced in the table of revenue of the RAEOA and add them by overwriting a proposed amendment to this effect.
5. That the missing revenue categories such as fines, penalties, compensation and prices be included.
6. That it obtains from the BCTL, the operational manager of the Petroleum Fund, the Minister of Finance and the Board of Directors of the public company Timor GAP all legal documents that contribute to clarify openly and in detail, the concrete situation of the loan granted by the State to

Timor GAP for investment in the Greater Sunrise consortium, the negative or positive return that resulted from this loan to date, the documents that substantiated the decision of this company and the Government to write down the value of the loan to zero, and also the audited report of the Timor GAP accounts for 2020, and provide them to the PN by the end of the debate on the budget proposal for 2022.

7. Regulate the Legal Regime of Public Debt, which has been pending since the approval of the law in 2011 despite persistent calls for attention from Committee C, all the more so because the volume of Timor-Leste's public debt continues to increase every year and in 2022 it should increase by another \$410.0 million, without the National Parliament knowing the rules that apply to it, nor the calculations that support the subscription of new public debt.
8. Complete the information that should have accompanied the draft State Budget law, in compliance with article 22 of the Budget and Financial Management Law, by the end of the debate on the State Budget 2022, namely on: the State's movable and immovable assets; the Government's fiscal strategy for the short and medium term; the estimate of revenue not collected due to non-financial benefits relating to goods and services; information on loans, granted and to be granted by the Government.
9. That it provides information to the National Parliament on the State's recourse to short-term financing through the issuance of Treasury bonds, which the 2021 Budget Law authorized it to do;
10. That it deliver to the PN the updated report on the execution of the PRE and the execution of the Basic Basket program, as well as updated report on the COVID-19 Fund.
11. Specify rigorously all the services capable of generating own revenue and review the revenue categories (with greater detail at the level of disaggregation) in order to allow an effective and transparent control of State revenue by the National Parliament.
12. The INSS to deliver to the National Parliament, by the last day of the discussion of the General State Budget, the cash flow charts of all its bank accounts updated since January 1, 2021.
13. The Petroleum Fund law provides that withdrawals above the ESI are used to finance capital investment expenditures for the development of strategic infrastructure of the country, but continues to be used to pay current expenses, despite warnings from Committee C. Greater prudence and common sense is recommended in withdrawals from the Fund, especially since it is projected to be depleted within the next 12 years.
14. It is recommended that you take into account the recent reports published by the World Bank and the United Nations, respectively on the sustainability of public spending and the gravity of the socioeconomic situation experienced by the formal and informal sector of the economy, so that you can adjust the PRE more effectively to the actual needs of the population, in order to truly drive the economic recovery that you are longing for, desirably based more on investments that can generate returns and diversify the national economy and less on subsidies.
15. The Government still does not record in the integrated financial management system managed by the Ministry of Finance, the expected annual withdrawals from the Petroleum Fund by the amount approved in the law of the State Budget. It is not known why this is still done, but given the distortion in calculations that it causes, it is suggested that the Government insert this information into the Free Balance system in the future.
16. It is recommended that the NAPMA Agency (formerly UPMA) ensures limited free universal access to the DBFTL planning system it manages, so as to ensure greater financial transparency and monitoring of budget programs by the National Parliament.

VIII. OPINION

It is the opinion of this Committee that, as regards its formal configuration, the PPL no. 35/V (4ª) - General State Budget for 2022 complies in general with the essential rules of formal legality, fulfilling the formal requirements for the presentation of draft laws, in accordance with the Constitution and Rules of Procedure and is therefore in a position to be considered in Plenary Session.

IX. VOTING ON THE REPORT AND OPINION

This Report and Opinion was discussed and approved on November 29, 2021, with 10 votes in favor, 0 votes against and 3 abstentions.

Dili, National Parliament, November 29, 2021

The Rapporteur Deputies,

Deputy Maria Angelina Lopes Sarmento (PLP)

Deputy Nélia Soares Menezes (FRETILIN)

António Maria N.A. Tilman (KHUNTO)

The President of the Committee

Maria Angélica R. da C. dos Reis

X. ANNEXES

- Sectorial Opinions of Commissions A, B, D, E, F and G
- GMPTL Opinion
- Complete Notes on the Legal Framework of the GSB 2022 PPL
- Other written contributions received from external entities