

Expenditure and Revenue

Quarterly Bulletin – Q3, 2020



Democratic Republic of Timor-Leste
Ministry of Finance



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Abbreviations

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

Public Service Commission	PSC/CFP
Public Transfers	TP
Quarter 1	Q1
Quarter 2	Q2
Quarter 3	Q3
Self-Funded Agency	SFA
Salaries and Wages	SW
Secretariat of Youth and Sport	SEJD
Secretariat of State for Environment	SSE/SEA
Special Administrative Region of Oé-Cusse Ambeno - Special Zones of Social Market Economy	RAEOA-ZEESM
National Cadastral Survey	SNC
Strategic Development Plan	SDP

1 Introduction

1.1 Purpose

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

1.2 Scope

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

Readers are cautioned that this report will not present a complete understanding of service delivery levels in each quarter which requires more detailed non-financial information. Additionally data insights presented in this report are based on reported data. Any delays in reporting can affect the data and the insights presented from it in the report. The data presented in this report has been generated by the Ministry of Finance. The source of all government accounts data is the Ministry of Finance as of September 30, 2020. Data analysis should be viewed cautiously in-year as there are often delays in reporting, especially for revenue. For more detailed information on service delivery, readers are requested to contact the individual spending agencies.

2 Expenditure trends in Quarter 3

2.1 Aggregate expenditure vs budgeted expenditure

The State Budget for 2020 has not been passed at the time of the publication of this report. Timor-Leste has been under duo-decimal DOT regime for the majority of 2020 as the budget was not passed on a regular schedule. Only up to 1/12 of the previous year's original budget can be distributed per month. This system means that the core functions of government can continue although some policies outside of normal annual activity will not be able to take place (for example the Census) or restrict significant infrastructure projects.

Allocations to Minor Capital and Capital Development will increase by a small amount in the last few months of the non-DOT 2020 budget, after it is passed by Parliament.

For a promulgated budget, we report on the basis of current budget (including virements and transfers)¹. Budget execution is calculated as the ratio of cash expenditure over current budget. Cash expenditure does not include commitments and expenditure, i.e. it is expenditure that has been processed by the Directorate General of Treasury.

For Q3 2020, please note that execution is calculated on the basis of allocation from January-September in DOT 2020 and not total final budget which is yet to be passed. The total budget allocation till September in DOT 2020 is \$ 1,294.4 million with total execution of \$ 670.5 million (by current budget which includes transfers, virements and contingency transfer).

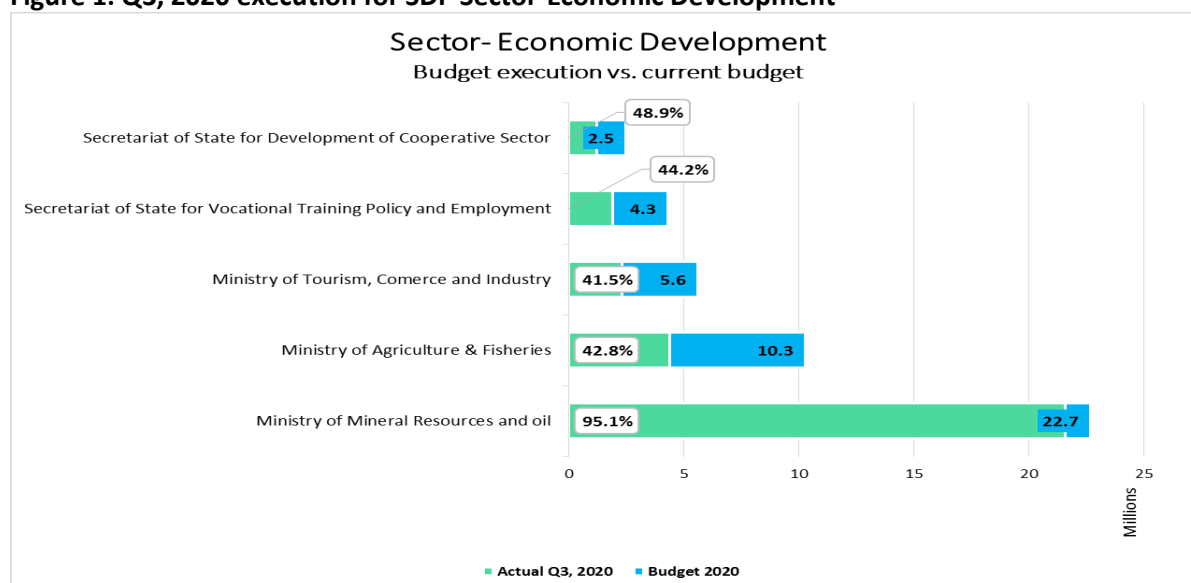
The Infrastructure Fund including loans (IF) and Human Capital development Fund (HCDF) execution for Q3 stands at 20.6% and 31.8% respectively.

2.1.1 Sector (SDP sector)

This section describes budget execution using the Strategic Development Plan (SDP) classification of Timor-Leste. Five ministries in each sector, with the highest budget allocation in 2020 DOT system, are displayed in the following graphs.

¹ In Q1 and Q2 2020, the overall original appropriation for a ministry is the same as the final appropriation (current budget) as there have been no contingency transfers as yet.

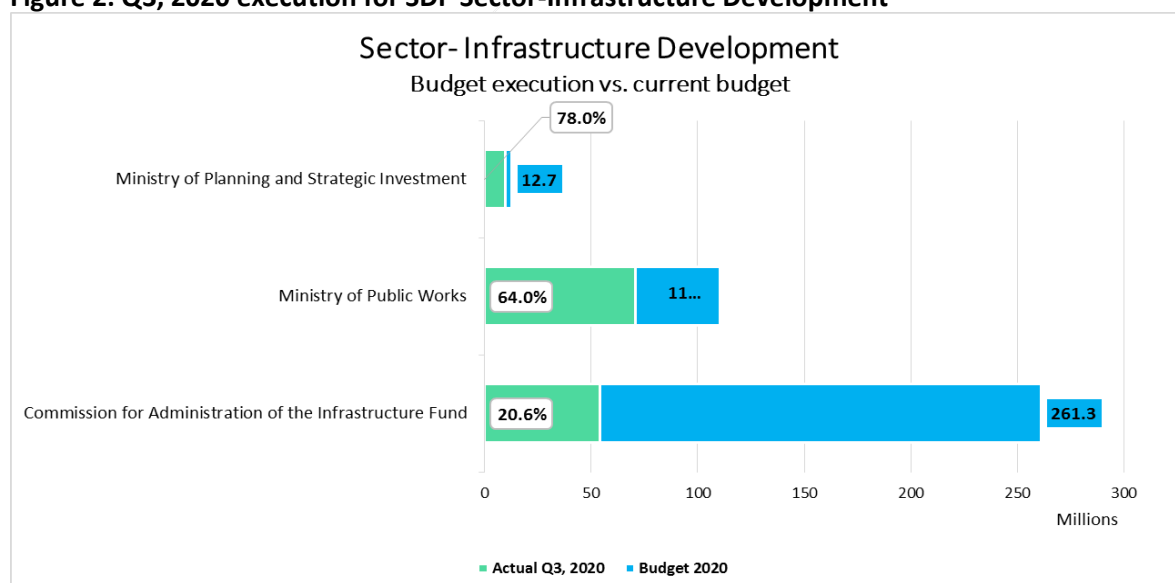
Figure 1: Q3, 2020 execution for SDP Sector-Economic Development



Sources: Ministry of Finance, IFMISU, October 2020

Ministry of Mineral Resources and Oil had the highest budget in the Economic Development SDP sector in DOT 2020 and has also the highest execution 95.1%. Other Ministries and Secretariats have struggled to reach even 75.0% in their execution were far below 50% until Q3 report produce. With the exception of Ministry of Agriculture and Fisheries (MAP) have second highest budget however in the execution until end of Q3 just reached 42.8%, due to execution on goods and service and capital development between (3.31% - 30.22%), even Ministry of Tourism, Commerce and Industry have third high in budget allocation just execute (41.5%) which is execution on goods and service even just (29.6%). Summary reason of low budget executing until September from those four ministries generally came with appropriation category in good and service (20.0% - 30.0%), capital development (0.0% - 3.0%), and public transfer (0.0% - 35.5%) despite execution for salary and wages among (72.4% - 90.4%), with highest execution concern for the Secretary of State for Development of Cooperative Sector.

Figure 2: Q3, 2020 execution for SDP Sector-Infrastructure Development

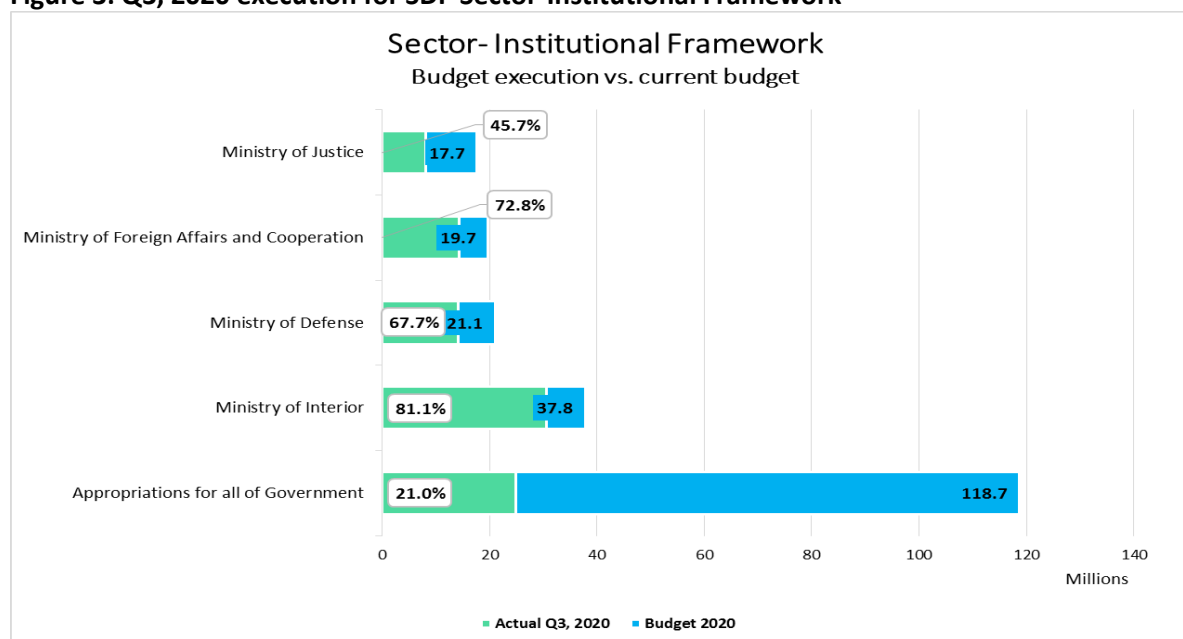


Sources: Ministry of Finance, IFMISU, October 2020

Ministry of Public Works usually has the highest budget allocated to it in the Infrastructure Development (excluding Infrastructure Fund) sector. In DOT 2020, it has only received a total allocation of \$11 million even

though execution in all appropriation category just reach 64.0% in Q3, as there affect from withhold from other category such as public transfer still (0.0%) due to DOT unable to proceed purchase of solar panel for remote areas uncovered with central electric power. Capital of development just (18.3%) however caused delay from some project require re-verification involving AND monitoring and evaluation physicalize to the field. Positive progress execution categories on minor capital (78.7%), salary and wages (82.4%), therefore average execution for MOP in Q3 stand at 64.3%. Capital projects and Infrastructure Fund with highest budget struggled on capital of development execution only up to (20.47%), even though execution on salary and wage (85.5%), good and service (70.7%) above target therefore, on total actual execution respectively 20.6%. As for Ministry of Planning and Strategic Investment cumulative execution above target with (78.0%) consist from good and service (72.5%), capital development (80.9%), however salary and wages execution far below target as (44.7%) affect to the total cumulative expense even above target (78.0%) at Q3 expense report.

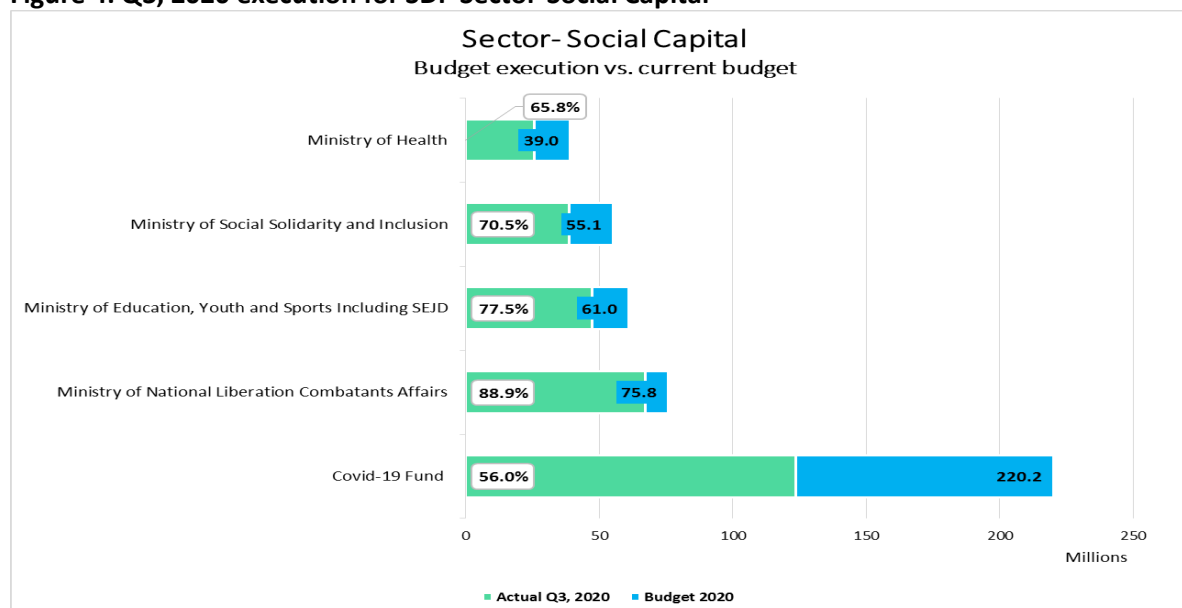
Figure 3: Q3, 2020 execution for SDP Sector-Institutional Framework



Sources: Ministry of Finance, IFMISU, October 2020

Appropriations for all of Government has the highest Institutional Framework allocation in DOT 2020 but has only executed 21.0% of it due to the low execution for appropriation category good and service is (17.1%), public transfer (12.4%), although for the salary and wages (78.3%), and even for Contingency was fully executed (100%) considering in total execution respectively 21.0%. Ministry of Justice has second lowest execution due to good and service and capital of development are executed between (5% - 35%) even tough salary and wages executed over above target at (87.9%) therefore, execution in total appropriation category is 45.7%. Other ministries in this sector have executed above 67.0% of their budget in total appropriation category with the exception to the Ministry of Defence that stands at 67.7%, which consist from salary and wages 86.0%, good and service execute only 59.1%, even execution for capital development 0.0%. Ministry of Foreign affair and cooperation budget execution stands at 72.8% cumulated from public transfer 100%, Salary and wages 90.8%, minor capital 81.3%, however for the good and service by all possibility executed 55.2%, even tough for contingency budget still 0.0%. Ministry of Interior considered best in this sector to execute their budget even though if we go through each appropriation category such for the public transfer still 0.0%, however for others categories as goods and service, salary and wages, and contingency budget stands at 71% - 99% therefore, in total cumulative 81.1%.

Figure 4: Q3, 2020 execution for SDP Sector-Social Capital



Sources: Ministry of Finance, IFMISU, October 2020

The Ministry of National Liberation Combatant Affairs (MACLAN) continues to have the highest allocation in DOT 2020 as most of its budget is public transfer pension payments which cannot be delayed. (MACLAN) even in execution per categories until preparation of Q3 report still stack at 0.0% for minor capital and capital of development, however for good and service 60.1%, salary and wages 76.3%, and public transfer almost complete at 91.2%, cumulative stand at 69% and respectively 88.9%. Ministry of Health only executed 65.8%, driven down by its appropriate category such as for goods and services 39.2%, capital of development and contingency execution still stood at 0.00% by producing report of Q3, however for appropriation category of public transfer over reach up to 102.3%. Other ministries execution above target as shown in the graphs however, go through each categories of the execution such like good and service, minor capital, capital of development, and contingency average 0.0% - 37% due to use of DOT.

Covid-19 Fund

In line with the 2020 Covid-19 pandemic, Timor-Leste instituted a Covid-19 fund (\$220 million) for the health response as well as for economic recovery. Till end of Q3, 2020 from total allocated budget 56.0%, which were spent on Good and Service 45.9% and 69.2% on Public Transfer.

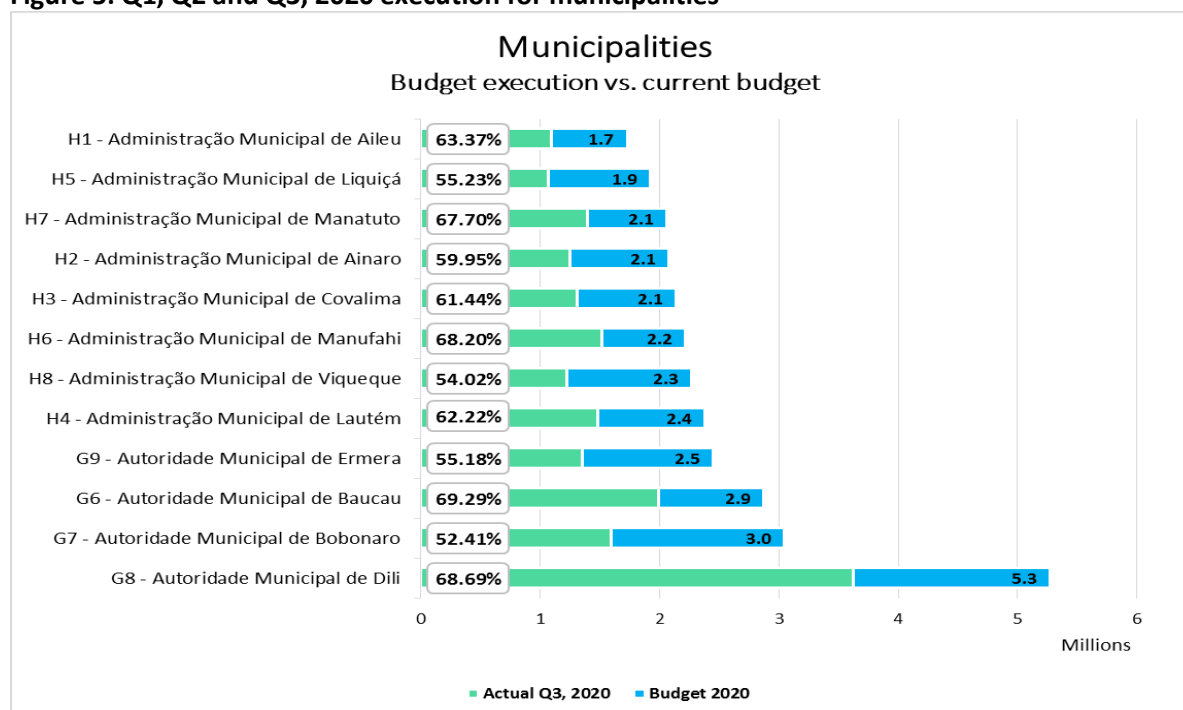
Some of the measures spent on included i) state of emergency, ii) social distancing, iii) labour productivity, iv) change in supply chains, v) market performance, and vi) social transfers (electricity subsidy, microbusiness loans, worker wage subsidy).

2.1.2 Municipalities

Municipality budget execution stood in the 68.7- 52.4% range, Dili having the highest execution at 68.7% which concern from salary and wages has the highest execution with 84.96%, which is execution for contingency almost complete at 93.41%, however for other appropriation category such as goods and services, public transfer stand at (55% - 60%) range. Bobonaro municipality with the lowest at 52.4% cumulated from low execution in appropriation category of good and service stand at (27.09%), however for other category such salary and wages, public transfer execution above target range from (75% - 79%). Ermera municipality overall execution stand at 55.18% concern from appropriation category such goods and service only be able to execute up to 37.0%, but for salary and wages and public transfer execution range from 66% - 74%. Lautem municipality budget execution overall at 62.22% cumulated from appropriation category of goods and service

and public transfer execution range (53% - 56%), however for salary and wages execution stands at 73.81%. Overall execution was affected by DOT, especially since many municipality programmes are dependent on line ministry assistance (health, education, public works) which was difficult due to consecutive state of emergency periods.

Figure 5: Q1, Q2 and Q3, 2020 execution for municipalities

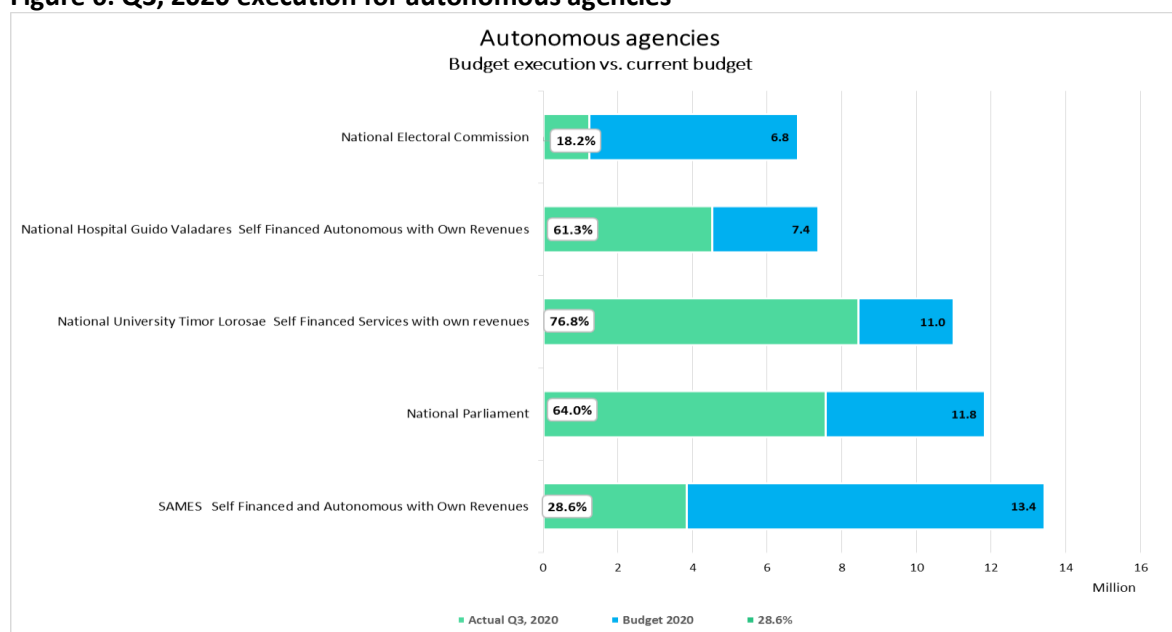


Sources: Ministry of Finance, IFMISU, October 2020

2.1.3 Autonomous agencies

The graph below shows the overall execution rate in Q3, 2020 for the autonomous agencies with the highest budget allocation in State Budget 2020. Given that their Q3 budget is indicative of half of their previous year allocation (9 months of DOT allocation), some of these agencies were not able to reach even 70% execution (with exception of the National University Timor-Lorosae).

Figure 6: Q3, 2020 execution for autonomous agencies



Source: Ministry of Finance, IFMISU, October 2020.

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

2.2 Execution trends and reasons

The materiality directive of Timor-Leste mandates that all line ministries/agencies must execute 25% of their budget cumulatively in each quarter, reaching 100% in Q1 and Q2. However, this rule is not applicable during DOT system as they do not have the full year allocation to make use of. In general, procurement and capital projects are disproportionately affected during this time, with most PT and SW budget items' following erstwhile execution patterns. In the box below, are steps that need to be undertaken for most goods and services and capital budget items to be committed, procured, executed and hence turned into cash expenditure.

In DOT system, LM/SFA/M's are often unable to start the procurement process as these payments are often lumpy (cannot be divided into smaller amounts). They on the other hand have only month-wise allocations for each appropriation category mandated by the Ministry of Finance according to the Public financial Management Law regarding DOT. In this case, they are unable to start a credible procurement process, without all the funds at hand to make a commitment.

Box 1: Steps to turn a commitment into cash expenditure

Commitment: A commitment is an amount that has been put aside for certain expenditure so that the amount is not spent on something else. Once it is committed, it will not be spent on something else other than for the purpose of the commitment. Therefore the fund will always be available for future payment for its intended purpose when required during the course of one fiscal year. However, at this stage, the likelihood of payment and the exact amount may not yet be certain. Therefore the amount of commitment may be subject to change and cancellation later if no longer required.

The steps taken for a commitment to become an obligation are as follows:

1. Creation of a procurement plan
2. Creation of a bidding document
3. Permanent Quota for Commission Timor-Leste (PCQTL) approval
4. Advertisement or upload of the project
5. Opening bid for proposals
6. Evaluation of bidders technical and financial proposals
7. Finalizing the Intent of Award
8. Finalization of Contract
9. Signing of contract

Obligation: A commitment may become obligation or required to pay if the goods/services has been delivered or contract has been signed - however the payment has not been realized/made as it is still subject to confirmation/verification and approval to ensure the goods/services have been delivered in accordance with the contract. As the payment has not been made it has not affect actual cash expenditure of the Government.

The steps that need to be completed before an obligation become a cash expenditure are as follows:

1. Monitoring of the implementation of the project activities
2. Evaluation and mapping progress
3. Submission of request for payment
4. Payment and conversion of obligation into cash expenditure

In Cash Basis Accounting and Reporting, both Commitment and Obligation are not considered as part of Actual Cash Expenditure as cash has not gone out of the Government Account. The reader must be aware that the cash expenditure reported in this report does not include obligations and commitments.

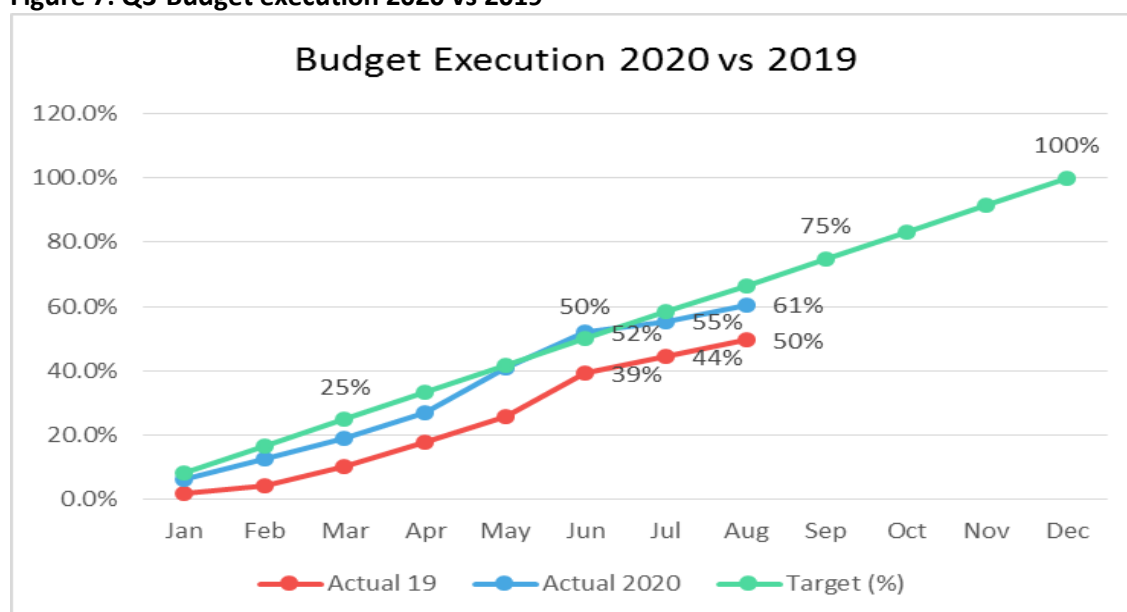
2.3 Comparison of budget execution with previous years

In general, budget execution for each quarter is the amount of cash spent vs the final budget of the whole year. The materiality directive of Timor-Leste states that 75% of the budget must be spent by end of Q3. But 2019 and 2020 are not comparable years.

In 2020, given the DOT system, the final budget is not yet known as it is yet to be promulgated. Hence, budget execution is calculated as the proportion of cash spent out of the budget allocated till June in the DOT system. The DOT execution till Q3 is then very small as it is 61.0% of a year budget only. If we assumed the 2020 budget to be the same as 2019, then the third quarter year execution (\$670.5 million out of \$ 1.294 billion) would be 61.0% in line with Timor-Leste's past Q3 execution rates. Another reason for low budget execution could be that \$220 million has been allocated to the Covid-19 Fund, but the plan for responding to health situation and

economic recovery remains to be finalised, which will impact budget execution. Lastly consecutive state of emergencies instituted because of the COVID-19 pandemic have affected whole of government functions, with essential services taking precedence.

Figure 7: Q3-Budget execution 2020 vs 2019



Sources: Ministry of Finance, National Directorate of Budget, October 2020

2.4 Virements

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

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

Below are some reasons for the virements presented in the Table 1:

- **Ministry of State and of Presidency of Council of Ministers (MPCM):** It made a GS transfer of \$ 0.184 million to minor capital to settle obligation in relation to the pre-election 2018.
- **Appropriation for all of Government:** It released \$2.175 million through GS, and \$0.4 million released through *Despesas Contingencias* category to respond to the financial support to Mozambique based on the Gov.TL. Resolution no; 17/2019 of May 8th, which allowed DNTG to execute the resolution no.83/DNTG/DGFE/V/I/2019.
- **Ministry of Higher Education, Science and Culture Including SEAC:** It made a GS transfer of \$183,316 to support salary and wages for casuals (approximately \$10,000) and to minor capital at amount of \$173,316 to cover expenditure on telecommunications and electricity and to support student research on veterinary science.
- **Ministry of Public Work (MOP):** It made internal transfer from GS of \$0. 814 million to minor capital and salary & wages which included covering the six months deficit on salary and wages for contracted staff.

- **National University Timor-Leste, (Self-Financed Services with own revenues):** It made a \$179,000 transfer to GS from minor capital to cover preparation for new student registration, payment for electricity and telecommunications and to cover an outstanding obligation.

The table below shows ministries that made the maximum quantum of virements between appropriation categories by end of Q3, 2020.

Table 1: Top 5 virements making LM/AA/Ms in Q3, 2020

Name of Ministry	Appropriation Category		Virements
Ministry of State and of Presidency of Council of Ministers	Goods & Services	-	183,500
	Minor Capital		183,500
Appropriations for all of Government	Goods & Services	-	2,175,141
	Despesas Contingencias		400,000
Ministry of Higher Education, Science and Culture Including SEAC	Goods & Services	-	183,316
	Minor Capital		173,316
	Salary & Wages		10,000
Ministry of Public Works	Salary & Wages		15,000
	Goods & Services	-	814,318
	Minor Capital		799,318
National University Timor-Leste (Self-Financed Services with own revenues)	Goods & Services		179,000
	Minor Capital	-	179,000

Sources: Ministry of Finance, National Directorate of Budget, October 2020

2.5 Development Partner Disbursements

Donors made a cumulative disbursement of \$116.3 million in Timor-Leste by end of Q3, 2020. \$53.4 million was disbursed in Q1, \$32.8 million was disbursed in Q2 while 30.1 million was disbursed in Q3. The following graphs present the projects with the highest cumulative disbursement by the end of Q3, 2020. All data is provided by DPs (development partners) and is extracted from the Aid Transparency Portal.

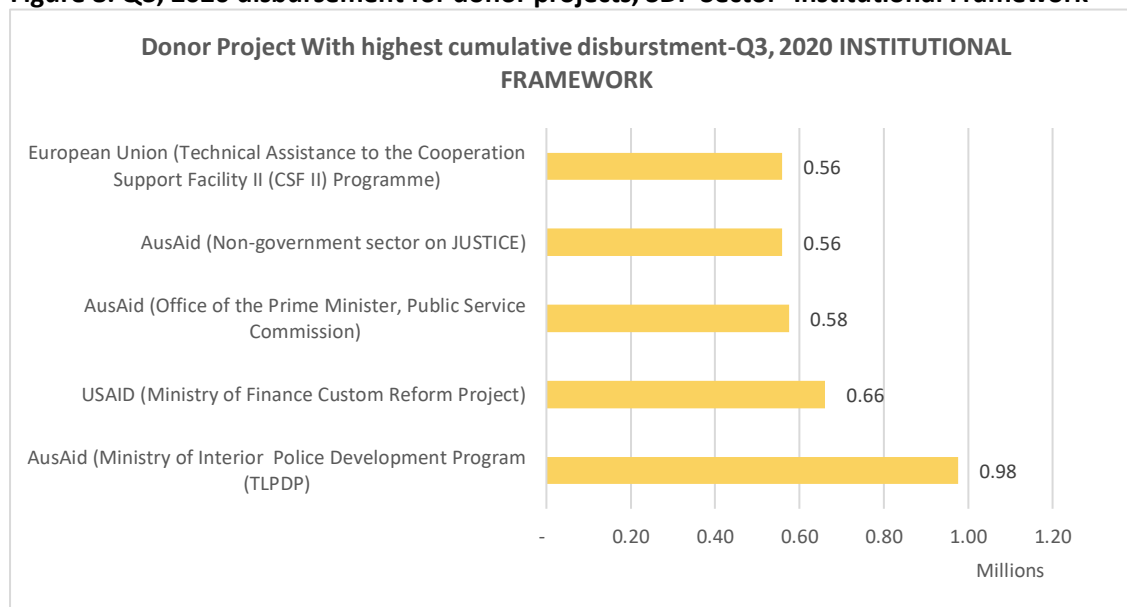
Often times, actual disbursement is higher than planned disbursement in Timor-Leste as DP plans change over the course of the year. Hence, only actual disbursement has been shown in the graphs.² Since the same project may contribute to multiple SDP sectors, it may repeat across the graphs if it has made high disbursements

² The graphs map project and DP disbursements to a SDP sector. We cannot draw conclusions on the nature of the receiving agency. It may be the government or a non-governmental implementing agency. In addition, it is important to note that the figures below do not distinguish between financing and in-kind support.

across them. The data only includes grant and technical assistance projects. No loans or government co-financed projects are included.

Note: Donors have the right to make changes in previous data entries in the Aid Transparency Portal. Any in year discrepancies in data can be attributed to the same.³

Figure 8: Q3, 2020 disbursement for donor projects, SDP Sector- Institutional Framework

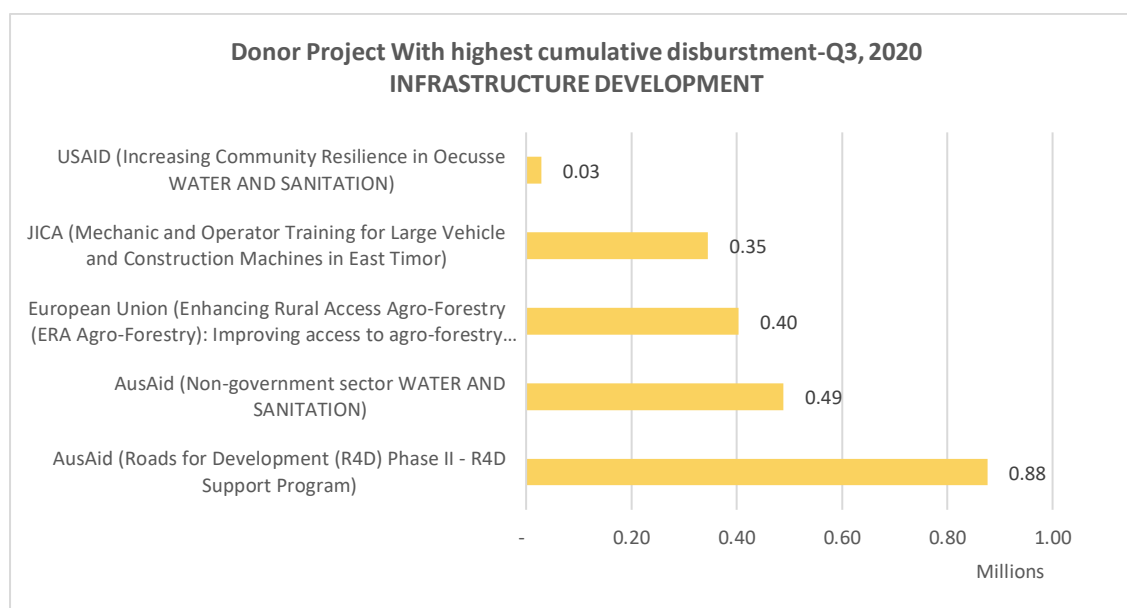


Source: Ministry of Finance, National Directorate for Aid Management, Mobilization, and Effectiveness, October 2020.

This sector received a total disbursement of \$17.9 million by end of Q3, 2020. Out of this, \$13.8 million was disbursed in Q1 & Q2. The Government of Australia is the largest donor in this sector, having disbursed \$2.1 million for security (Timor-Leste Police Development Program), public sector management and good governance. Besides government of United States disbursed \$ 0.7 million for public sector management and good governance (custom reform project). European Union disbursed \$ 0.6 million in supporting technical assistance to several line ministries (including Ministry of Agriculture and Fisheries, Ministry of Finance, Ministry of Foreign Affairs and Cooperation, Ministry of Health, Ministry of State Administration, Secretariat of State for the Environment).

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

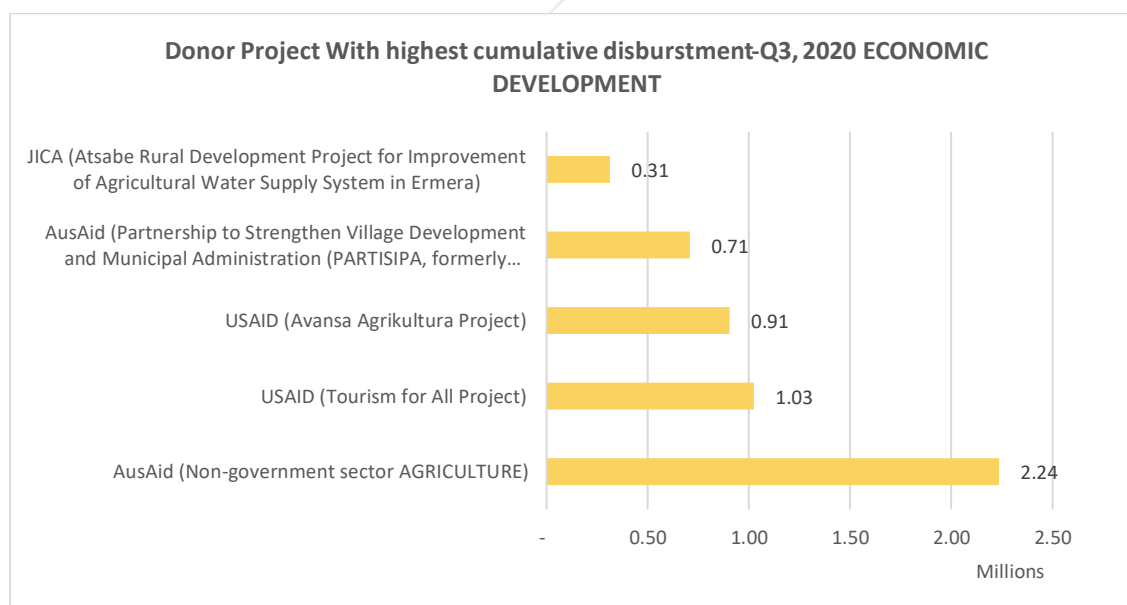
Figure 9: Q3, 2020 disbursement for donor projects, SDP Sector- Infrastructure Development



Source: Ministry of Finance, National Directorate for Aid Management, Mobilization, and Effectiveness, October 2020.

This sector received a total disbursement of \$7.1 million by end of Q3, 2020. Out of this, \$5.0 million was disbursed in Q1 and Q2 alone. Infrastructure Development donor disbursements commonly focus on land and water transport, roads, forestry, climate resilience and water and sanitation. In Q3, Australia made the biggest disbursements to its two programmes; Roads and Bridges for Development (\$0.9 million) and water sanitation (0.5 million). EU contributed over \$0.4 million on program for road access to agro-forestry. Government of Japan contribute disbursement of \$ 0.3 on program of Mechanic and Operator Training for Large Vehicle and Construction Machines through Ministry of Public Timor-Leste.

Figure 10: Q3, 2020 disbursement for donor projects, SDP Sector- Economic Development

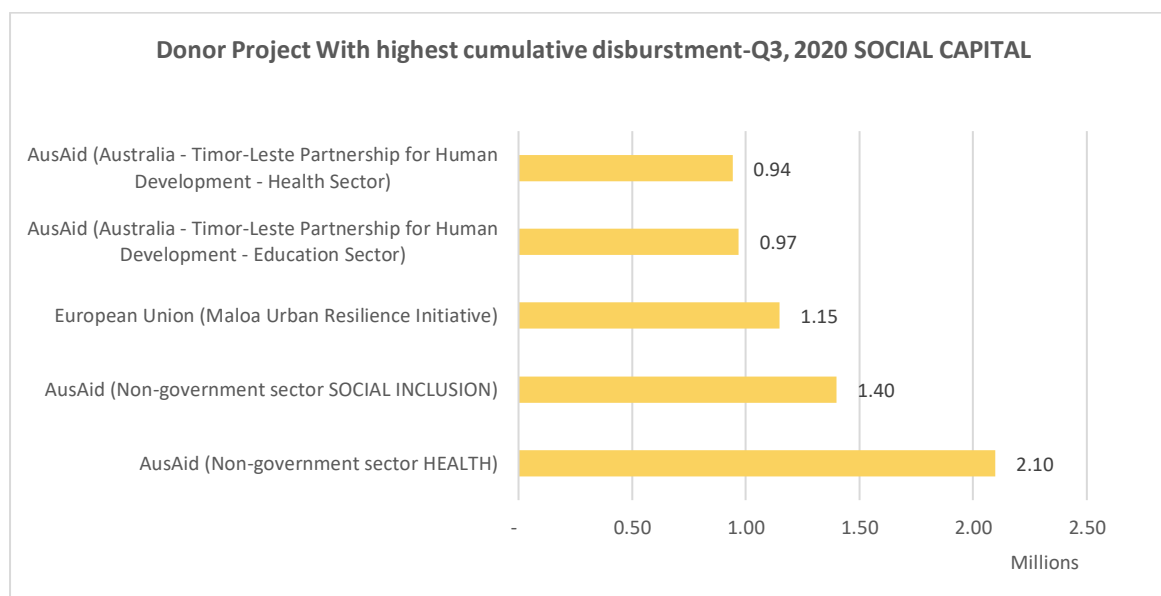


Source: Ministry of Finance, National Directorate for Aid Management, Mobilization, and Effectiveness, October 2020.

The Economic Development sector received \$13.7 million by end of Q3, 2020. Out of this \$7.2 was disbursed in Q2 & Q1, 2020. These donor projects focus on food security, tourism income generation, natural resource management and agriculture. The largest donor in this sector is Government of Australia

for Agriculture programmes and PARTISIPA, TOMAK, Community resilience on drought and farming by the end of Q3 disbursed \$3.6 million. USAID's Avansa programme disbursed nearly \$0.9 million and its Tourism for All project disbursed \$1.0 million by the end of Q3. Government of Japan contribute on programme Atsabe Rural Development Project for Improvement of Agricultural Water Supply System in Ermera municipality disbursed \$ 0.3 million. Also European Union disbursed \$ 0.2 million on programme pro-Resilience Timor-Leste – Strengthening resilience in communities most vulnerable by drought.

Figure 11: Q3, 2020 disbursement for donor projects, SDP Sector- Social Capital



Source: Ministry of Finance, National Directorate for Aid Management, Mobilization, and Effectiveness, October 2020.

This sector received \$35.0 million in donor funding by end of Q3, 2020. Out of this \$19.8 million was disbursed in Q1&Q2. Social capital projects generally focus on women's empowerment, child protection, social protection, human development, health and education considering Australia is the largest donor disbursed \$ 5.9 million. In Q3 2020, donors shifted focus to Covid-19 relief with Australia disbursing \$4.0 million for the same. European Union contribute disbursing \$ 1.15 million for Urban environment resilience initiative.

2.6 Budget Support

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

In this context, the funds are directly given to the country's government without prior earmarking. However, a variable tranche depends on specific Key Performance Indicators (KPIs) agreed upon by the Ministry of Finance and the EU. While the funds are not separate or additional to the Ministry's core business, they must support clearly stated priorities and the Ministry's own planning framework.

In 2019, the government received a first tranche of \$3.1 million and then a second tranche of \$6.7 million later in the year. The balance left over from 2019 for these funds was \$3.0 million. The government spent \$244,649 in Q1, 2020, the majority of it was spent on national and international professional services. An additional \$285,824 was spent in Q2, 2020 on similar professional services.

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

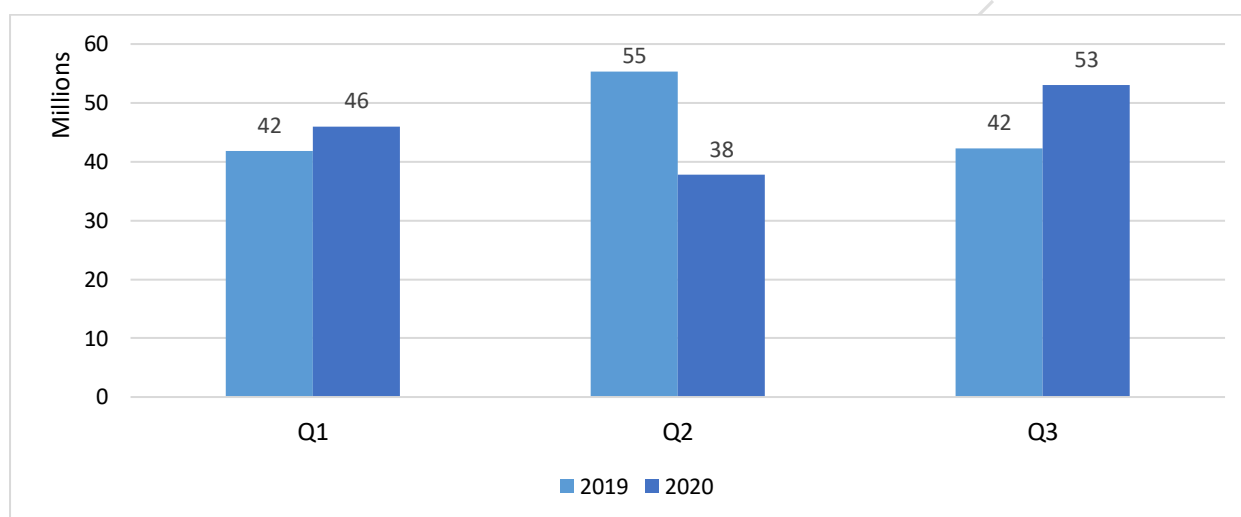
3 Revenue Trends in Quarter 3

3.1 Revenue Trends

Domestic revenues saw a significant rise in collections during Q3 of the 2020 fiscal year, both in comparison to the previous quarter of 2020 (39% increase) and during the same quarter during the previous year (25% rise). This is due to a significant rise in Fees and Charges revenues, particularly driven by a single \$7.6 million grant contribution. Revenues from Fees and Charges are now above where they were in 2019. However cumulative revenues at the end of Q3 are still below where they were in 2019, with collections from Taxes and Autonomous Agencies substantially below their 2019 values.

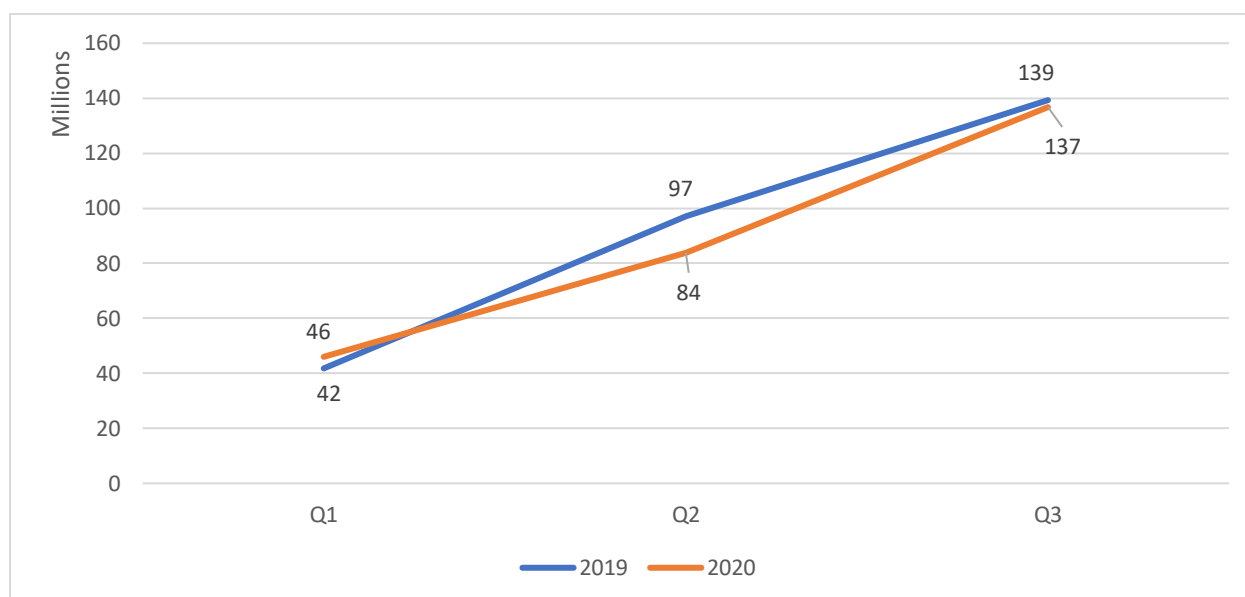
2020 Q1 had started the year 10% stronger than 2019. Revenues declined dramatically during Q2, largely due to the significant decline in the economy related to the global outbreak of COVID-19 and original State of Emergency declaration.

Figure 12: Domestic Revenues 2019 and 2020



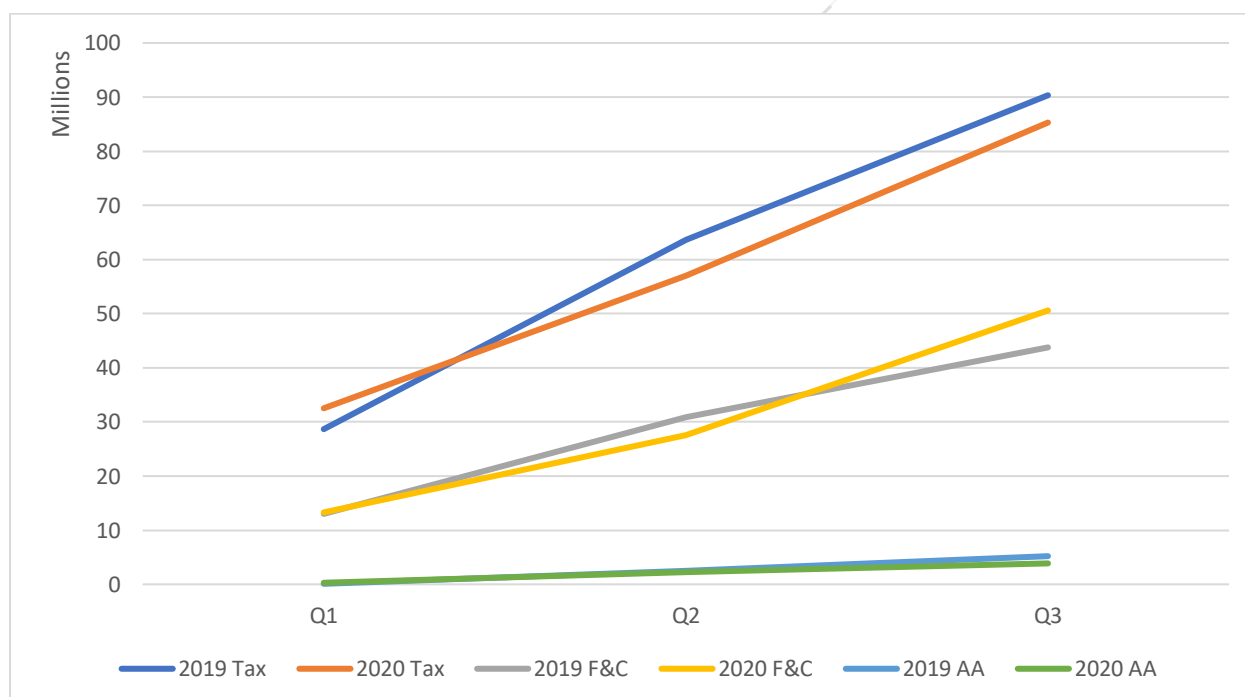
Source: National Directorate of Economic Policy, Ministry of Finance, October 2020.

Figure 13: Cumulative Domestic Revenue Totals Q1- Q3 in 2019 and 2020



Source: National Directorate of Economic Policy, Ministry of Finance, October 2020.

Figure 14: Cumulative Revenue by Component Q1- Q3 in 2019 and 2020

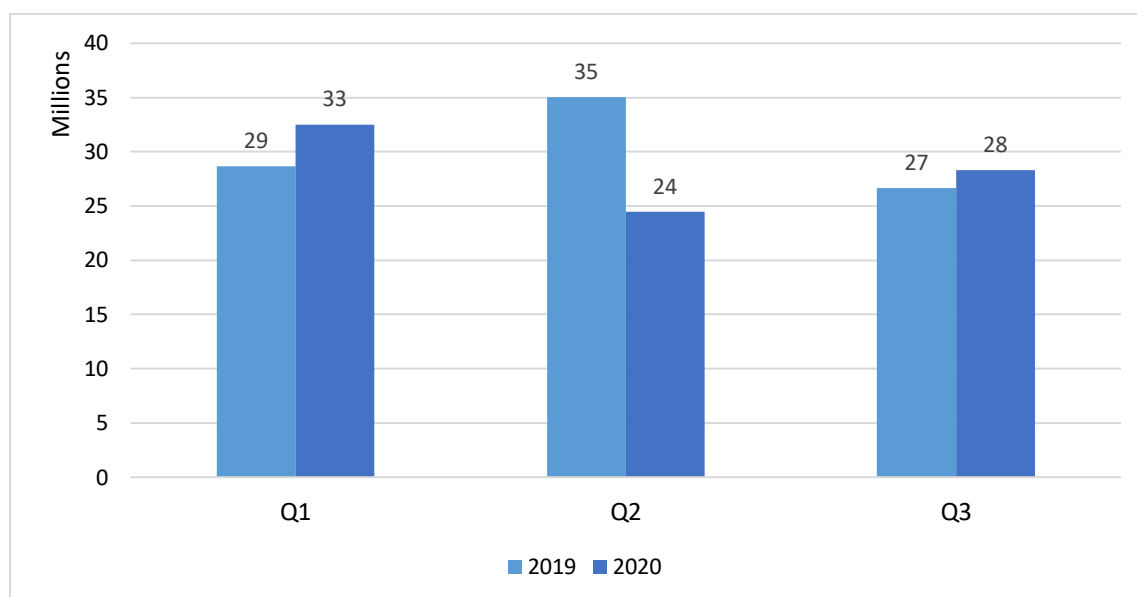


Source: National Directorate of Economic Policy, Ministry of Finance, October 2020.

3.2 Tax Trends

Tax revenues saw a significant recovery from their dramatic decline in Q2, increasing 16% and slightly exceeding collections in Q3 2019 (6% higher). This is largely because of a decline in the restrictions linked to the State of Emergency, made possible due to Timor-Leste's ability to keep the number of COVID-19 cases in the country low and controlled. However they are still below total tax revenues in 2019 at the same point in the year.

Figure 15: Tax Revenues Q1-Q3 2019 and 2020

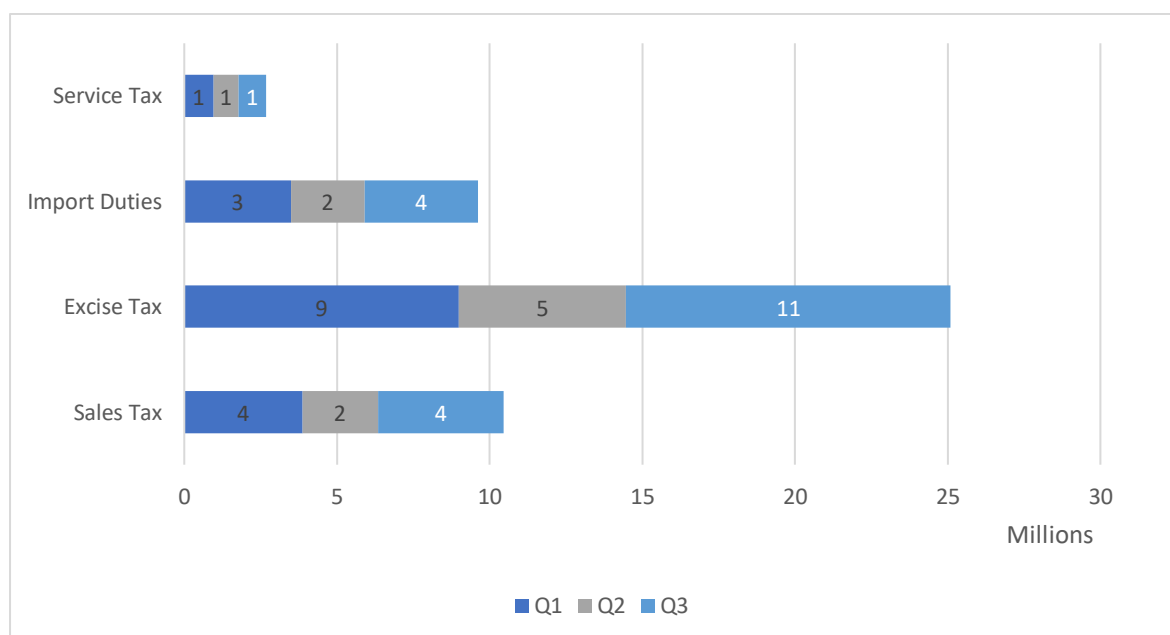


Source: National Directorate of Economic Policy, Ministry of Finance, October 2020.

When looking at 2020 specifically, it seems that most of the growth was driven by a rise in indirect taxes, those focused on expenditure and levied on producers of goods and services and paid indirectly by the consumer during their purchases. Excise taxes more than doubled than the previous quarter, and import duties and sales taxes also saw a near 100% growth. These taxes are often used as a proxy for consumer spending. A rise in their collections implies an improvement to consumer confidence which in turn would lead to a boost to economic growth.

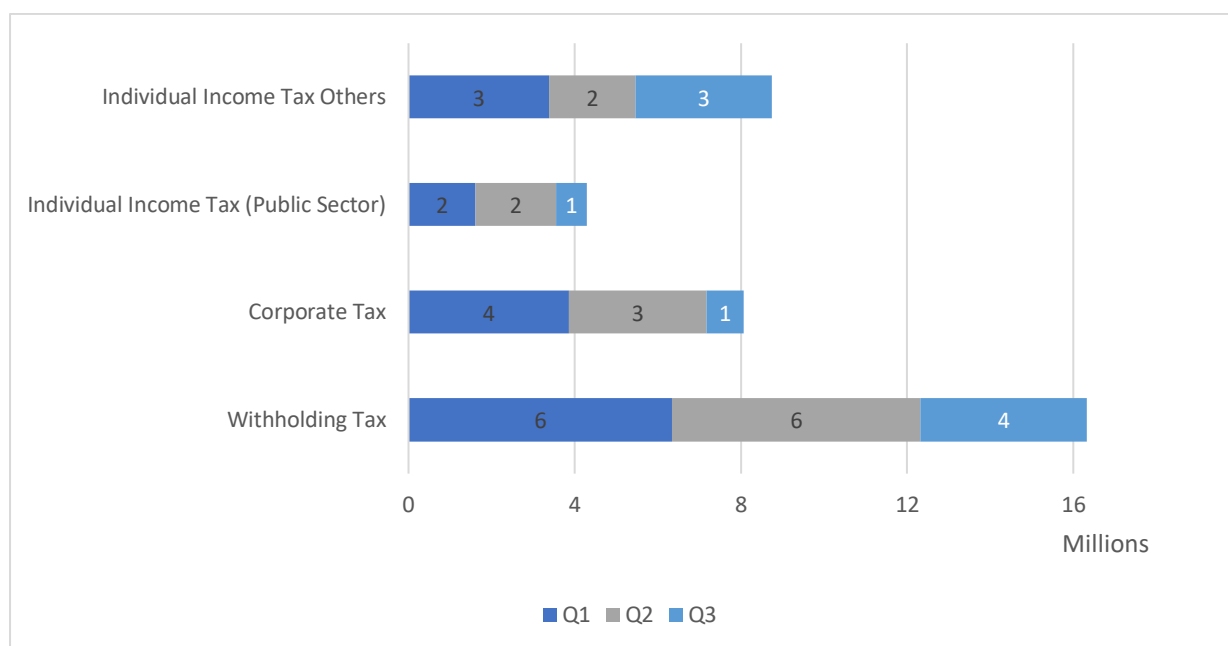
On the other hand, the majority of direct taxes, those paid directly by the individual or the firm, had lower collections in Q3 then the previous quarter. The biggest fall was seen with corporate tax, which may suggest a downturn in economic activity. Withholding tax, closely associated with infrastructure projects, also fell significantly implying a fall in private and public investment in large-scale capital spending which would also suggest a fall in business and government confidence.

Figure 16: Indirect Taxes by quarter, 2020



Source: National Directorate of Economic Policy, Ministry of Finance, October 2020.

Figure 17: Direct taxes by quarter, 2020

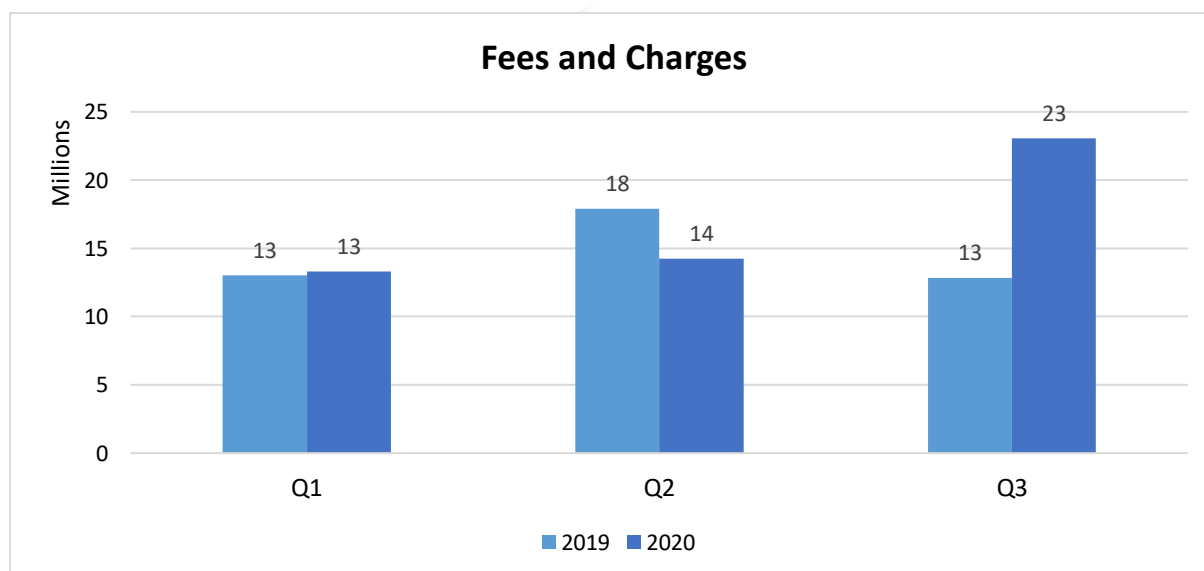


Source: National Directorate of Economic Policy, Ministry of Finance, October 2020.

3.3 Fees and Charges Trends

Fees and Charges saw a substantial increase in collections during Q3, rising 62% from collections in the previous quarter and 79% from collections in the same quarter last year. This now means that fees and charges revenues in 2020 now exceed those collected in 2019 at the same point in the year.

Figure 18: Fees and Charges Revenues Q1-Q3 2019 and 2020

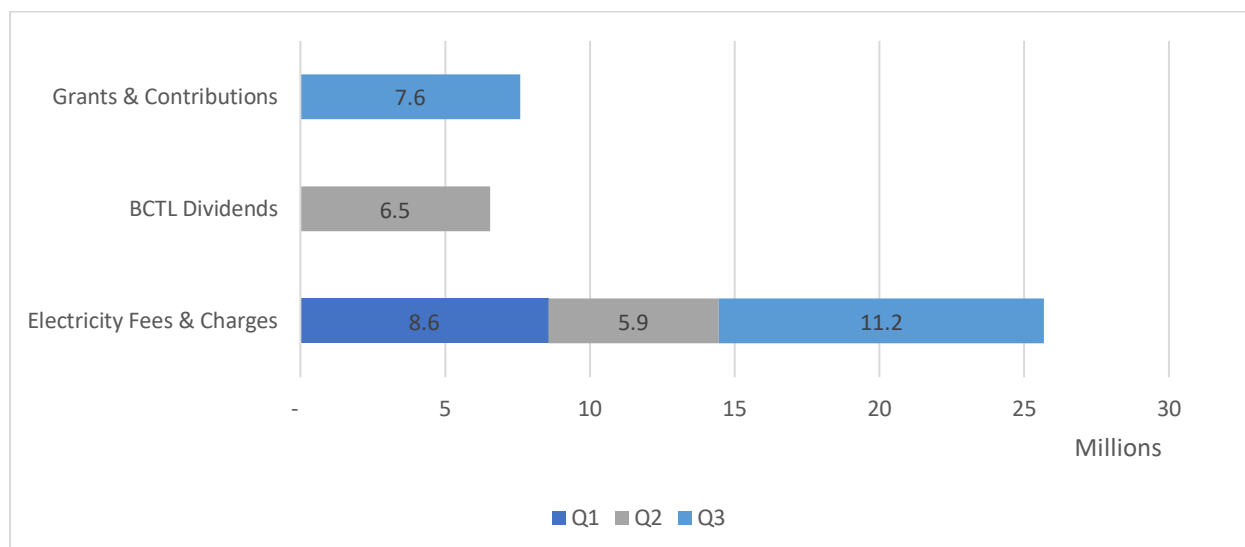


Source: National Directorate of Economic Policy, Ministry of Finance, October 2020.

The main reason for the dramatic rise was a one-off grant payment of \$7.6 million in July. This is likely to be a response by the international donor community to the COVID-19 global pandemic. However even without that payment, collections would have \$15.5 million, an 8% rise on the previous quarter. This implies that collections across all ministries improved during this quarter. This can also be seen in the figures below.

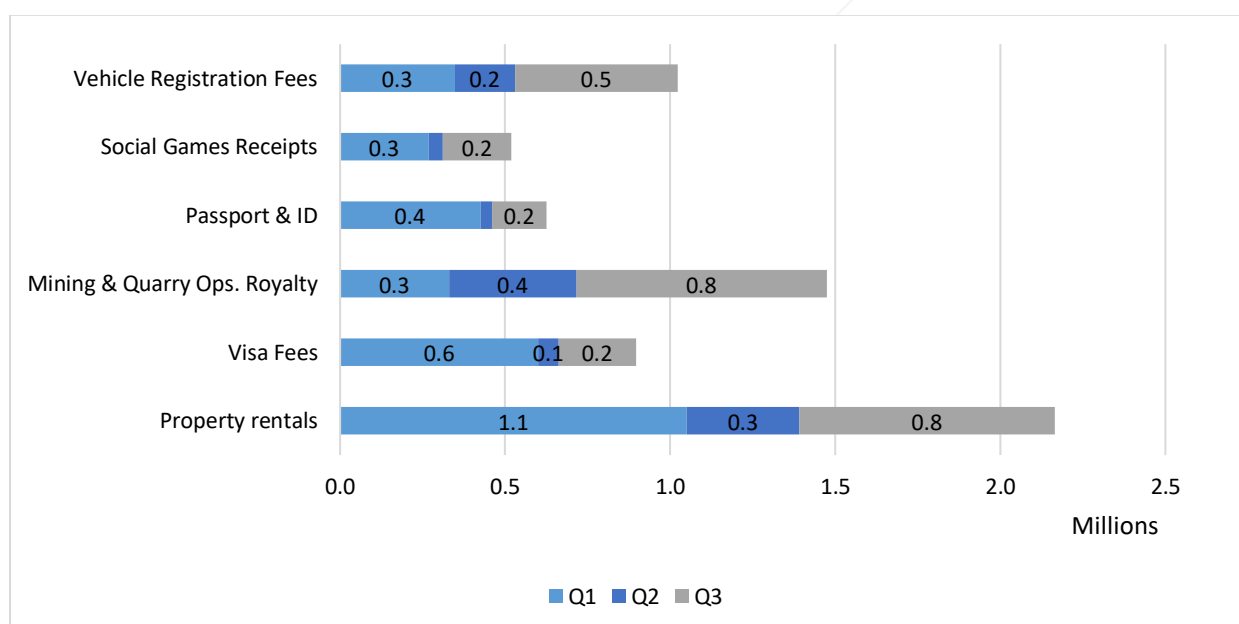
Electricity fees and charges, the largest single contributor to fees and charges in 2019, more than doubled between Q2 and Q3. This pattern was echoed across nearly all of the largest contributors.

Figure 19: Top Fees and Charges by quarter (Grants, BCTL Dividends and Electricity F&C), 2020



Source: National Directorate of Economic Policy, Ministry of Finance, October 2020.

Figure 20: Top Fees and Charges by quarter (Other), 2020



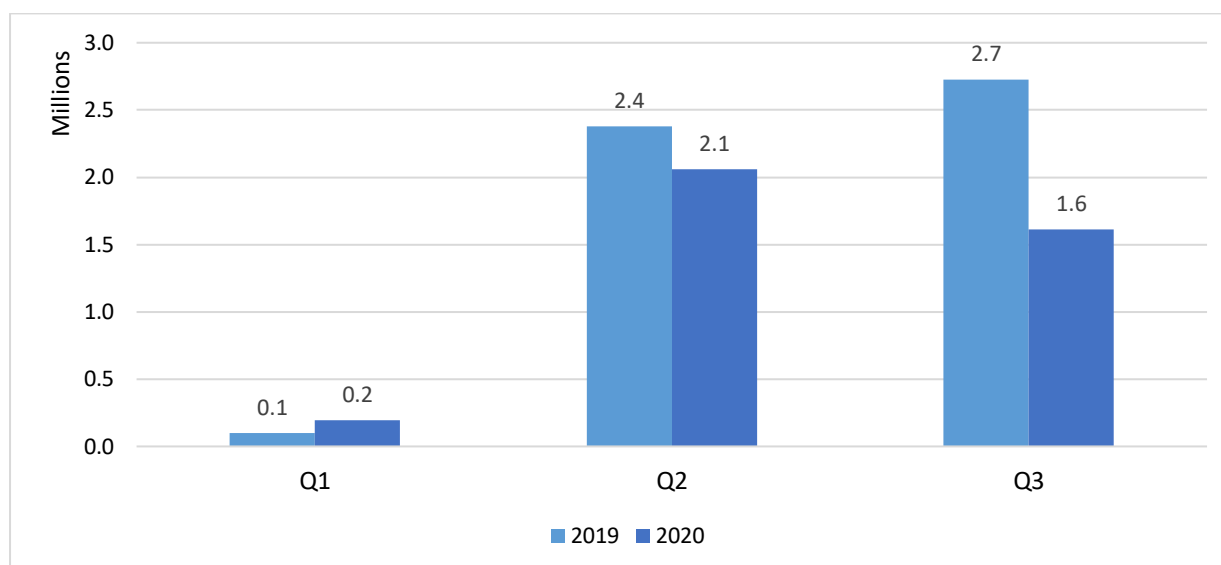
Source: National Directorate of Economic Policy, Ministry of Finance, October 2020.

3.4 Autonomous Agencies and Special Administrative Regions Trends

Autonomous Agencies and Special Administrative Regions saw a fall in collections between Q2 and Q3 2020, decreasing 22%. Collections were also considerably below those in Q3 2019 (41% lower). Looking at the cumulative totals across the year, collections in 2020 are nearly half (48%) those in 2019 at the same point in the year.

It is important to note that Autonomous Agencies and Special Administrative Regions often see the majority of their collections in Q4, with many agencies only reporting revenues once in December. In 2019, 29% of total collections were reported in Q4. In 2018, the change was much more significant with 59%.

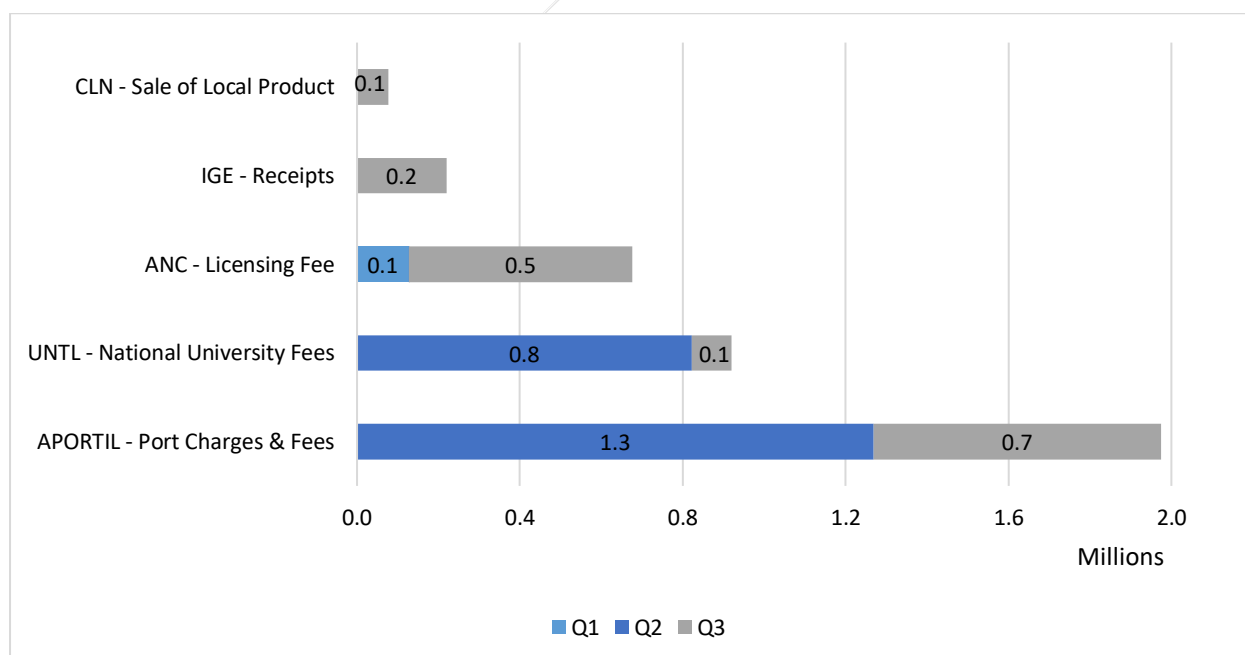
Figure 21: Autonomous Agencies and Special Administrative Regions Revenues Q1-Q3 2019 and 2020



Source: National Directorate of Economic Policy, Ministry of Finance, October 2020.

Only 6 agencies have generated revenues so far in 2020. These are all shown in figure below, with the exception of AMRT – Fees as their collections were small, only \$2,204, and therefore failed to show up on the graph given the amounts the other agencies had reported. The majority of revenues have been collected by APORTIL with 51% of the total collection, followed by UNTIL with 24%. However both agencies reported lower revenues in Q3 than the previous quarter. On the other hand, the other four agencies only saw collections during Q3, with nothing in the first half of the year. These are mixed messages on the overall health of the economy.

Figure 22: Revenue generating Autonomous Agencies by quarter, 2020



Source: National Directorate of Economic Policy, Ministry of Finance, October 2020.

4 Ministry in the Spotlight

The Ministry in the Spotlight is exclude from Q3, 2020 report due to the insufficient information to publish. However, it will return in the future publications to provide detailed and credible information on the selected Line ministry, State Institution or Autonomy Agency.

5 Other Matters of Interest

5.1 Procurement

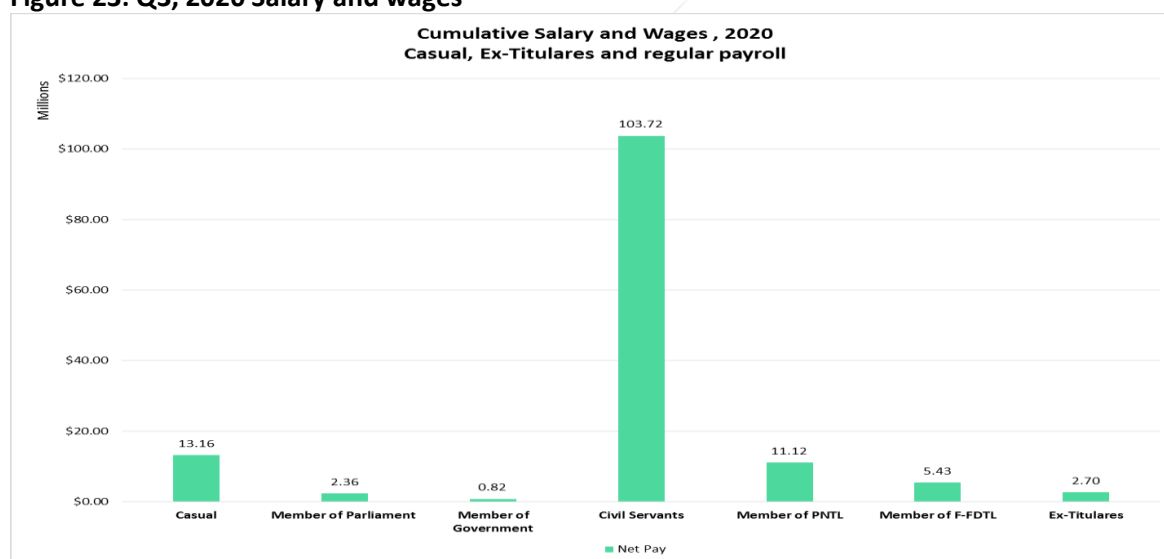
Timor-Leste has instituted a 10% limit on sole source procurement⁴. However, this rule does not apply to DOT system therefore affected to most expenditure on Q3 for some line ministries and autonomous agencies unable to execute minor capital and capital of development from appropriate category due to state budget approved and promulgated at the end of Q3 report period.

5.2 Staff costs

The following graph presents expenditure on salary and wages through Payroll in Treasury for casual⁵ employees, ex-Titular's⁶ and regular payroll (Members of Parliament, Government, PNTL, FDTL and civil servants). The average number of employees (for Q3) for each subgroup is presented on the horizontal axis. In Q3, \$13.16 million was spent on casual employees, \$2.70 million on ex-Titular's and \$103.72 million on regular payroll.

Expenditure by Q3 2020, \$13.16 million was spent on casual employees, \$2.70 million on ex-Titular's and \$103.72 million on regular payroll.

Figure 23: Q3, 2020 Salary and wages



Source: National Directorate of Payment – General Directorate of Treasury, Ministry of Finance, October 2020.

⁴ Legal Regime for Procurement, No 10/2005 amended by 38/2011

⁵ A Casual Employee is an employee who is recruited for short term period or defined period of time, for instance, 3 months, 6 months and 1 year, which is also normally called "Contrato Termo Certo". The salary of the casual employee is paid through Payroll from Professionals services item (Goods and Services Category). The advisors salaries paying from same category but process through CPV and not through Payroll.

⁶ Ex-Titular's are Former members of the Government and Parliament (The formers of Political Positions) and they are pension paid from Personal Benefits (Public Transfer Category)

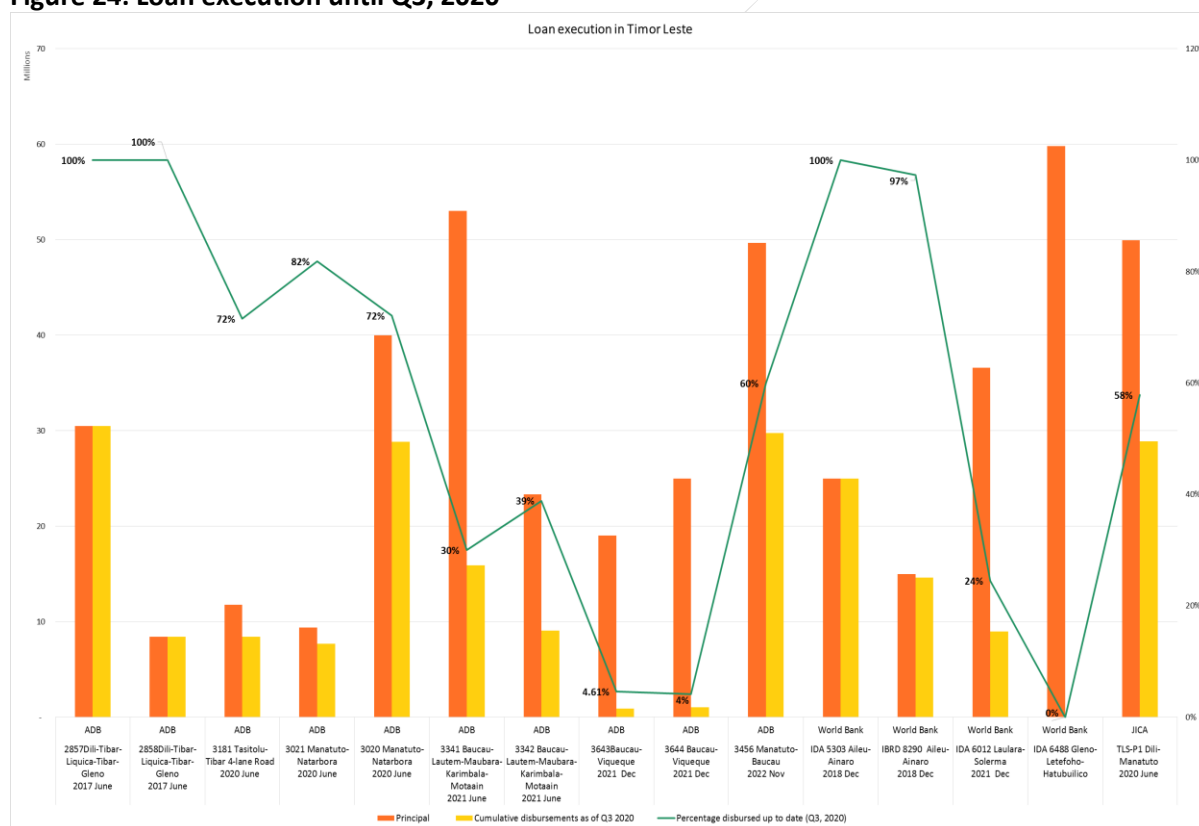
5.3 Loans

The following graph shows the ongoing and disbursed loan projects in Timor-Leste as of September 30, 2020. The loan disbursement must be utilised six months before the closing date of the loan. There has been shown on the disbursement progress for Q3 on loan execution compare to the mostly no execution quarter report, 2020 which can be attributed to the issues related to state of emergency due to outbreak of pandemic Covid-19.

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

Loans 3020, 3021, TLS-P1 (loan end date extended for first three) and 3181 disbursed between 70-85% by Q3, 2020. The loan execution of 3181 which was due to close on September 2020 has not moved since Q4, 2019 at 62% have shown moving progress up to 72% in Q3, 2020. Similarly 3341 has increased disbursement execution by 30% at Q3, 2020. The ADB loans for Baucau-Viqueque (3643 and 3644) have the lowest disbursement between 5-10%, but are still due to be completed by December 2021. Although loans disbursement execution not shown significant progress thus state budget approved by national parliament and promulgated at the end of Q3 period. Therefore, next quarter report will perform significant progress on the loan disbursement execution towards ADB 3181(Tasitolu-Tibar), ADB 3021 (Manatuto-Natarbora), ADB3341&3342 (Baucau-Lautem, Maubara-Karimbala-Motain), ADB3643&3644 (Baucau-Viqueque), ADB3456 (Manatuto-Baucau), IDA6012 (Laulara-Solerema), TLS-P1 (Dili-Manatuto). IDA 6488 (Gleno-Letefoho-Hatubulico) is a new World Bank addition to the loan portfolio.

Figure 24: Loan execution until Q3, 2020



Source: Loan Unit, Ministry of Finance, October 2020.