

Expenditure and Revenue

Quarterly Bulletin – Q1 and Q2, 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 Timorese	AMRT
Asian Development Bank	ADB
Autonomous agencies	AA
Autonomous Service for Medicines and Medical Equipment	SAMES
Capital Development	CD
Commitment Purchase Voucher	CPV
Development Partner	DP
Directorate General of State Finance	DGFE
Direct Budget Support	DGS
East Timor National Police	ETNP
European Union	EU
Falintil- Defense Force of East Timor	F-DFTL
Goods and Services	GS
Government Resource Planning	GRP
Human Capital Development Fund	FDCH
State Institutions (Instituto Estado)	IE
Infrastructure Fund	IF
Integrated Municipal Development Program	IMDP(PDIM)
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
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 June 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 2

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 Q1 and Q2 2020, please note that execution is calculated on the basis of allocation from January-June in DOT 2020 and not total final budget which is yet to be passed. The total budget allocation till June in DOT 2020 is \$865.5 million with total execution of \$451.8 million (by current budget which includes transfers, virements and contingency transfer).

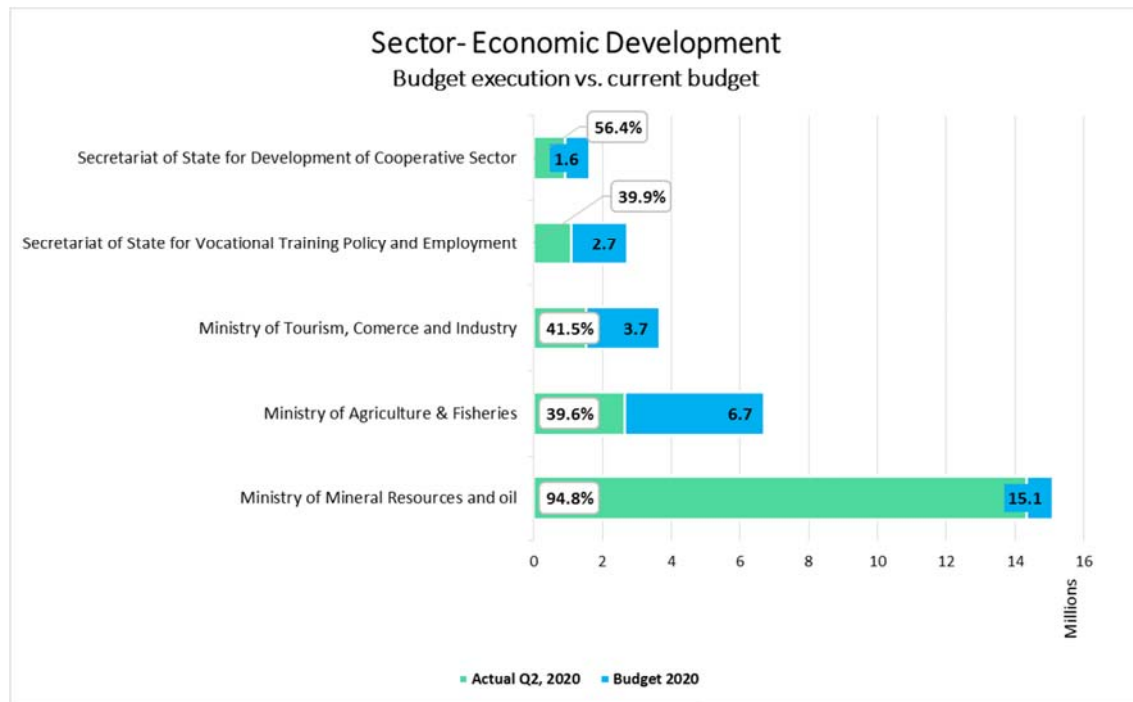
The Infrastructure Fund not including loans (IF) and Human Capital development Fund (HCDF) execution for Q1 and Q2 stands at 29.6% and 18.2% respectively.

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.

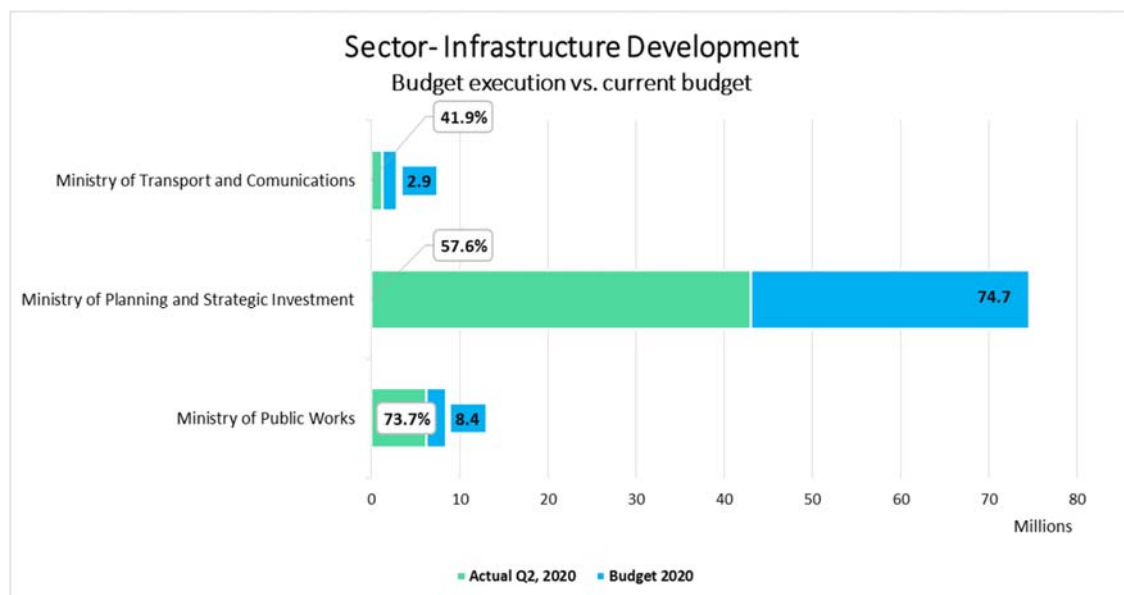
Figure 1: Q2, 2020 execution for SDP Sector-Economic Development



Sources: Ministry of Finance, IFMISU, July 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. Other Ministries and Secretariats have struggled to reach even 50.0% execution, with the exception of Secretariat of State for the Development of the Cooperative Sector (SEC) which has reached 56.4%.

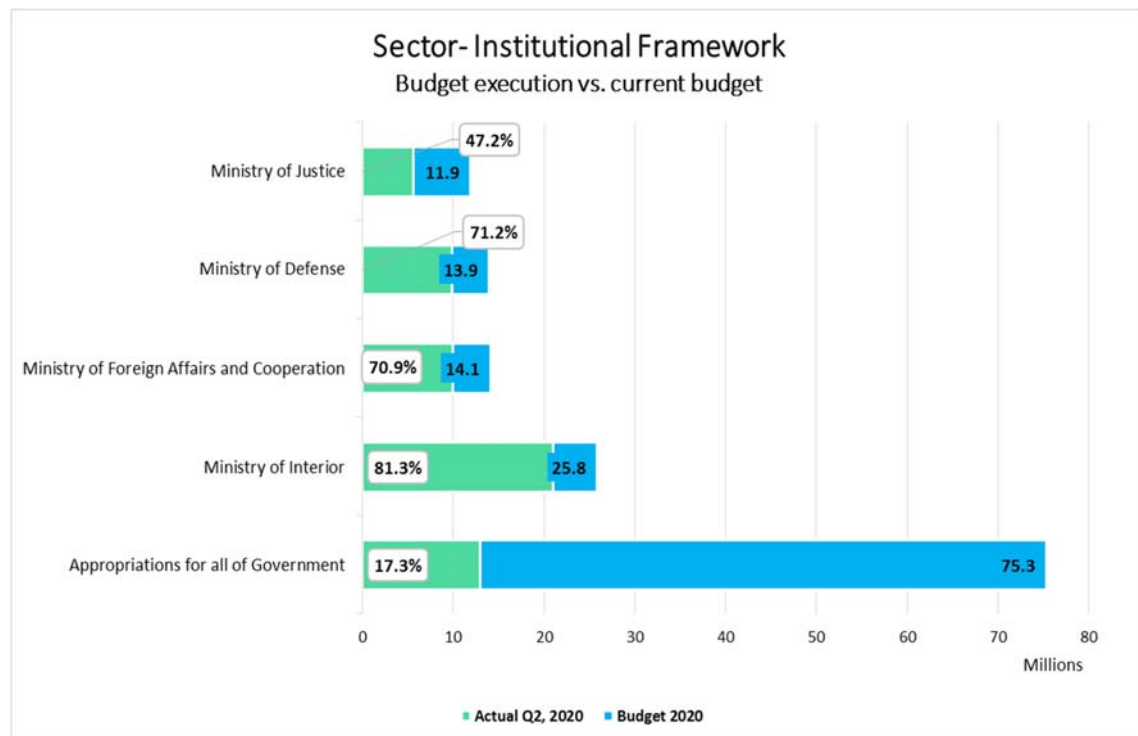
Figure 2: Q2, 2020 execution for SDP Sector-Infrastructure Development



Sources: Ministry of Finance, IFMISU, July 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 \$8.4 million as there is a limit on capital projects. Ministry of Planning and Strategic Investment's (MPIE) and Transport and Communications (MTC) execution stood at 57.6% and 41.9% respectively.

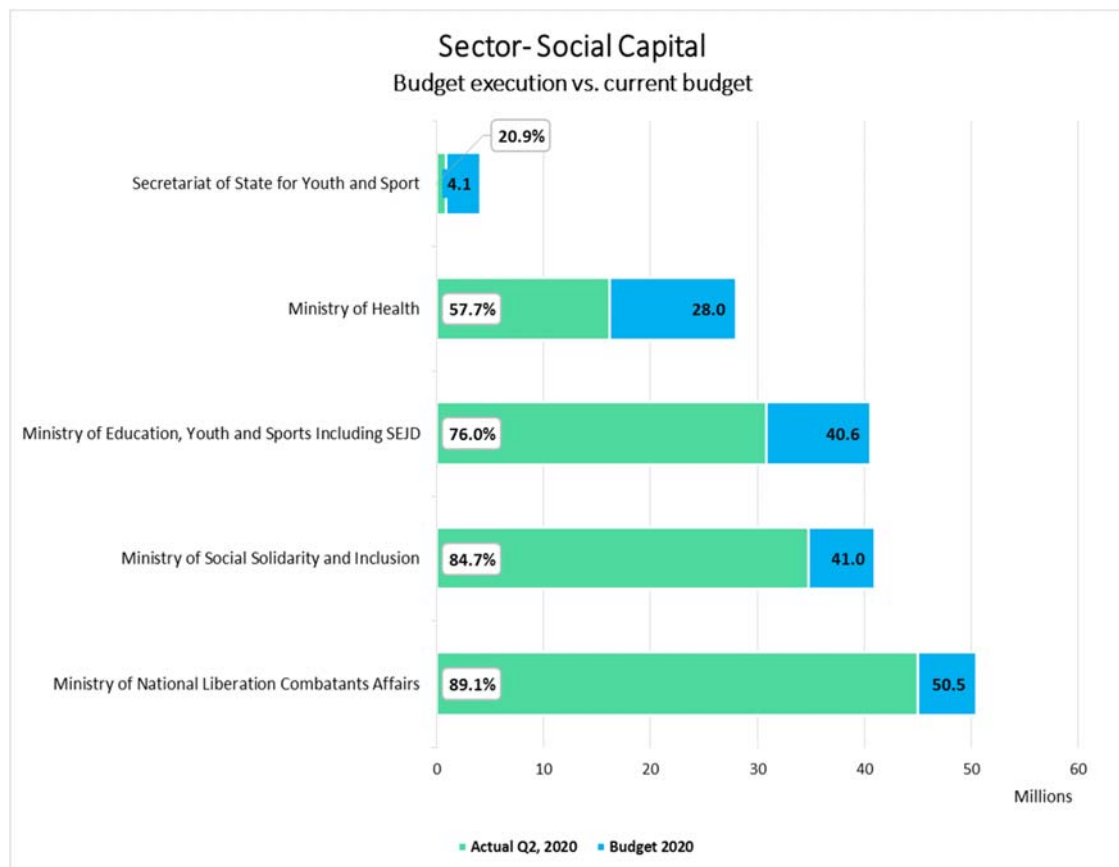
Figure 3: Q2, 2020 execution for SDP Sector-Institutional Framework



Sources: Ministry of Finance, IFMISU, July 2020

Appropriations for all of Government has the highest Institutional Framework allocation in DOT 2020 but has only executed 17.3% of it. Other ministries in this sector have executed 70.0% of their budget with the exception of Ministry of Justice that stands at 47.2%.

Figure 4: Q2, 2020 execution for SDP Sector-Social Capital



Sources: Ministry of Finance, IFMISU, July 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. Secretariat of Youth and Sport only executed 20.9%, driven down by its Transfers execution which stood at 8.2% by the end of Q2, 2020.

Covid-19 Fund

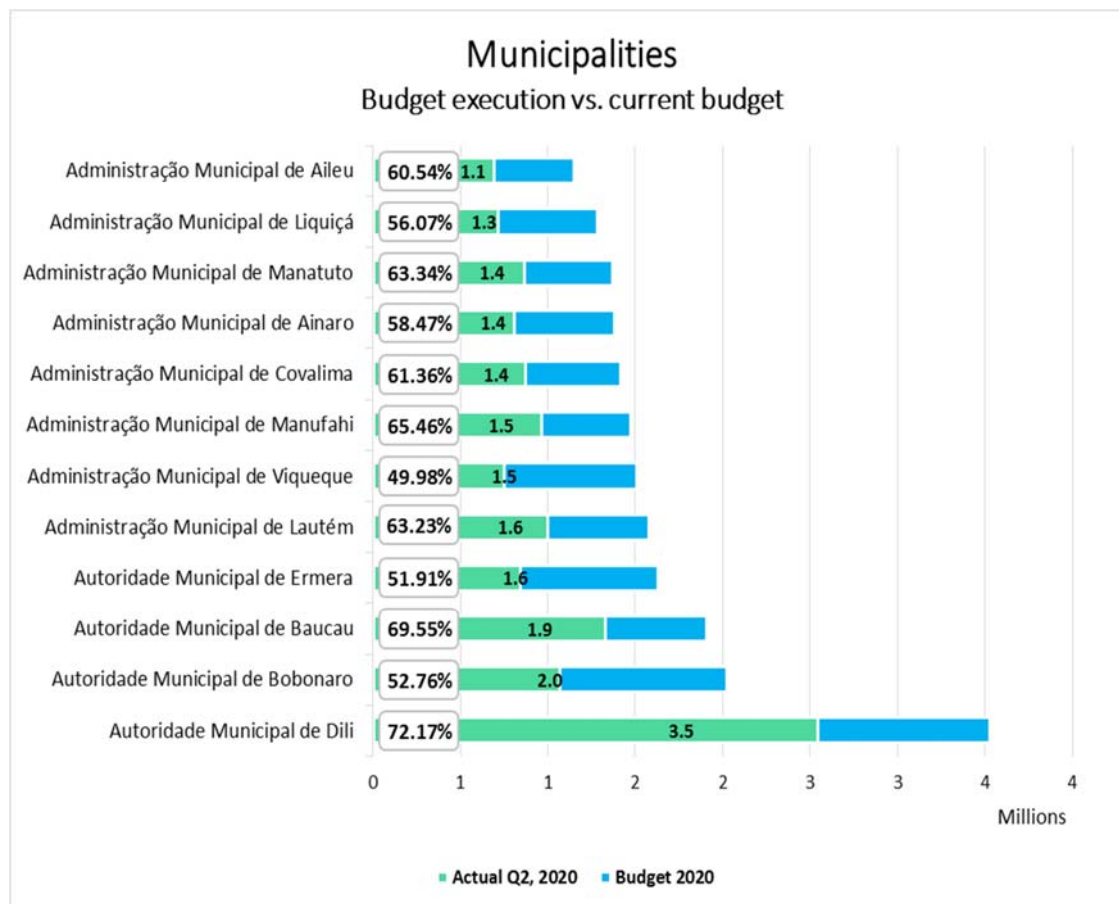
In light of the 2020 Covid-19 pandemic, Timor-Leste instituted a Covid-19 fund (\$220 million) for the health response as well as for economic recovery. Till end of Q2, 2020 \$24.9 million were spent on GS and \$71.3 million were spent on PT, a total of \$96.2 million.

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 72.0-49.9% range, Dili having the highest execution at 72.2% and Viqueque with the lowest at 49.9%. 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 and Q2, 2020 execution for municipalities

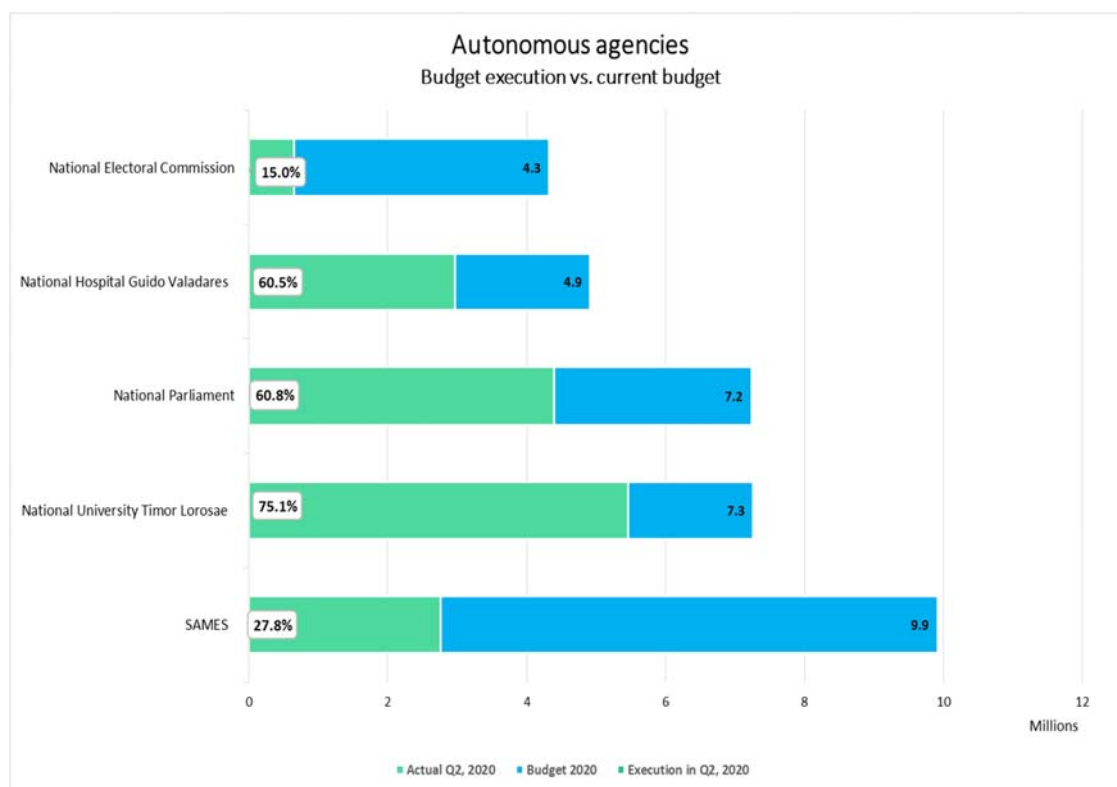


Sources: Ministry of Finance, IFMISU, July 2020

2.1.3 Autonomous agencies

The graph below shows the overall execution rate in Q1 and Q2, 2020 for the autonomous agencies with the highest budget allocation in State Budget 2020. Given that their Q1 and Q2 budget is indicative of half of their previous year allocation (6 months of DOT allocation), these agencies were not able to reach even 70% execution (with the exception of National University Timor-Lorosae).

Figure 6: Q1 and Q2, 2020 execution for autonomous agencies



Source: Ministry of Finance, IFMISU, July 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

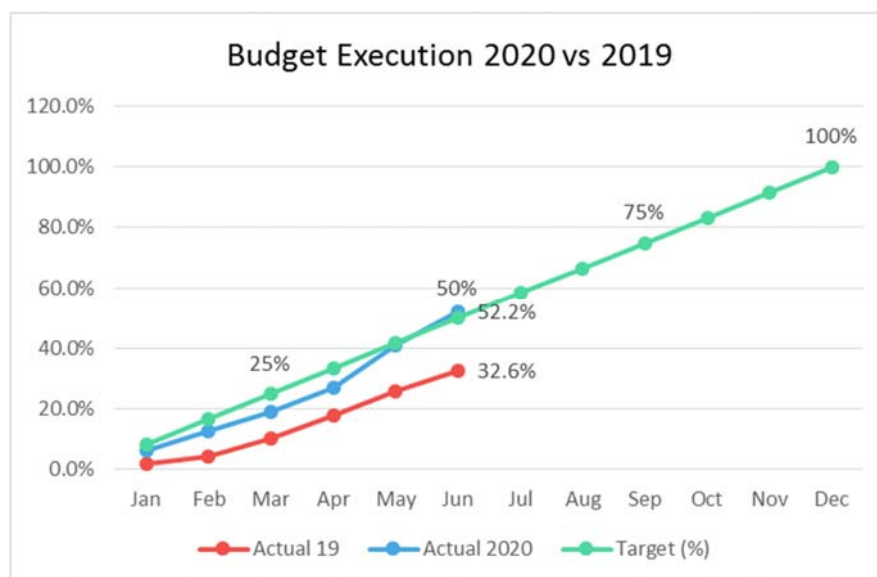
In Cash Basis Accounting and Reporting, both Commitment and Obligation are not considered as part of Actual Cash Expenditure as cash has not gone out of the Government Account. The reader must be aware that the cash expenditure reported in this report does not include obligations and commitments.

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 50% of the budget must be spent by end of Q2. 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 Q2 is then very small as it is 52.2% of a potential half year budget only. If we assumed the 2020 budget to be the same as 2019, then the half year execution (\$451 million out of \$1.482 billion) would be 30.4% in line with Timor-Leste's past Q2 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-10 pandemic have affected whole of government functions, with essential services taking precedence.

Figure 7: Budget execution 2020 vs 2019



Sources: Ministry of Finance, National Directorate of Budget, July 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:

- **Appropriations of Whole of Government:** It made a GS transfer of \$7.01 million to APORTIL to facilitate the acquisition of the Ro Nakroma II ferry amongst other transfers to other ministries.

- **Ministry of Social Solidarity and Inclusion:** It received \$7 million from Appropriations of Whole of Government in Despesas Contingencias to support employment in MSSi in response to the Covid-19 pandemic.
- **Ministry of Health:** It received over \$5.9 million from Appropriations of Whole of Government in Despesas Contingencias for the purchase of medicines in response to the Covid-19 pandemic
- **Autoridade Dili:** Virements to Despesas Contingencias were made to make subsidy payments to various beneficiaries.
- **Ministry of Interior:** It received more than \$480,000 from Appropriations of Whole of Government in Despesas Contingencias to support families affected by the flash floods in early 2020.

The table below shows ministries that made the maximum quantum of virements between appropriation categories by end of Q1 and Q2, 2020.

Table 1: Selected top virements making LM/AA/Ms in 2020

Name of Ministry	Appropriation Category	Virements
Appropriations for all of Government	Goods & Services	-20,589,442
	Transfers	-55,756
	Despesas Contingencias	4,714,504
Ministry of Social Solidarity and Inclusion	Salary & Wages	145,303
	Goods & Services	486,939
	Despesas Contingencias	7,000,000
	Salary & Wages	45,000
Ministry of Health	Goods & Services	878,101
	Transfers	-45,000
	Despesas Contingencias	6,297,750
	Salary & Wages	1,600
	Goods & Services	-1,600
Ministry of Interior	Despesas Contingencias	2,079,130
	Goods & Services	-21,868
	Salary & Wages	68
Autoridade Municipal de Dili	Transfers	21,800
	Despesas Contingencias	447,764

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

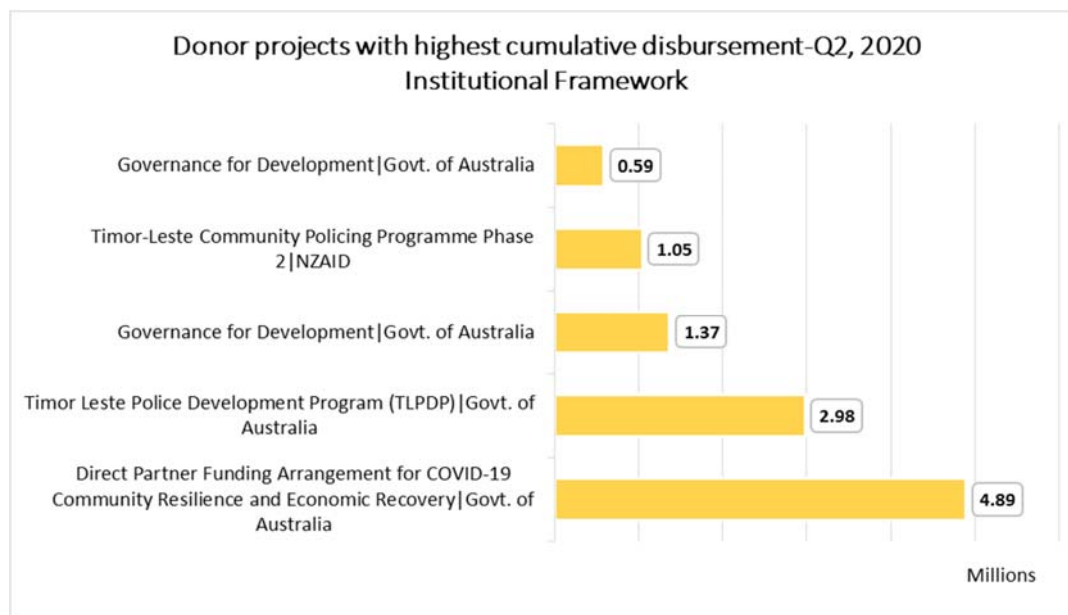
2.5 Development Partner Disbursements

Donors made a cumulative disbursement of \$91.7 million in Timor-Leste by end of Q2, 2020. \$53.4 million was disbursed in Q1 while \$32.8 million was disbursed in Q2. The following graphs present the projects with the highest cumulative disbursement by the end of Q2, 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 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: Q2, 2020 disbursement for donor projects, SDP Sector- Institutional Framework



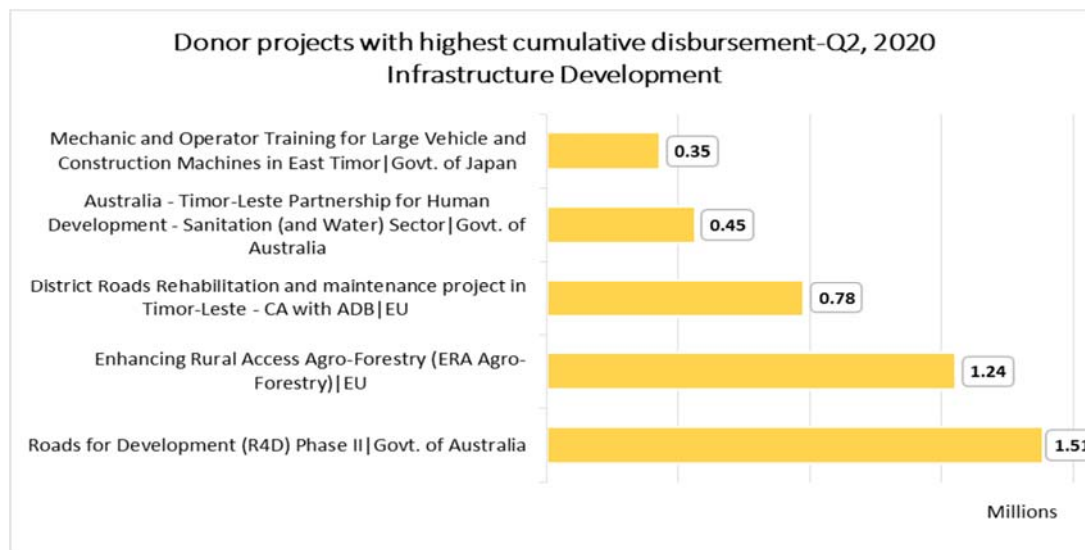
Source: Ministry of Finance, National Directorate for Aid Management, Mobilization, and Effectiveness, July 2020.

This sector received a total disbursement of \$13.8 million by end of Q2, 2020. Out of this, \$7.0 million was disbursed in Q1. The Government of Australia is the largest donor in this sector, having disbursed \$4.9 million for Covid-19 economic recovery and community resilience by the end of Q2, 2020. The New Zealand programme on community policing (\$1.1 million) and Australia's programme on police development (\$3.0 million) are the biggest police reform programmes in value.

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.

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.

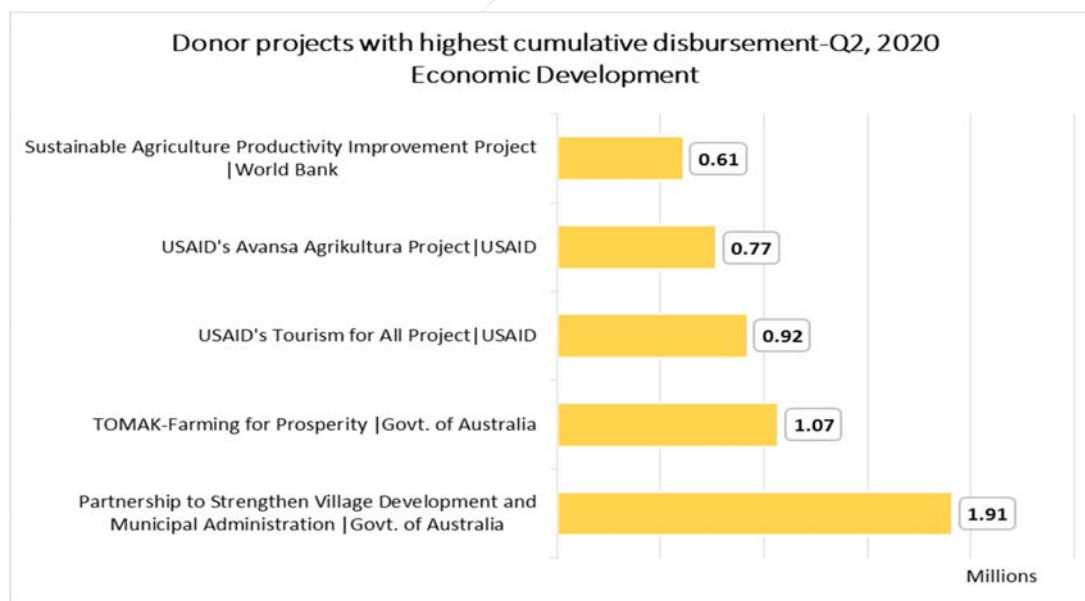
Figure 9: Q2, 2020 disbursement for donor projects, SDP Sector- Infrastructure Development



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

This sector received a total disbursement of \$5.0 million by end of Q2, 2020. Out of this, \$1.8 million was disbursed in Q1 alone. Infrastructure Development donor disbursements commonly focus on land and water transport, roads, forestry, climate resilience and water and sanitation. In Q2, Australia made the biggest disbursements to its two programmes; Partnership for Human Development (\$0.5 million) and Roads for Development (\$1.5 million). EU contributed over \$2.0 million between its two big programmes on agro-forestry and roads rehabilitation and maintenance.

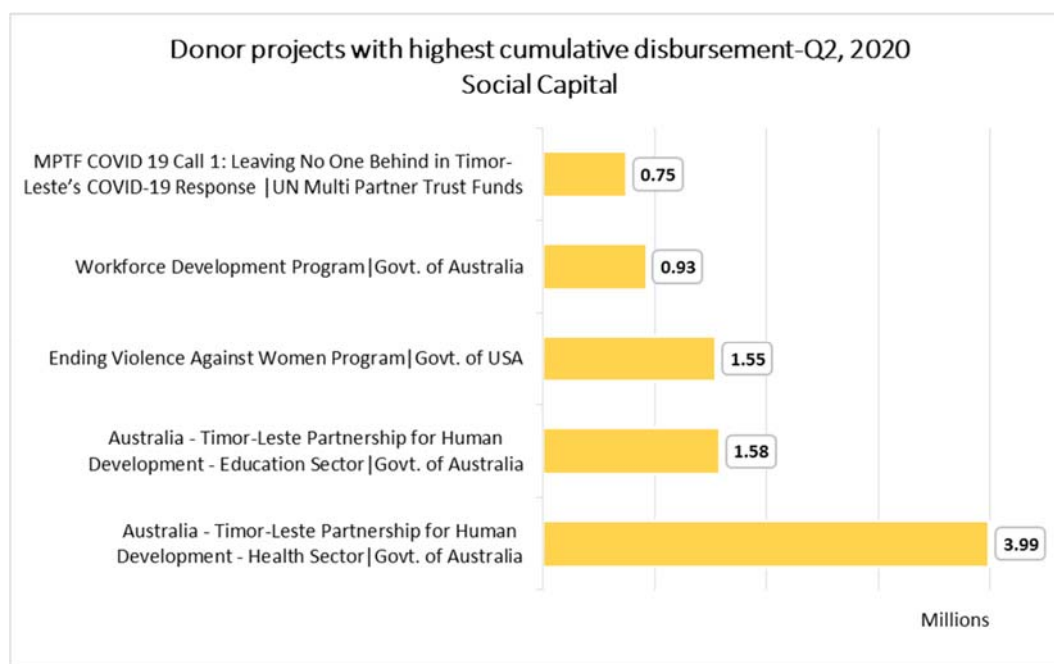
Figure 10: Q2, 2020 disbursement for donor projects, SDP Sector- Economic Development



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

The Economic Development sector received \$7.2 million by end of Q2, 2020. Out of this \$5.1 was disbursed in Q1, 2020. These donor projects focus on food security, tourism income generation, natural resource management and agriculture. The largest donor programmes in by the end of Q2 were PARTISIPA (\$1.9 million) and Tomak (1.07 million), both supported by Australia. USAID's Avansa programme disbursed nearly \$0.8 million and its Tourism for All project disbursed \$0.9 million by the end of Q2.

Figure 11: Q2, 2020 disbursement for donor projects, SDP Sector- Social Capital



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

This sector received \$19.8 million in donor funding by end of Q2, 2020. Out of this \$12.7 million was disbursed in Q1. Social capital projects generally focus on women's empowerment, child protection, social protection, human development, health and education. In 2020, donors shifted focus to Covid-19 relief with Australia disbursing \$4.0 million for the same.

2.6 Direct Budget Support

Timor-Leste has been receiving direct budget support (DGS) from the European Union since 2014. The latest agreement was signed in 2016 under the 11th European Development Fund. The 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.

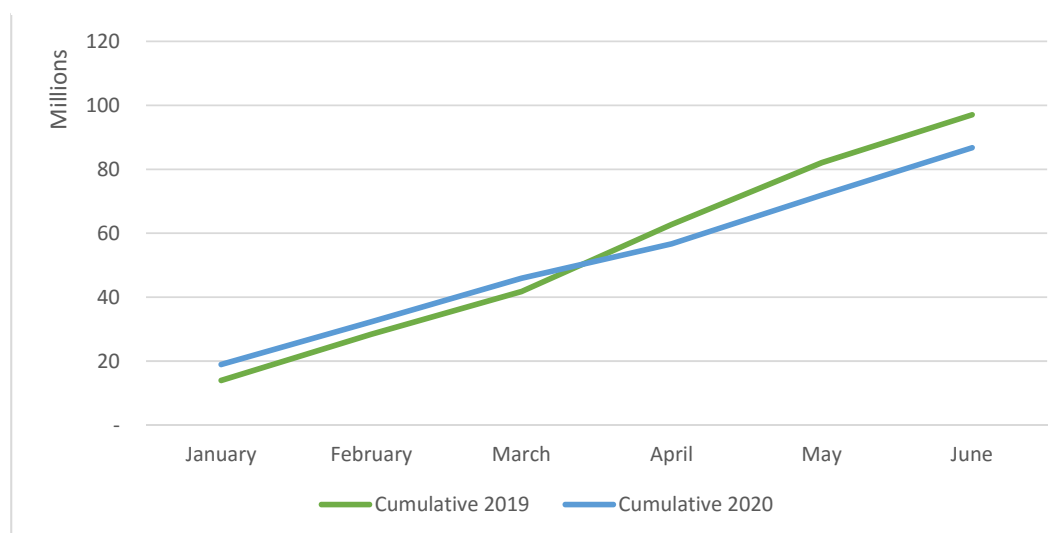
3 Revenue Trends in Quarters 1 and 2

2020 had a strong start to the year, outperforming 2019 across the first Quarter. This was largely due to delayed payments of some key taxes at the end of 2019, in particular withholding taxes. Other key revenue contributors such as excise tax and electricity fees and charges also saw a year on year rise. At the end of Q1, total domestic revenues in 2020 were \$45.9 million, an increase of the Q1 2019 total of \$41.8 million. This growth was largely unanticipated, especially given the political uncertainty surrounding the delayed passing of the national budget at the end of 2019 which was expected to reduce private sector confidence in the economy, further reducing overall spending and subsequently domestic revenues.

However the impact of COVID-19, mainly due to the introduction of the State of Emergency at the end of March and extended till the end of June, was significant. The State of emergency aimed to limit the movement of people within the country and across borders to prevent the spread of the disease. This has a significant knock-on effect on consumer and private sector spending, a number of government revenue streams were suspended, including all social security contributions for both employers and employees, rent on government buildings and the payment of water fees. All electricity consumers in the country received a \$15 per month electricity credit during the State of Emergency. Electricity is often the second largest contributor to total revenues, making up nearly a fifth of total domestic revenues (17%) in 2019.

Domestic revenues in April saw a substantial impact, with overall revenues increasing by only \$10.8 million in 2020; nearly half the total in 2019 of \$20.9 million. The effect is clearly seen in the cumulative collection graph below, where 2020 collections surpass 2019's until April, after which they lag behind. By the end of Q2 2020, total revenues were \$86.7 million. The total for Q2 2019 was over 10% higher at \$97.1 million.

Figure 12: Cumulative Domestic Revenue Collections, January - June 2019 and 2020

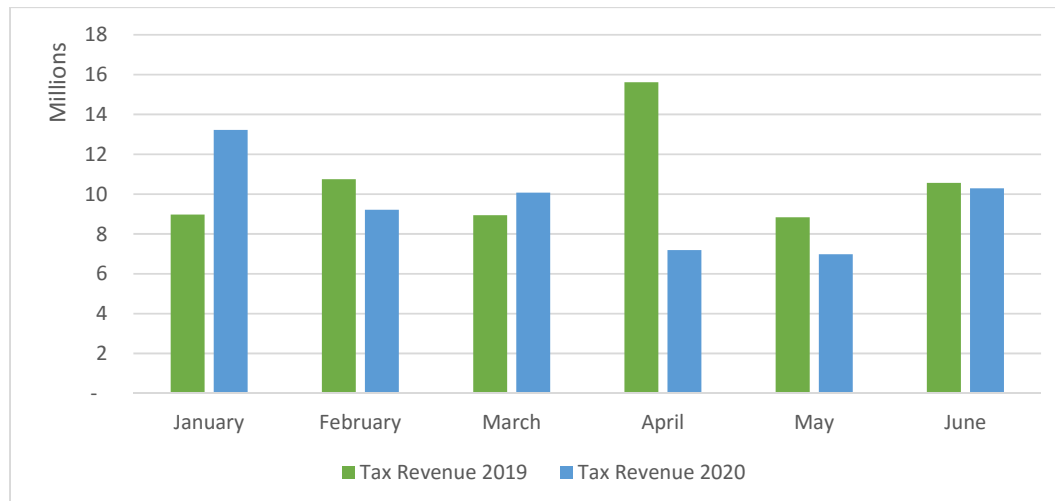


Source: National Directorate of Economic Policy, Ministry of Finance, July 2020.

Tax revenues follow a similar pattern to overall revenue collections, superseding collections in 2019 for January and March, and only a slight decline in February. However, they saw a significant fall in April, decreasing more than half of that of the previous year (-54% fall to \$7.2 million from \$15.6 million). There was a quick bounce back though with May and June collections only slightly down on

those of the same months in 2019 (\$7.0 million v \$8.3 million and \$10.3 million v \$10.6 million respectively).

Figure 13: Tax Revenues, January - June 2019 and 2020

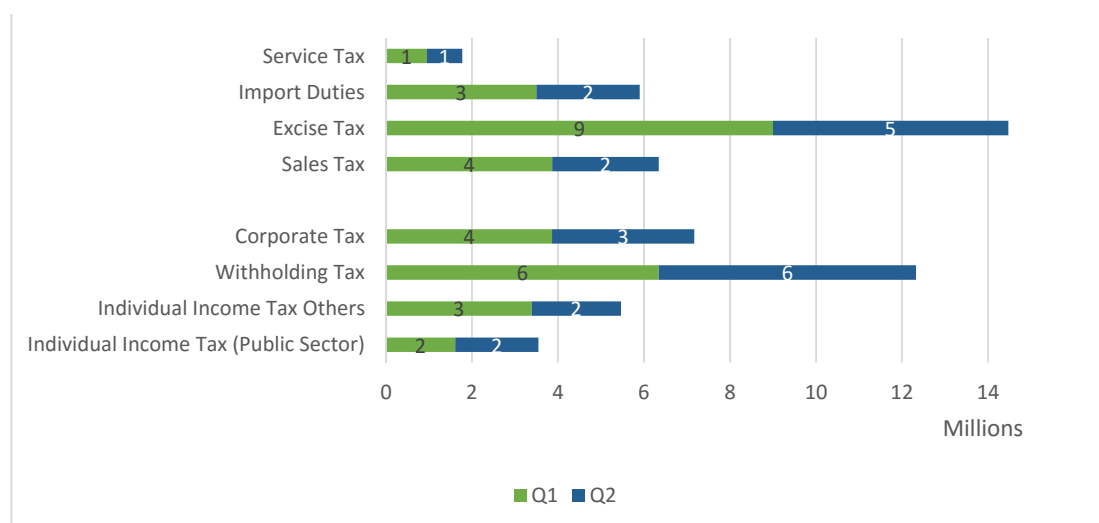


Source: National Directorate of Economic Policy, Ministry of Finance, July 2020.

Focusing on the 2020 data only, there does not seem to be a vast difference between the first two quarters of the year. This is because while there was a large decline in overall tax revenues in April, May and June saw a near return to 2019 levels.

However nearly all taxes did fall during Q2 in comparison to the previous quarter. All indirect taxes, which are those more closely linked to consumer spending and signs of consumer confidence, fell during the State of Emergency. For direct taxes, the majority also fell during Q2, with only Individual Income Taxes for the Public Sector rising slightly.

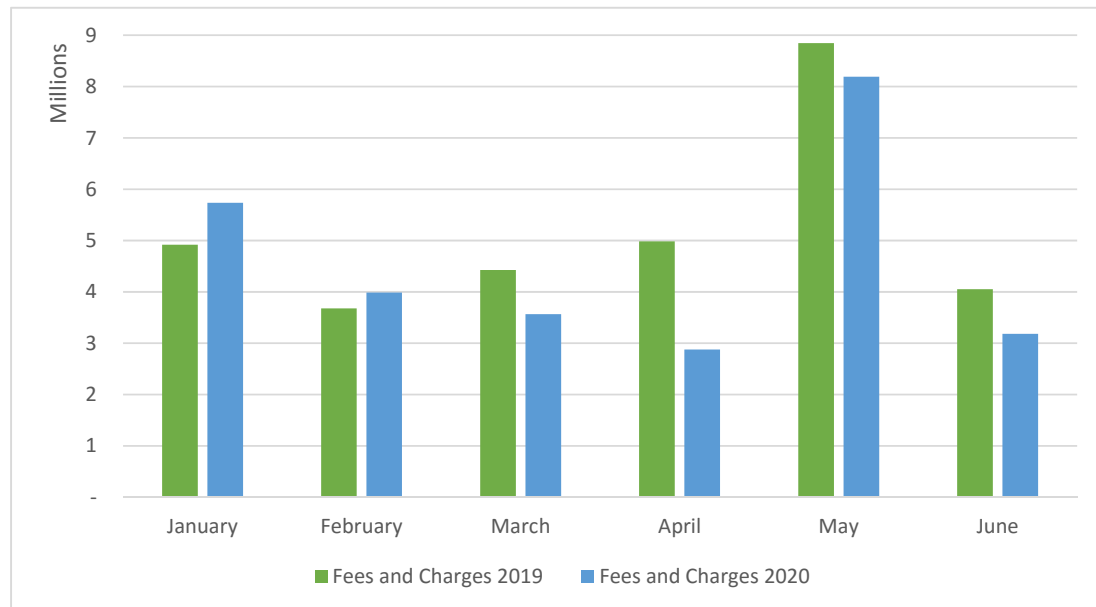
Figure 14: Tax Revenues, Q1 and Q2 2020



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

The situation is similar for Fees and Charges collections. They also saw a strong start to the fiscal year, with higher collections in both January and February than the same time in 2019. 2020 saw a slight fall in comparison for March, though the majority of the decline is again focused on April where collections for 2020 were 42% lower than 2019. There was some recovery in May and June, but lower than that the bounce back for taxes.

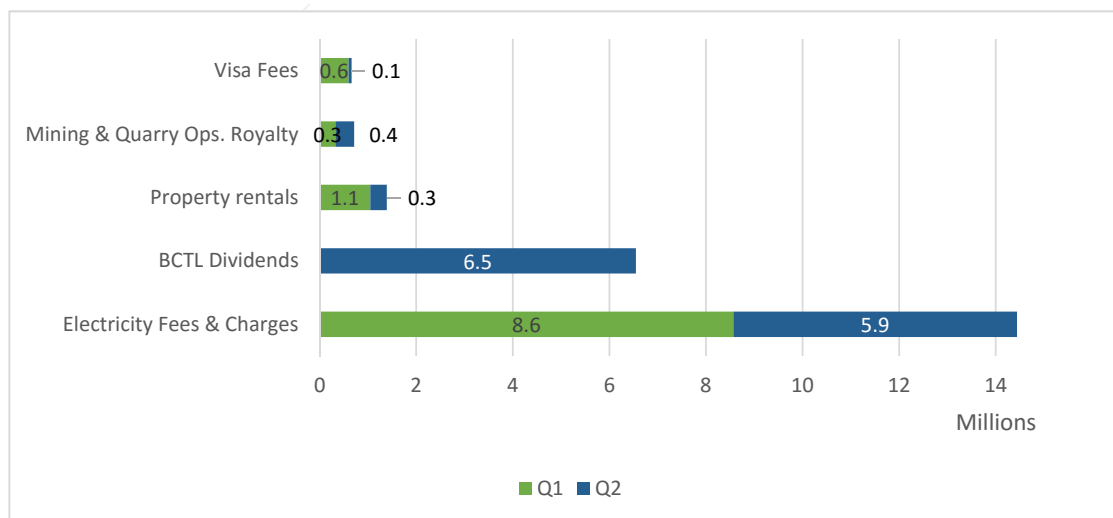
Figure 15: Fees and Charges Revenues, January - June 2019 and 2020



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

The comparison quarter on quarter is similar, with all the highest contributors having higher collections in Q1 compared to Q2. The one exception is BCTL Dividends coming from the Central Bank. These are only released once a year, in May, and therefore would only appear in one quarter regardless.

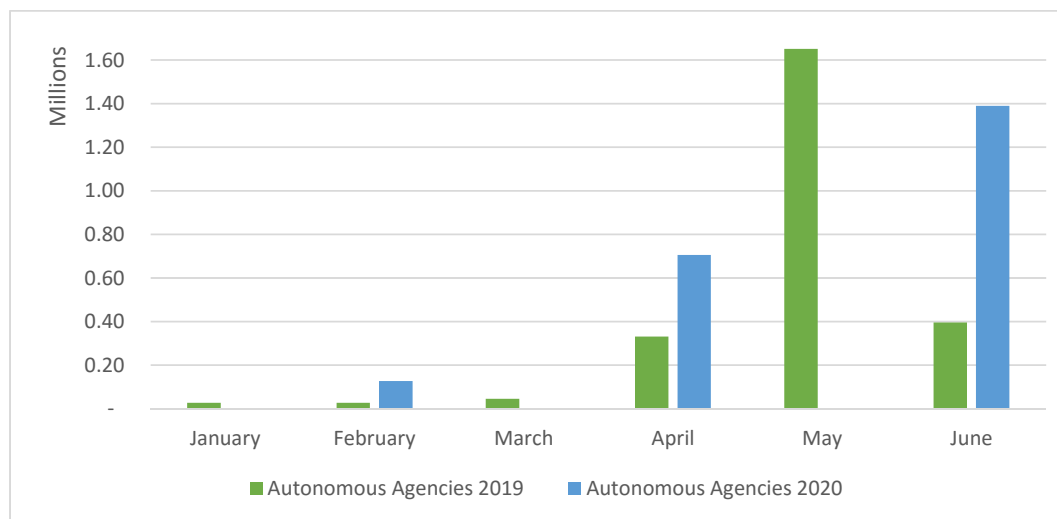
Figure 16: Fees and Charges Revenues, Q1 and Q2 2020



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

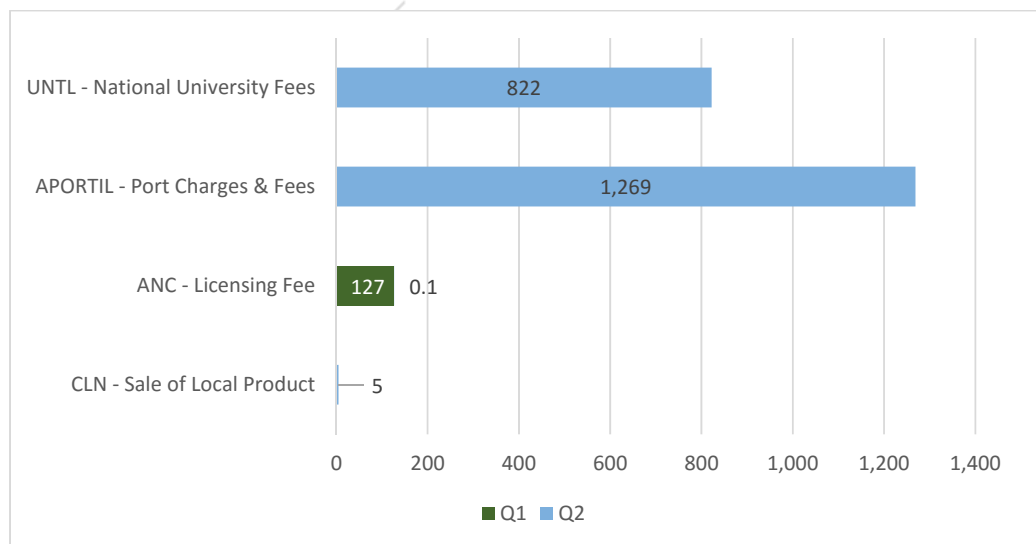
Autonomous Agencies often see the majority of their collections take place in the final quarter of the fiscal year. Comparing Q1 for 2019 and 2020, there is a little difference. April surprising saw a rise on 2019, countering the trends seen for Taxes and Fees and Charges. The only payment was \$705,942 from UNTL, more than double its contribution in the same month in 2019. This is probably backdated university fees and therefore would be unaffected by the State of Emergency introduction. May 2020 was an exceptionally low month for 2020, with no revenue collections compared to \$1.7 million in 2019. However there was a bounce back in June, where collections in 2020 were around 4 times those in 2019. So far in 2020, only 4 Agencies have reported positive revenues. These are shown on the quarterly comparison graph below. The figures shows that the majority of collections occurred in Q2 as that was when the payments from the two largest contributors took place.

Figure 17: Autonomous Agencies Revenues, January - June 2019 and 2020



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

Figure 18: Autonomous Agencies Revenues, Q1 and Q2 2020



Source:

National Directorate of Economic Policy, Ministry of Finance, July 2020.

4 Ministry in Spotlight: Sub Sector Health (MoH, SAMES, LABNAS, HNGV and INS)

The right to health is a fundamental part of people's human rights and of our understanding of a life with dignity. To fulfil it, Timor-Leste embedding health and medical care as a fundamental right for all citizens in the Constitution of the Democratic Republic of Timor article 57. The Government through Ministry of Health has the obligation to promote and establish a national health system that is universal, general, and free of charge and as far as possible, managed through a decentralised participatory structure.

This vision reflects the aim to increase life expectancy and productivity of Timor-Leste. Health can contribute to the reduction of poverty through improving the capacity of human resources; healthy people with a good education will increase incomes and contribute to the nation's welfare.

4.1 Mandate

The Ministry of Health, abbreviated as MS, is the central government body responsible for the design, regulation, implementation, coordination, and policy evaluation for the areas of health and pharmaceuticals, as defined and approved by the Council of Ministers, under Article 21, Decree Law No.27/2020, 19 June.

The Institutions under supervision of the Ministry of Health are:

- Hospital National Guido Valadares (HNGV) which is responsible for secondary and tertiary health care and is the top referral hospital in the country. HNGV provides, preventive, curative, rehabilitative and palliative care (Decree-Law nº 39/2016, 14 September, Article 3º).
- National Laboratory (LN) which is responsible for ensuring provision of quality laboratory services to the population and provides technical supervision of the work carried out in laboratories integrated into the national health system (Decree-Law nº 40/2016, 05 October, Article 2º).
- Institute of Health Sciences is responsible for continuous training and non-university technical higher education of health professionals.
- SAMES is responsible for the procurement, import, storage and distribution of pharmaceuticals and health equipment for all National Health Facilities.

Health Sub Sector Coordination

The role of the Ministry of Health is to coordinate with relevant health sector institution especially related to Health. Stakeholders in the health sector are many; public and Private sectors, other Ministries and Public Institutions, Development Partners, Civil Society organizations and the community all play important roles in health sub sector.

In addition, the Ministry of Health also coordinates with other institutions in Health sub sector such as:

- Ministry of Education.
- Ministry of Social Solidarity
- Ministry of Agriculture

4.2 Strategic framework

The Ministry of Health has developed the National Health Strategic Plan 2011 -2030, the 'NHSP'. The NHSP provides a comprehensive vision, objectives, and goals for the sub-sector health over the medium to long term.

To implement the vision stated above, the health sector has committed to the following mission:

- Ensuring available, accessible, and affordable health care services for all Timorese people.
- Regulating the health sector.
- Promoting community and broad-based stakeholder participation.

4.3 Objectives

As noted above the vision and objectives of the Health sector are provided in the NHSP. The goals of the NHSP have been aligned to the Sustainable Development Goals, through the SDG roadmap.

The objectives of the Health sub-sector are:

- Health System Management: to strengthen the stewardship of role of the Ministry of Health (policy-making, law-making, regulation, licensing, supervising, monitoring) through the development of a strong integrated National Health System able to treat, control and prevent disease and promote sustainable lifestyles in Timor-Leste.
- Health Services Delivery: a) to ensure access and quality of primary health care services to the community, with a focus on the needs of children, women, and other vulnerable groups; b) to develop hospital services able to respond to the people needs for secondary and tertiary health care.
- Human Resource for health: to meet human resources needs to ensure an efficient and effective health services delivery at each level of care.
- Health Infrastructure: to invest sufficiently and appropriately in health facilities, staff accommodation, medical equipment, and other supplies, medical transportation and Information Communication Technologies (ITCs).
- Support Services: to strengthen health administration and management services to better respond to health defined needs and to satisfy people's expectations within the context of a decentralized health service.

4.4 Emergency Response to COVID-19

First case of COVID-19 in Timor-Leste was announced on 21st of March. This was quickly followed by the declaration of a State of Emergency by President of RDTL on 26th March 2020 and subsequently extended on 26th June 2020. A new State of Emergency was reinstated on 6th August to run for another 30 days. A number of key measures were introduced to prevent the spread of the virus which

included border closures, travel restrictions and reduction of transport options. The Government established a new Integrated Crisis Management Centre (CIGC) and formed a new budget allocation of \$150 million under new programme called “COVID-19 Prevention and Mitigation”.

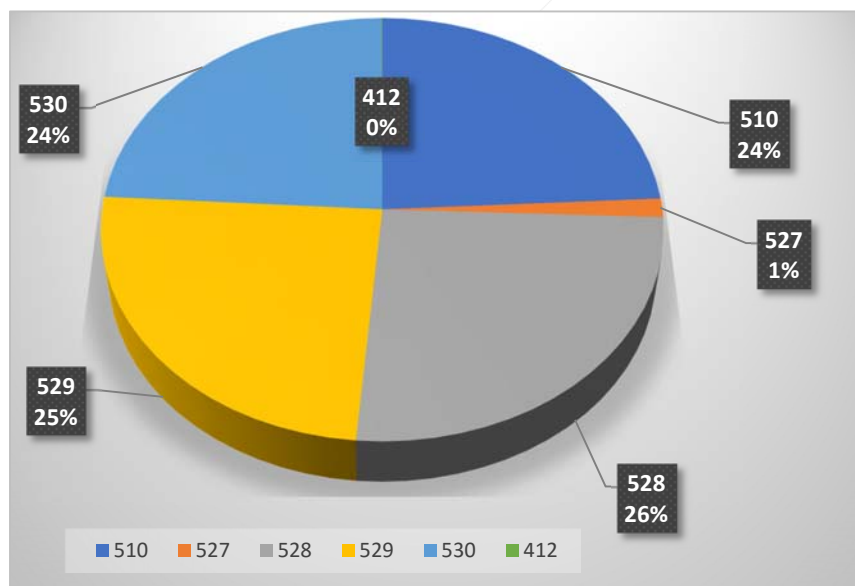
There have been 26 confirmed cases and no deaths up to now. Most of cases referred to well defined clusters in government quarantine facilities. To avoid the community transition there were several testing strategies in health facilities. There is currently no signs of community transmission. Since the first COVID-19 case was detected, around 3,379 citizens have already completed the fourteen-day quarantine period and 3,203 suspected cases tested.

The government were highly aware of negative impacts both socially and economically during the emergency situation. To counter these possible costs, the government adopted an economic stimulus package and initiate the establishment of the Commission for the Preparation of the Economic Recovery Plan.

To assure the partnership in fighting COVID-19, the Ministry of Health was initially made responsible for leading a technical level meeting with line ministries and other relevant entities, to prepare an activity plan for anticipating and preventing the outbreak. However, after the announcement of the State of Emergency, all coordination tasks were made the responsibility of the CIGC. To continue strengthening an integrated approach between line ministries, the Government established an inter-ministerial coordination committee to “prevent and control” COVID-19 in Timor-Leste, led by the Prime Minister and with the Ministry of Health as one of the committee members. The Government also worked closely with the World Health Organization (WHO) and other relevant institutions.

4.5 Budget allocation and execution based on programmes

Figure 19: Budget Allocation based on programmes



Description of the programme code in the pie chart: 527- Human Resource development and health workforce; 528- Primary Health Care; 529 – Secondary and Tertiary Health Care; 530 - Medical supply chain and Pharmaceutical Management and health logistics; 412- Implementation of Gender Policy; 510- Good governance and institutional management.

Sources: UPMA, July 2020

The above Pie Chart shows the budget allocation per programme in the sub sector health (Ministry of Health, LN, SAMES, HNGV and INS). The total budget allocation till Q2, 2020 is \$40,392,664.91, excluding salary and wages which is a programme in itself. From the total amount, 26% allocated to Primary health care programs, 25% allocated to Secondary and Tertiary health care programs, 24% allocated to Medical supply chain and Pharmaceutical Management and health logistics programme and Good Governance Programme and 0.06% to Implementation of Gender programs.

Budget Execution per programmes

The table indicates that “Primary Health Care” programme managed to spend 79% from its budget allocation, while “Secondary and Tertiary Health Care” spent 75%. This is compared to the other key programmes including “good governance and institutional management” programme which spent only 17%. The “Primary Health Care” programme implemented one of the key activities within Ministry and the programme with the largest single allocation of the fund with \$10,409,875.07. The successful implementation of the programme resulted in 13,636 pregnant mothers safely delivering their babies, 1,829 pregnant mothers accessing ante -natal care and 85% of Timorese Children under 5 benefiting from monitoring of their growth and development.

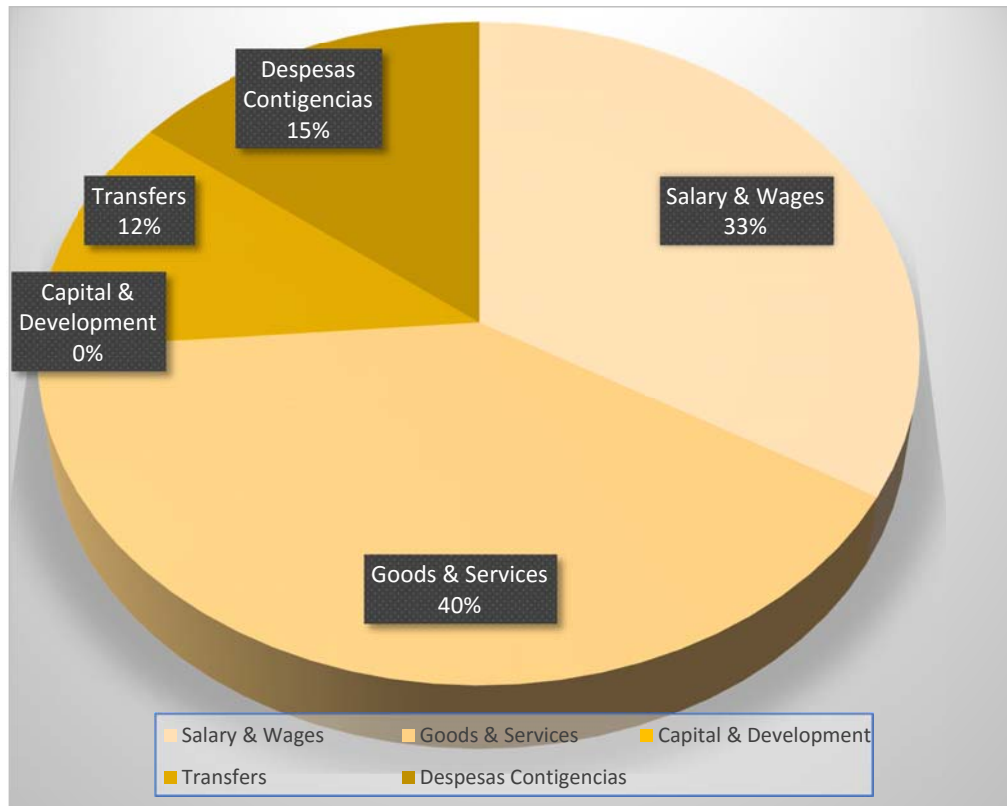
Table 2: Budget execution by health related programmes

Programs	Budget Allocation	Budget Execution	Budget Execution (%)
412 - Implementation of Gender Policy	23,785.67	-	0%
510 - Good Governance and Institutional Management	9,763,721.61	1,685,075.72	17%
527 - Human Resource development and health workforce	575,614.75	66,795.29	12%
528 - Primary Health Care	10,409,875.07	8,224,087.75	79%
529 - Secondary and Tertiary Health Care	9,932,930.64	7,467,036.18	75%
530 - Medical supply chain and Pharmaceutical Management and health logistics	9,686,737.17	2,494,186.07	26%
Grand Total	40,392,664.91	19,937,181.01	49%

Sources: UPMA, July 2020

4.6 Budget allocation and execution as per categories

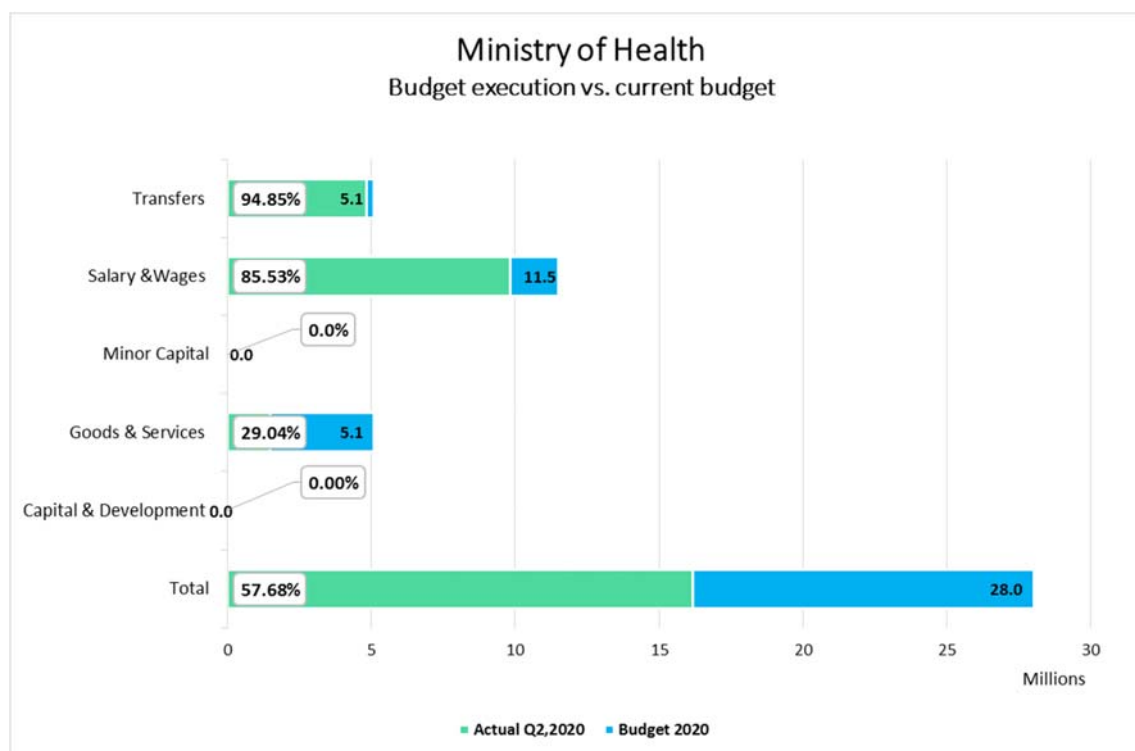
Figure 20: Budget Allocation based on categories



Sources: UPMA, July 2020

The above Pie Chart shows the budget allocation per appropriation category with total amount of \$43,424,655.90, including category of the salary & wages. Goods and Services category has biggest budget allocation (40%), followed by Salaries and Wages (33%). Capital and development received no allocation.

Figure 21: Budget execution based on categories, Q2 2020



Sources: Ministry of Finance, IFMISU, July 2020

As shown in the figure above, the biggest budget executing categories till the end of Q2 2020 are within transfers (94.9%) and salary & wages (85.5%). Both categories contribute to the implementation of key activities of the programs including the payment of civil servant salaries. In addition, from the total execution of the good & services, \$ 5,255,655.07 was spent for operational costs and professional service fees.

4.7 Virements for health related programmes

Table 3: Virements in health related programmes

Program	Capital & Development	Despesas Contingencias	Goods & Services	Salary & Wages	Transfers	Grand Total
Implementation of Gender Policy						
Good Governance and Institutional Management		\$ 5,799,750	\$ 67,954	\$ 12,555		\$ 5,880,259
Human Resource development and health workforce			\$ (7,520)			\$ (7,520)
Primary Health Care		\$ 498,000	\$ (89,104)	\$ 45,000		\$ 453,896
Secondary and Tertiary Health Care			\$ 23,996	0	\$ (45,000)	\$ (21,004)
Medical supply chain and Pharmaceutical Management and health logistics			\$ (7,881)			\$ (7,881)
Grand Total		6,297,750	\$ (12,555)	57,555	(45,000)	6,297,750

Sources: UPMA, July 2020

The table describes the virements made between programmes and categories during duodecimal up to June 2020. The total virements within the health sector category is S\$6,297,750 which is mostly from Good Governance and Institutional Management and Primary Health Care. A majority of these were f contingency fund allocations to the Good Governance and Institutional Management and Primary Health Care programmes.

The table shows that the biggest transfer (virements out) of the budget was made from Primary Health Care at \$89,104.00. In the other hand, it also received (vire in) US \$ 498,000.00 to support emerging/re-emerging and surveillance epidemiology. Good Governance and Institutional Management also had a vire in, amounting to \$ 5,799,750.00.

4.8 Revenue collections

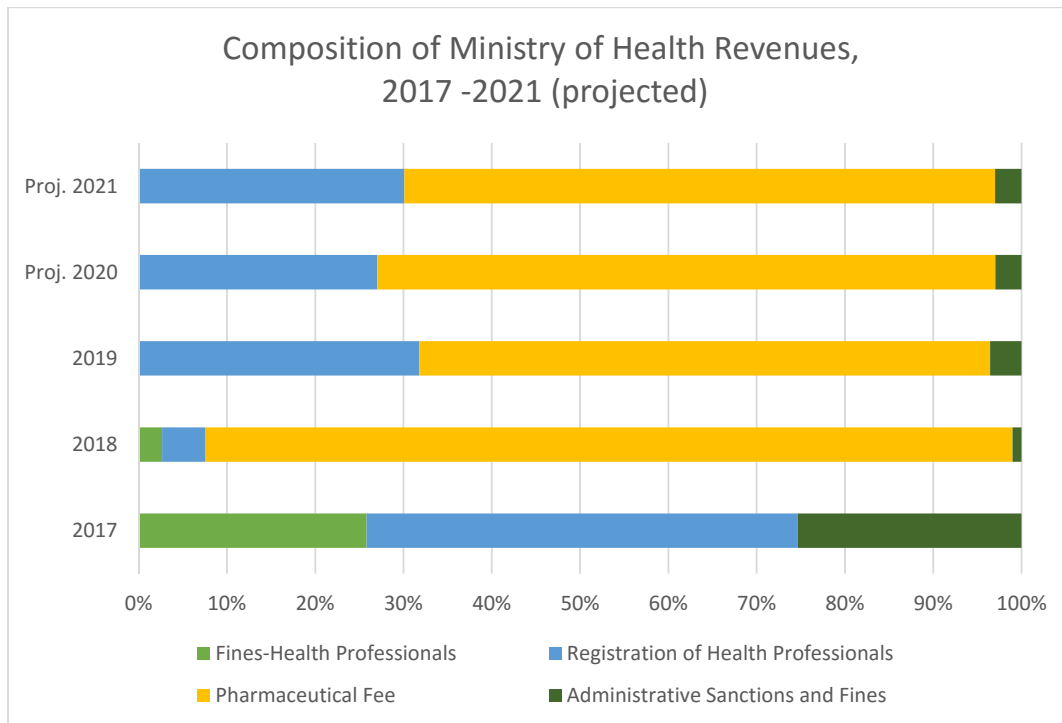
4.8.1 Ministry of Health

The Ministry of Health has 4 different revenue streams:

- Administrative Sanctions and Fines
- Fines of Health Professionals
- Pharmaceutical Fees
- Registration of Health Professionals

Pharmaceutical Fees are the largest contributor, making up an average of 52% of the ministries' total revenues over the past three years (78% when looking at the last two years only). The next biggest contributor is Registration of Health Professionals, which made up an average of 28% of revenues in the previous 3 years. While these two line items have grown in importance, the contribution of fines to overall revenues has declined rapidly in recent years. Fines for health professionals fell from 26% of the total in 2017 to less than 1% in 2019. A similar situation has happened with Administrative Sanctions and Fines which made up only 4% of revenues in 2019, after totalling 25% in 2017. Future projections show this trend continuing with both fine line items combined forecast to total less than 5% of overall revenues.

Figure 22: Composition of Ministry of Health Revenues, 2017 – 2021 (projected)

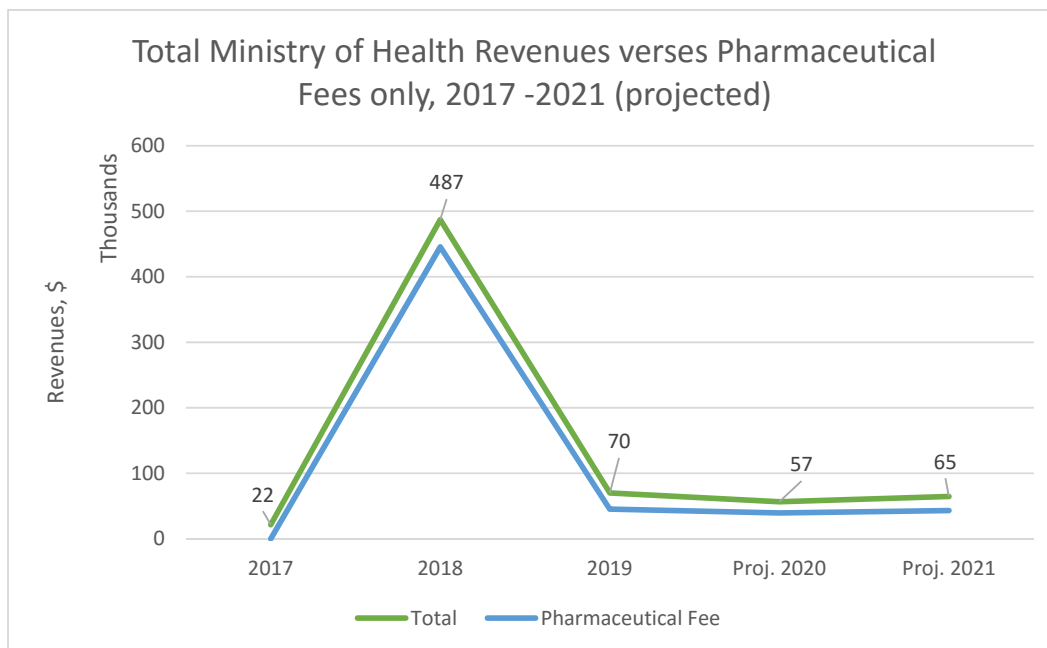


Source: National Directorate of Economic Policy, Ministry of Finance, July 2020.

Looking at the total level of revenue generated by the Ministry of Health, it is clear that there was a large spike in 2018. This was due to a large one off Pharmaceutical Fee payment in November of that year, totalling \$423,916.69. Without that payment, the total for the year would have been \$63.1 million, still a near tripling of the previous year. With the payment however, the increase was over 20 times that of 2017.

Future projections show a 13% fall in Pharmaceutical Fee revenues by the end of 2020, followed by a 9% rise in 2021.

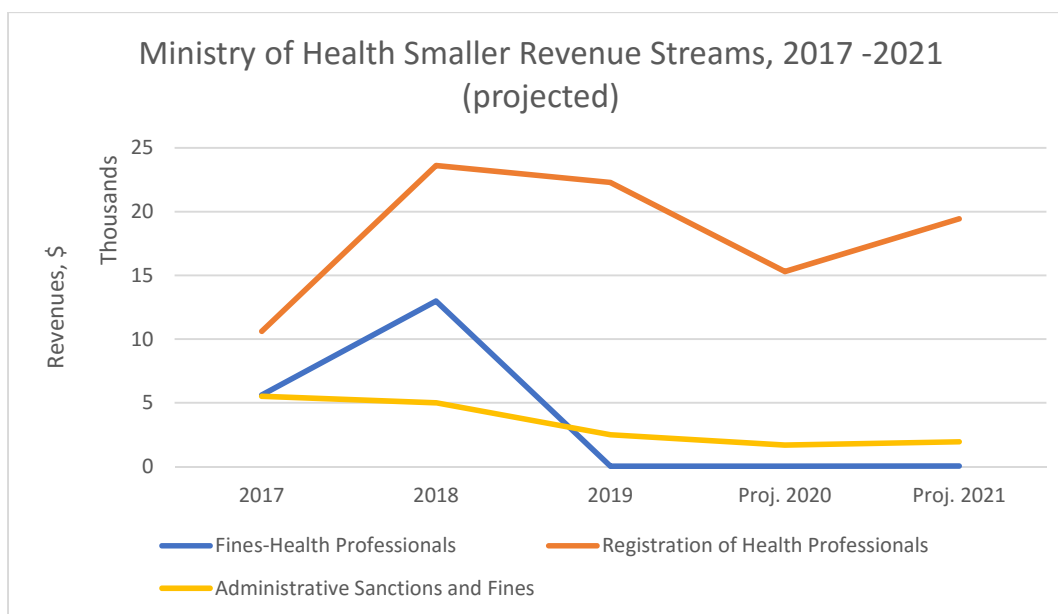
Figure 23: Total Ministry of Health Revenues versus Pharmaceutical Fees only, 2017 – 2021 (projected)



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

The other revenue streams follow a similar pattern, falling in 2020 due to the effect of the State of Emergency and beginning to rise again in 2021. However total revenues are not expected to return to 2019 levels until at least 2022, as the impact of global economic crisis continues to effect the Timorese economy.

Figure 24: Ministry of Health Smaller Revenue Streams, 2017 -2021 (projected)



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

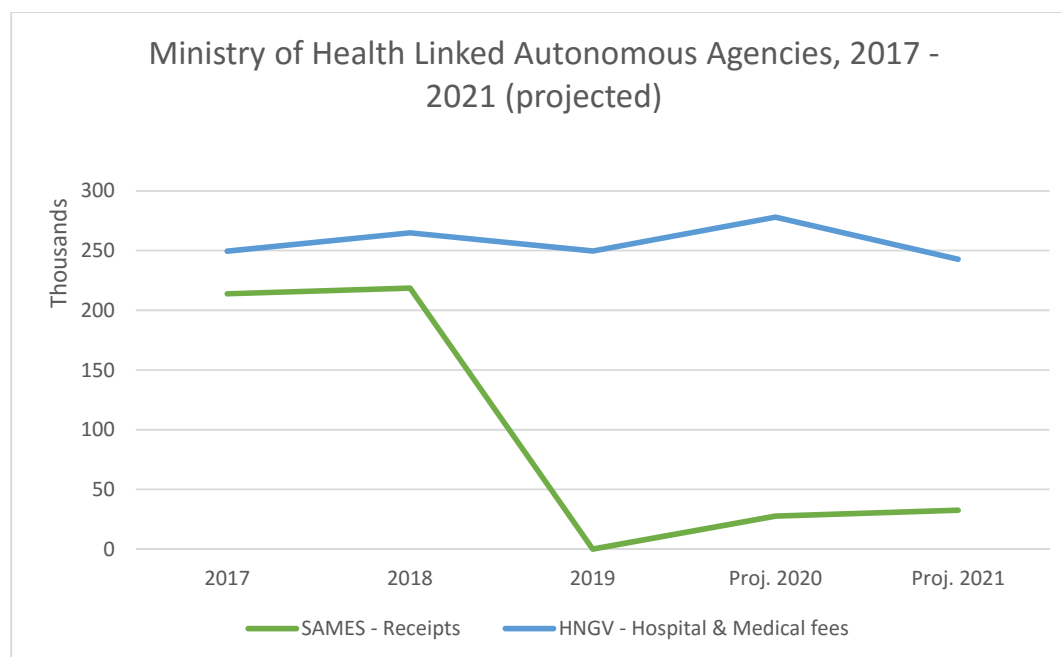
4.8.2 Related Agencies

The Ministry of Health also has two associated revenue generating autonomous agencies:

- SAMES (Servisu Autonomo de Medikamentus e Equipamentus de Saude) – Receipts from the sale of medical and pharmaceutical supplies
- HNGV (Hospital Nacional Guido Valadares) - Hospital & Medical fees from the national hospital

HNGV revenues have exceeded those by SAMES for the past 3 years and this trend is forecast to continue for the next two years at least. HNGV revenues have been fairly constant for the past three years. They are forecast to rise slightly in 2020 and remain relatively flat for 2021. On the other hand, SAMES revenues have seen a large variation. While collections for 2017 and 2018 were largely similar, with a slight year on year rise, they unexpectedly reported no revenues for 2019. It had been forecast to collect \$312,000. This has made forecasts for future years difficult, especially as many autonomous agencies submit the total of their annual revenues once a year in December. For instance, both HNGV AND SAMES currently have no collections yet for 2020. For this reason, it was decided pick a low estimate for future SAMES collections in 2020 and 2021 (around 12% of their revenues in 2018).

Figure 25: Ministry of Health Linked Autonomous Agencies, 2017 - 2021 (projected)

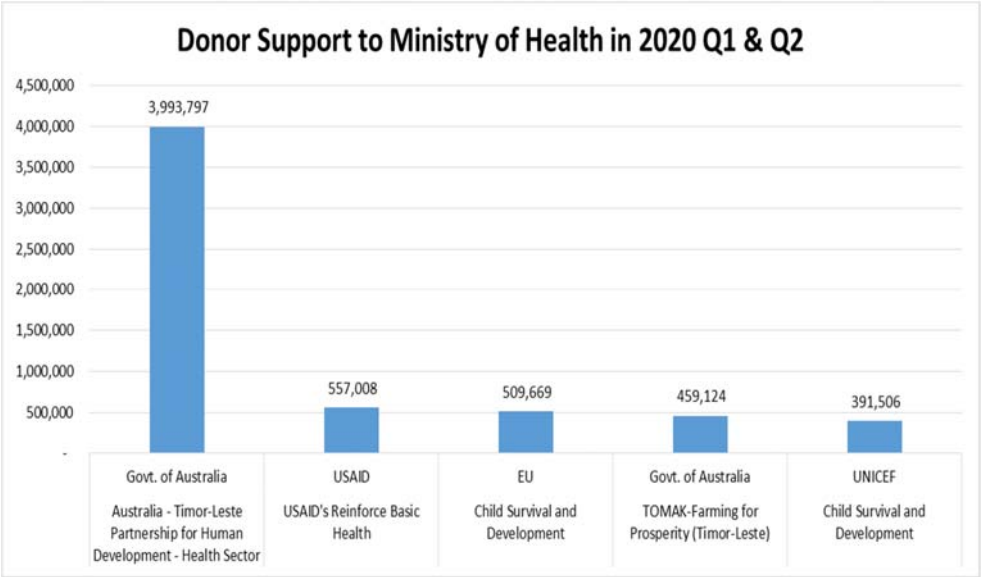


Source: National Directorate of Economic Policy, Ministry of Finance, July 2020.

4.9 Donor support to the Ministry of Health and agencies

The Ministry of Health and associated agencies received a little over \$8.2 million by the end of Q2, 2020 through donor assistance. Projects focussed on health system strengthening, tuberculosis, pandemic, child survival, nutrition etc. programmes. The Government of Australia, EU, and USAID were the biggest contributors at the end of Q2. The biggest funder was the Government of Australia and their Partnership for Health Development programme which totalled \$3.9 million.

Figure 26: Donor support to Ministry of Health, 2020



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

5 Other Matters of Interest

5.1 Procurement

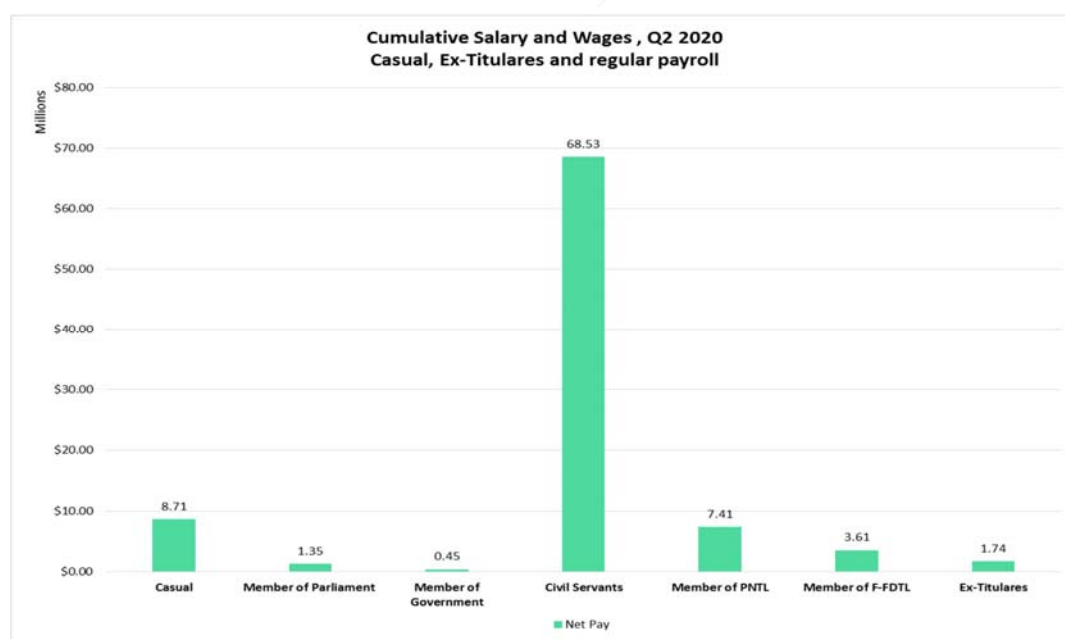
Timor-Leste has instituted a 10% limit on sole source procurement⁴. However, this rule does not apply to DOT system.

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 Q1 and Q2) for each subgroup is presented on the horizontal axis. In Q1, \$4.2 million was spent on casual employees, \$858k on ex-Titular's and \$39.7 million on regular payroll.

By Q2 2020, \$8.7 million was spent on casual employees, \$1.7 million on ex-Titular's and \$81.3 million on regular payroll.

Figure 27: Q1 and Q2, 2020 Salary and wages



Source:

National Directorate of Payment – General Directorate of Treasury, Ministry of Finance, July 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)

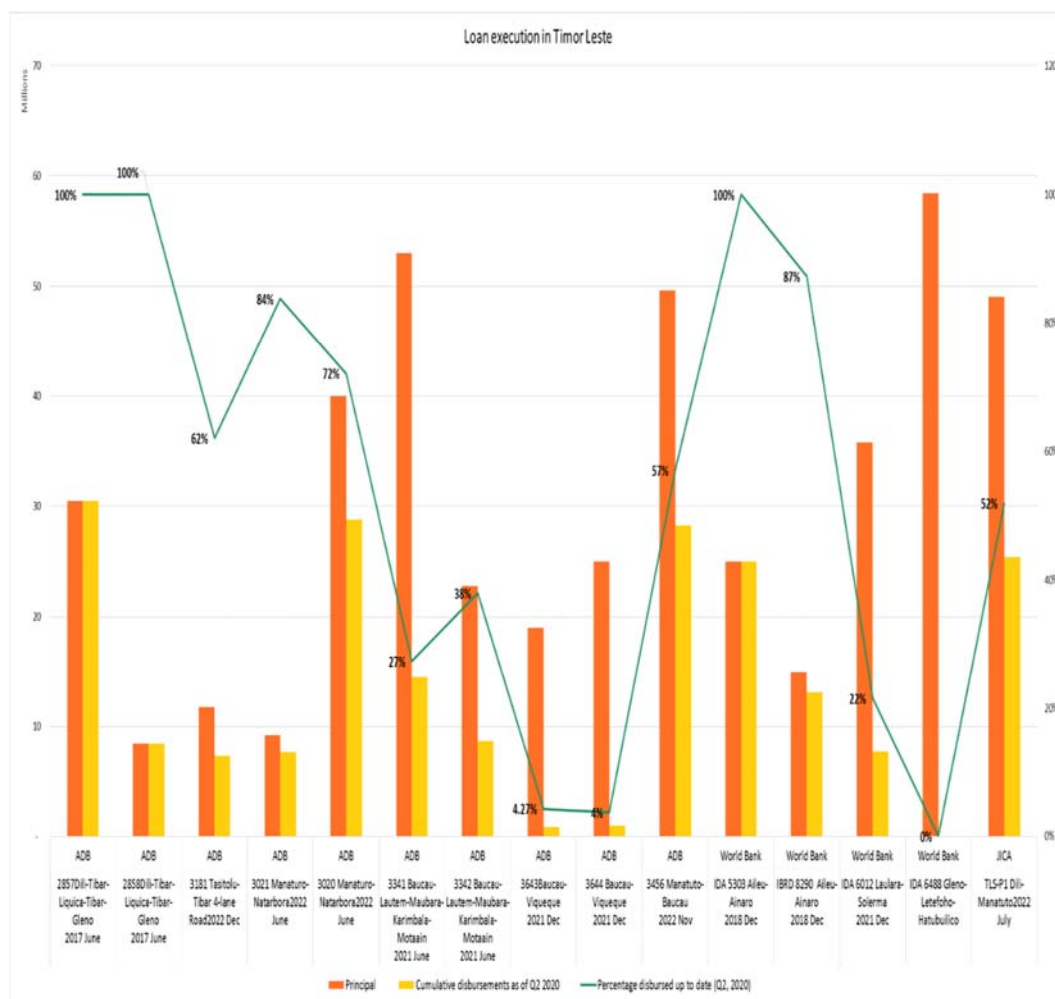
5.3 Loans

The following graph shows the ongoing and disbursed loan projects in Timor-Leste as of June 30, 2020. The loan disbursement must be utilised six months before the closing date of the loan. There has been almost no change in loan execution between Q1 and Q2, 2020 which can be attributed to issues related to state of emergency due to 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 50-85% by Q2, 2020. The loan execution of 3181 which was due to close on September 2020 has not moved since Q4, 2019 and remains at 62%. Similarly 3341 has increased execution by 5% only since Q4, 2019. The ADB loans for Baucau-Viqueque (3643 and 3644) have the lowest disbursement, between 0-10%, but are still due to be completed by December 2021. IDA 6488 (Gleno-Letefoho-Hatubulico) is a new World Bank addition to the loan portfolio.

Figure 28: Loan execution until Q1 and Q2, 2020



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